

ARES CAPITAL CORP  
Form N-2/A  
October 14, 2011

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As filed with the Securities and Exchange Commission on October 14, 2011

Registration No. 333-174716

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM N-2**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

PRE-EFFECTIVE AMENDMENT NO. 3  
 POST-EFFECTIVE AMENDMENT NO.

**ARES CAPITAL CORPORATION**

(Exact Name of Registrant as Specified in Charter)

245 Park Avenue, 44<sup>th</sup> Floor  
New York, New York 10167

(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (212) 750-7300

Joshua M. Bloomstein  
Ares Capital Corporation  
245 Park Avenue, 44<sup>th</sup> Floor  
New York, New York 10167  
(212) 750-7300

(Name and Address of Agent for Service)

*Copies of information to:*

Monica J. Shilling  
Proskauer Rose LLP  
2049 Century Park East, 32<sup>nd</sup> Floor  
Los Angeles, CA 90067-3206  
(310) 557-2900

**Approximate Date of Proposed Public Offering:** From time to time after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (check appropriate box):

when declared effective pursuant to section 8(c).

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CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$0.001 par value per share(2)(3)				
Preferred Stock, \$0.001 par value per share(2)				
Subscription Rights(2)				
Warrants(4)				
Debt Securities(5)				
Units(6)				
Total			\$2,000,000,000(7)	\$232,200(8)

- (1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this registration statement.
- (2) Subject to Note 7 below, there is being registered hereunder an indeterminate number of shares of common stock or preferred stock, or subscription rights to purchase shares of common stock as may be sold, from time to time separately or as units in combination with other securities registered hereunder.
- (3) Includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.
- (4) Subject to Note 7 below, there is being registered hereunder an indeterminate number of warrants as may be sold, from time to time separately or as units in combination with other securities registered hereunder, representing rights to purchase common stock, preferred stock or debt securities.
- (5) Subject to Note 7 below, there is being registered hereunder an indeterminate principal amount of debt securities as may be sold, from time to time separately or as units in combination with other securities registered hereunder. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed \$2,000,000,000.
- (6) Subject to Note 7 below, there is being registered hereunder an indeterminate number of units. Each unit may consist of a combination of any one or more of the securities being registered hereunder and may also include securities issued by third parties, including the U.S. Treasury.
- (7) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed \$2,000,000,000.
- (8) Previously paid.

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to Completion, dated October 14, 2011**

**PROSPECTUS**

**\$2,000,000,000**

**Common Stock  
Preferred Stock  
Debt Securities  
Subscription Rights  
Warrants  
Units**

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Ares Capital Corporation is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a business development company under the Investment Company Act of 1940. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. To a lesser extent, we also make equity investments.

We are externally managed by Ares Capital Management LLC, a wholly owned subsidiary of Ares Management LLC, a global alternative asset manager and a Securities and Exchange Commission ("SEC") registered investment adviser with approximately \$41 billion of total committed capital under management as of June 30, 2011. Ares Operations LLC, a wholly owned subsidiary of Ares Management LLC, provides the administrative services necessary for us to operate.

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." On October 13, 2011 the last reported sales price of our common stock on The NASDAQ Global Select Market was \$14.26 per share. The net asset value per share of our common stock at June 30, 2011 (the last date prior to the date of this prospectus on which we determined net asset value) was \$15.28.

**Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 27 of this prospectus, including the risk of leverage.**

We may offer, from time to time, in one or more offerings or series, up to \$2,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, which we refer to, collectively, as the "securities." The preferred stock, debt securities, subscription rights and warrants (including as part of a unit) offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such circumstances as the SEC may permit. This

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prospectus and the accompanying prospectus supplement concisely provide important information about us that you should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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**Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.**

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The date of this prospectus is \_\_\_\_\_, 2011.

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You should rely only on the information contained in this prospectus and the accompanying prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the accompanying prospectus supplement is accurate only as of the date on the front cover of this prospectus and the accompanying prospectus supplement, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we have filed with the SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, in one or more offerings or series, up to \$2,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and the prospectus supplement together with any exhibits and the additional information described under the headings "Available Information" and "Risk Factors" before you make an investment decision.

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**PROSPECTUS SUMMARY**

*This summary highlights some of the information contained elsewhere in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus. Except where the context suggests otherwise, the terms "we," "us," "our," "the Company" and "Ares Capital" refer to Ares Capital Corporation and its consolidated subsidiaries; "Ares Capital Management" and the "investment adviser" refer to Ares Capital Management LLC; "Ares Operations" and the "administrator" refer to Ares Operations LLC; and "Ares" refers to Ares Management LLC ("Ares Management") and its affiliated companies (other than portfolio companies of its affiliated funds).*

*As described in more detail below, we consummated the acquisition (the "Allied Acquisition") of Allied Capital Corporation ("Allied Capital") on April 1, 2010. Other than as set forth in the pro forma financial information or otherwise specifically set forth herein, financial information presented herein for and as of periods ending on or prior to March 31, 2010 does not include any information in respect of Allied Capital. In addition, other than as set forth in the pro forma financial information or otherwise specifically set forth herein, financial information for the year ended December 31, 2010 and the six months ended June 30, 2010, including, without limitation, with respect to the Company's consolidated statements of operations, stockholders' equity and cash flows, only includes results attributable to Allied Capital for the period beginning on April 1, 2010.*

**THE COMPANY**

**Overview**

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, as amended, or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately \$13 billion of total committed capital under management as of June 30, 2011, including available debt capacity (subject to leverage and borrowing base restrictions), vehicles directly or indirectly managed or co-managed by us or one of our wholly owned subsidiaries and vehicles managed or sub-managed by our wholly owned portfolio company, Ivy Hill Asset Management, L.P. ("IHAM").

We are externally managed by our investment adviser, Ares Capital Management, a wholly owned subsidiary of Ares Management, a global alternative asset manager and a SEC registered investment adviser with approximately \$41 billion of total committed capital under management as of June 30, 2011. Our administrator, a wholly owned subsidiary of Ares Management, provides the administrative services necessary for us to operate.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. However, we may from time to time invest in larger companies. In this prospectus, we generally use the term "middle-market" to refer to companies with annual EBITDA between \$10 million and \$250 million. As used herein, EBITDA represents net income before net interest expense, income tax expense, depreciation and amortization.

On April 1, 2010, we consummated the Allied Acquisition in an all stock merger whereby each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately

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69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments have generally ranged between \$20 million and \$250 million each, although the investment size may be more or less than this range. Our investment sizes are expected to grow with our capital availability.

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, which included equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity" for further information on the rotation of investments acquired as part of the Allied Acquisition.

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment we are operating in. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate a portion of such amount to third parties, such that we are left with a smaller investment than what was reflected in our original commitment. In addition to originating investments, we may also acquire investments in the secondary market.

The first and second lien senior loans in which we invest generally have stated terms of three to 10 years and the mezzanine debt investments in which we invest generally have stated terms of up to 10 years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, we may invest in loans and securities with any maturity or duration. The instruments in which we invest typically are not initially rated by any rating agency, but we believe that if such instruments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Ratings Services). We may invest without limit in debt or other securities of any rating, as well as debt or other securities that have not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms of Ares to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 13 years and its senior principals have an average of over 20 years experience investing in senior loans, high yield bonds, mezzanine debt and private equity securities. The Company has access to the Ares staff of approximately 170 investment professionals and approximately 145 administrative professionals who



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provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations.

Since our initial public offering on October 8, 2004 through June 30, 2011, our realized gains have exceeded our realized losses by \$106.8 million (excluding the one-time gain on the Allied Acquisition and gains/losses from the extinguishment of debt and other assets). For this same time period, our portfolio exits have resulted in an aggregate cash flow realized internal rate of return to us of approximately 15% (based on original cash invested of \$3.8 billion and total proceeds from such exits of \$4.6 billion). Approximately 78% of the exits resulted in an aggregate cash flow internal rate of return to us of 10% or greater. Internal rate of return is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these expenses are not allocable to specific investments. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of our debt investment or sale of an investment or through the determination that no further consideration was collectible and, thus, a loss may have been realized. These internal rate of return results are historical results relating to our past performance and are not necessarily indicative of future results, the achievement of which cannot be assured.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in opportunistic investments in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation." Specifically, as part of this 30% basket, we may invest in debt of middle-market companies located outside of the United States, in investment funds that are operating pursuant to certain exceptions to the Investment Company Act, in advisers to similar investment funds and in debt and equity of public companies that are not considered "eligible portfolio companies" (as defined in the Investment Company Act) because their market capitalization of publicly traded equity securities exceeds the levels provided for in the Investment Company Act. We expect that these public companies generally will have debt that may be non-investment grade. From time to time, we may also invest in high yield bonds, which, depending on the issuer, may or may not be included in this 30% basket.

We and General Electric Capital Corporation and GE Global Sponsor Finance LLC (collectively, "GE") also co-invest through an unconsolidated vehicle, the Senior Secured Loan Fund LLC, which operates using the name "Senior Secured Loan Program" (the "SSLP"). The SSLP was initially formed in December 2007 to co-invest in "stretch senior" and "unitranche" loans (loans that combine both senior and subordinated debt, generally in a first lien position) of middle-market companies and currently has approximately \$5.1 billion of available capital, approximately \$3.5 billion in aggregate principal amount of which was funded as of June 30, 2011. At June 30, 2011, we had agreed to make available to the SSLP approximately \$1 billion, of which approximately \$200 million was unfunded. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by both an affiliate of GE and the Company.

We also manage an unconsolidated fund, AGILE Fund I, LLC (the "AGILE Fund"), which had approximately \$65.4 million of total committed capital under management as of June 30, 2011.

In addition, our portfolio company, IHAM, manages 10 unconsolidated credit vehicles and sub-manages four other unconsolidated credit vehicles (such 14 vehicles managed or sub-managed by IHAM are collectively referred to as the "IHAM Vehicles"), which are described in more detail under "Business Investments Managed Vehicles" below. We have also made direct investments in securities of certain of these vehicles. As of June 30, 2011, IHAM had total committed capital under management of approximately \$3.4 billion, which included approximately \$0.4 billion invested by Ares Capital in IHAM or securities issued by the IHAM Vehicles.

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**About Ares**

Founded in 1997, Ares is a global alternative asset manager and SEC registered investment adviser with approximately \$41 billion of total committed capital under management and over 380 employees as of June 30, 2011.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the origination, acquisition and management of senior loans, high yield bonds, mezzanine debt and special situation investments. Ares' private equity activities focus on providing flexible, junior capital to middle-market companies. Ares has the ability to invest across a capital structure, from senior floating rate debt to common equity. This flexibility, combined with Ares' "buy and hold" philosophy, enables Ares to structure an investment to meet the specific needs of a company rather than the less flexible demands of the public markets.

Ares is comprised of the following groups:

**Private Debt Group.** The Ares Private Debt Group manages Ares Capital, Ares Credit Strategies Fund II, L.P., Ares Credit Strategies Fund III, L.P. and Ares' private debt middle-market financing business in Europe, Ares Capital Europe ("ACE"), which together had approximately \$15 billion of total committed capital under management as of June 30, 2011, including capital which may be committed for investment both directly and through certain financial services portfolio companies of the Company. The Ares Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt, which in some cases may include an equity component. The Ares Private Debt Group also makes equity investments in private middle-market companies, usually in conjunction with a concurrent debt investment.

**Capital Markets Group.** The Ares Capital Markets Group had approximately \$20 billion of total committed capital under management as of June 30, 2011 through a variety of funds and investment vehicles, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

**Private Equity Group.** The Ares Private Equity Group had approximately \$6 billion of total committed capital under management as of June 30, 2011, primarily through Ares Corporate Opportunities Fund L.P., Ares Corporate Opportunities Fund II, L.P. and Ares Corporate Opportunities Fund III, L.P. (collectively referred to as "ACOF"). ACOF generally makes private equity investments in amounts substantially larger than the private equity investments anticipated to be made by Ares Capital. In particular, the Ares Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

Ares' senior principals have been working together as a group for many years and have an average of over 20 years of experience in leveraged finance, private equity, distressed debt, investment banking and capital markets. They are backed by a large team of highly disciplined professionals. Ares' rigorous investment approach is based upon an intensive, independent financial analysis, with a focus on preservation of capital, diversification and active portfolio management. These fundamentals underlie Ares' investment strategy and have resulted in large pension funds, banks, insurance companies, endowments and certain high net worth individuals investing in Ares' funds.

**Ares Capital Management**

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of approximately 55 U.S.-based investment professionals led by the senior partners of the Ares Private Debt Group: Michael Arougheti, Eric Beckman, Kipp deVeer, Mitchell

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Goldstein, Michael Smith and Gordon Watters. Ares Capital Management leverages off of Ares' investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares has approximately 170 investment professionals covering current investments in more than 1,000 companies across over 30 industries. Ares Capital Management's investment committee has nine members, including the senior partners of the Ares Private Debt Group and senior partners in the Ares Capital Markets Group and the Ares Private Equity Group.

**Recent Developments**

As of September 30, 2011, since June 30, 2011 we had made new investment commitments of \$1.4 billion, of which \$1.1 billion were funded. Of these new commitments, 65% were in first lien senior secured debt, 21% were in second lien senior secured debt, 10% were in equity securities, and 4% were in investments in subordinated certificates of the SSLP. Of the \$1.4 billion of new investment commitments, 96% were floating rate and 4% were fixed rate. The weighted average yield of debt and income producing securities funded during the period at amortized cost was 10.0%. We may seek to syndicate a portion of these new investment commitments to third parties, although there can be no assurance that we will be able to do so.

As of September 30, 2011, since June 30, 2011 we had exited \$971 million of investments. Of these investments, 63% were in first lien senior secured debt, 16% were in senior subordinated debt, 12% were in second lien senior secured debt, 7% were in equity securities, and 2% were in collateralized loan obligations. Of the \$971 million of exited investments, 79% were floating rate investments, 12% were fixed rate investments, 7% were non-interest bearing and 2% were on non-accrual status. The weighted average yield of debt and income producing securities exited or repaid during the period at amortized cost was 10.2%. On the \$971 million of investments exited since June 30, 2011, we recognized total net realized gains of approximately \$48 million. Included within the \$971 million of investments exited since June 30, 2011 were \$105 million of investments acquired as part of the Allied Acquisition. We recognized net realized losses of approximately \$16 million on the investments exited that were acquired as part of the Allied Acquisition.

In addition, as of September 30, 2011, we had an investment backlog and pipeline of \$610 million and \$105 million, respectively. We may syndicate a portion of these investments and commitments to third parties. The consummation of any of the investments in this backlog and pipeline depends upon, among other things: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. We cannot assure you that we will make any of these investments or that we will syndicate any portion of such investments and commitments.

On October 13, 2011, we and Ares Capital CP entered into an amendment to the Revolving Funding Facility to, among other things, increase the amount of the Revolving Funding Facility from \$400 million to \$500 million.

**MARKET OPPORTUNITY**

We believe that current market conditions present attractive opportunities for us to invest in middle-market companies. Specifically:

We believe that many senior lenders have, in recent years, de-emphasized their service and product offerings to middle-market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, commercial and investment banks are limited in their ability to underwrite and syndicate bank loans and high yield securities for middle-market issuers as they seek to build capital and reduce leverage, resulting in

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opportunities for alternative funding sources and therefore higher new-issue market opportunities.

We believe that there is a lack of market participants that are willing to not only underwrite but also hold loans. As a result, we believe our ability to minimize syndication risk for a company seeking financing by being able to hold our loans without syndicating them is a competitive advantage.

We believe there is a large pool of uninvested private equity capital for middle-market businesses. We expect private equity firms will seek to leverage their investments by combining equity capital with senior secured loans and mezzanine debt from other sources, such as the Company.

A high volume of senior secured and high yield debt was originated in the calendar years 2004 through 2007 and will come due in the near term and, accordingly, we believe that new financing opportunities will increase as many companies seek to refinance this indebtedness.

**COMPETITIVE ADVANTAGES**

We believe that we have the following competitive advantages over other capital providers to middle-market companies:

**The Ares Platform**

As of June 30, 2011, Ares managed approximately \$41 billion of total committed capital under management in the related asset classes of non-syndicated first and second lien senior loans, syndicated loans, high yield bonds, mezzanine debt and private equity. We believe Ares' current investment platform provides a competitive advantage in terms of access to origination and marketing activities and diligence for Ares Capital. Specifically, the Ares platform provides the Company an advantage through its deal flow generation and investment evaluation process. Ares' asset management platform also provides additional market information, company knowledge and industry insight that benefit the investment and due diligence process. Ares' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

**Seasoned Management Team**

Ares' senior professionals have an average of more than 20 years of experience in leveraged finance, including substantial experience in investing in leveraged loans, high yield bonds, mezzanine debt, distressed debt and private equity securities. The investment professionals in the Ares Private Debt Group and members of our investment adviser's investment committee also have significant experience originating and investing across market cycles. As a result of Ares' extensive investment experience and the history of its seasoned management team, Ares has developed a strong reputation across U.S. and European capital markets. We believe that Ares' long history in the leveraged loan market and the extensive experience of its principals originating and investing across market cycles provides Ares Capital with a competitive advantage in identifying, originating, investing in and managing a portfolio of investments in middle-market companies.

**Experience and Focus on Middle-Market Companies**

Ares has historically focused on investments in middle-market companies and we benefit from this experience. In sourcing and analyzing deals, our investment adviser benefits from Ares' extensive network of relationships focused on middle-market companies, including management teams, members of the investment banking community, private equity groups and other investment firms with whom Ares has had long-term relationships. We believe this network enables us to identify well-positioned

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prospective portfolio company investments. The Ares Private Debt Group works closely with Ares' other investment professionals, who together currently oversee a portfolio of investments in over 1,000 companies across over 30 industries, and provide access to an extensive network of relationships and insights into industry trends and the state of the capital markets.

**Disciplined Investment Philosophy**

In making its investment decisions, our investment adviser has adopted Ares' long-standing, consistent, credit-based investment approach that was developed over 21 years ago by its founders. Specifically, our investment adviser's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment and financial markets and company-specific research and analysis. Its investment approach emphasizes capital preservation, low volatility and minimization of downside risk. In addition to engaging in extensive due diligence from the perspective of a long-term investor, our investment adviser's approach seeks to reduce risk in investments by focusing on:

businesses with strong franchises and sustainable competitive advantages;

industries with positive long-term dynamics that have performed through the credit cycle;

businesses and industries with cash flows that are dependable and predictable, including those that have strategic M&A value;

management teams with demonstrated track records and appropriate economic incentives;

rates of return commensurate with the perceived risks;

securities or investments that are structured with favorable terms and covenants; and

businesses backed by experienced private equity sponsors.

**Extensive Industry Focus**

We seek to concentrate our investing activities in industries with a history of predictable and dependable cash flows and in which the Ares investment professionals have had extensive investment experience. Ares investment professionals have developed long-term relationships with management teams and management consultants in over 30 industries, and have accumulated substantial information and identified potential trends within these industries. In turn, we benefit from these relationships, information and identification of potential trends in making investments.

**Flexible Transaction Structuring and Scale**

We believe that being one of the largest BDCs with approximately \$13 billion of total committed capital under management as of June 30, 2011, including available debt capacity (subject to leverage and borrowing base restrictions), vehicles directly or indirectly managed or co-managed by us or one of our wholly owned subsidiaries and vehicles managed or sub-managed by certain financial services portfolio companies makes us a more desirable capital provider, especially in competitive markets. We are flexible in structuring investments, including the types of investments and the terms associated with such investments. Ares has extensive experience investing in a wide variety of structures for companies with a diverse set of terms and conditions. We believe this approach and experience enables our investment adviser to identify attractive investment opportunities throughout economic cycles and across a company's capital structure so we can make investments consistent with our stated investment objective and preserve principal while seeking appropriate risk adjusted returns. In addition, we have the ability to provide "one stop" financing with the ability to invest capital across the balance sheet and syndicate and hold larger investments than many of our competitors. We believe that the ability to underwrite, syndicate and hold larger investments benefits our stockholders by (a) potentially



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increasing net income and earnings through syndication, (b) increasing originated deal flow flexibility, (c) broadening market relationships and deal flow, (d) allowing us to optimize our portfolio composition and (e) allowing us to provide capital to middle-market companies, which we believe currently have limited access to capital from traditional lending sources. In addition, we believe that the ability to provide capital at every level of the balance sheet provides a strong value proposition to middle-market borrowers and our senior debt capabilities provide superior deal origination and relative value analysis capabilities compared to traditional "mezzanine only" lenders.

**Broad Origination Strategy**

We focus on self-originating most of our investments by pursuing a broad array of investment opportunities in middle-market companies across multiple channels. We also leverage off of the extensive relationships of the broader Ares platform, including relationships with the companies in the IHAM Vehicles, to identify investment opportunities. We believe that this allows for asset selectivity and that there is a significant relationship between proprietary deal origination and credit performance. We believe that our focus on generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and enables us to actively manage our portfolio investments. Moreover, by leading the investment process, we are often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. We also have originated substantial proprietary deal flow from middle-market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

**OPERATING AND REGULATORY STRUCTURE**

Our investment activities are managed by Ares Capital Management, which is wholly owned by Ares, and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Ares Capital Management is registered under the Investment Advisers Act of 1940, or the "Advisers Act." Under our investment advisory and management agreement, we have agreed to pay Ares Capital Management an annual base management fee based on our total assets, as defined under the Investment Company Act (other than cash and cash equivalents, but including assets purchased with borrowed funds), and an incentive fee based on our performance. See "Management Investment Advisory and Management Agreement."

As a BDC, we are required to comply with certain regulatory requirements. While we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. See "Business Operating and Regulatory Structure" and "Regulation." We have elected to be treated for U.S. federal income tax purposes as a regulated investment company, or a "RIC," under Subchapter M of the Internal Revenue Code of 1986, or the "Code." See "Certain Material U.S. Federal Income Tax Considerations."

**MARKET CONDITIONS**

Due to volatility in global markets, the availability of capital and access to capital markets has been limited over the last several years. As the global liquidity situation and market conditions evolve, we will continue to monitor and adjust our approach to funding accordingly. However, given the unprecedented nature of the recent volatility in the global markets and the uncertainty around the strength of the U.S. economic recovery, there can be no assurance that these activities will be successful. While levels of market disruption and volatility have improved, there can be no assurance that adverse market conditions will not repeat themselves. If they do, we could face materially higher financing costs. Consequently, our operating strategy could be materially and adversely affected. See "Risk Factors Risks Relating to Our Business Capital markets have recently been in a period of disruption and instability. These market conditions materially and adversely affected debt and equity

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capital markets in the United States, which had, and may in the future have, a negative impact on our business and operations."

In connection with prior depressed market conditions of the general economy, the stocks of BDCs as an industry have in the past traded at near historic lows as a result of concerns over liquidity, credit quality, leverage restrictions and distribution requirements. In some cases, certain BDCs became "forced sellers" of assets, defaulted on their indebtedness, decreased their distributions to stockholders or announced share repurchase programs. We cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

**ACQUISITION OPPORTUNITIES**

We believe the recent dislocation and illiquidity in the credit markets has increased the likelihood of further consolidation in our industry. To that end, we and our portfolio company IHAM are evaluating (and expect to continue to evaluate in the future) a number of potential strategic acquisition opportunities, including acquisitions of:

asset portfolios;

contracts to manage CLO vehicles and other investment vehicles;

other private and public finance companies or asset managers; and

selected secondary market assets.

We and our portfolio company IHAM have been and from time to time engage in discussions with counterparties in respect of various potential strategic acquisition and investment transactions, including potential acquisitions of other finance companies. Some of these transactions could be material to our business and, if consummated, could be difficult to integrate, result in increased leverage or dilution and/or subject us to unexpected liabilities. However, none of these discussions has progressed to the point where the consummation of any such transaction could be deemed to be probable or reasonably certain as of the date of this prospectus. Consummation of any such transaction will be subject to completion of due diligence, finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our board of directors (after having determined that such transaction is in the best interest of our stockholders), any required third party consents and, in certain cases, the approval of our stockholders. We cannot predict how quickly the terms of any such transaction could be finalized, if at all. Accordingly, there can be no assurance that definitive documentation for any such transaction would be executed or even if executed, that any such transaction will be consummated. In connection with evaluating potential strategic acquisition and investment transactions, we have, and may in the future, incur significant expenses for the evaluation and due diligence investigation of these potential transactions.

**LIQUIDITY**

As of June 30, 2011, our total consolidated indebtedness was \$1.7 billion aggregate principal amount, approximately \$1.2 billion aggregate principal amount of which was unsecured indebtedness of Ares Capital and approximately \$0.5 billion of which was secured indebtedness of our wholly owned subsidiaries.

As of June 30, 2011, of the \$1.7 billion aggregate principal amount of total outstanding indebtedness: (i) no amounts were outstanding under our \$810.0 million revolving credit facility (the "Revolving Credit Facility"), (ii) \$348.7 million aggregate principal amount of our revolving funding facility of our wholly owned subsidiary, Ares Capital CP Funding LLC ("Ares Capital CP") (the "Revolving Funding Facility" and, together with the Revolving Credit Facility, the "Facilities") were outstanding, (iii) \$138.3 million aggregate principal amount of our CLO Notes (as defined below) were



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outstanding under our debt securitization (the "Debt Securitization"), (iv) \$200.0 million aggregate principal amount of our 7.75% senior notes that mature on October 15, 2040 (the "2040 Notes") were outstanding, (v) \$230.0 million aggregate principal amount of our 6.875% senior notes due on April 15, 2047 (the "2047 Notes" and, together with the 2040 Notes, the "Unsecured Notes") were outstanding, (vi) \$575.0 million aggregate principal amount of our convertible senior unsecured notes that mature on February 1, 2016 (the "February 2016 Convertible Notes") were outstanding and (vii) \$230.0 million aggregate principal amount of our convertible senior unsecured notes that mature on June 1, 2016 (the "June 2016 Convertible Notes" and, together with the February 2016 Convertible Notes, the "Convertible Notes") were outstanding.

For more information on the Company's debt, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources."

**RISK FACTORS**

Investing in Ares Capital involves risks. The following is a summary of certain risks that you should carefully consider before investing in our securities. In addition, see "Risk Factors" beginning on page 27 for a more detailed discussion of the factors you should carefully consider before deciding to invest in our securities.

**Risks Relating to Our Business**

Capital markets have recently been in a period of disruption and instability. These market conditions materially and adversely affected debt and equity capital markets in the United States, which had, and may in the future have, a negative impact on our business and operations.

A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility.

We are dependent upon certain key personnel of Ares for our future success and upon their access to other Ares investment professionals.

Our financial condition and results of operations depend on our ability to manage future growth effectively.

We may be unable to realize the benefits anticipated by the Allied Acquisition or it may take longer than anticipated to achieve such benefits.

Our ability to grow depends on our ability to raise capital.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.

We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us.

In addition to regulatory requirements that restrict our ability to raise capital, the Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes contain various covenants that, if not complied with, could accelerate repayment under the Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes, thereby materially and adversely affecting our liquidity, financial condition and results of operations.

Our credit ratings may change and as a result the cost and flexibility under our debt instruments may change.

We operate in a highly competitive market for investment opportunities.

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We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC.

We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.

We are exposed to risks associated with changes in interest rates.

Many of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable.

The lack of liquidity in our investments may adversely affect our business.

We may experience fluctuations in our quarterly results.

There are significant potential conflicts of interest that could impact our investment returns.

Changes in laws or regulations governing our operations or the operations of our portfolio companies, changes in the interpretation thereof or newly enacted laws or regulations, such as the Dodd-Frank Act, and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

Our investment adviser's liability is limited under the investment advisory and management agreement, and we are required to indemnify our investment adviser against certain liabilities, which may lead our investment adviser to act in a riskier manner on our behalf than it would when acting for its own account.

We may be obligated to pay our investment adviser incentive compensation even if we incur a loss.

We may not replicate Ares' historical success and our ability to enter into transactions with Ares and our other affiliates is restricted.

**Risks Relating to Our Investments**

Declines in market prices and liquidity in the corporate debt markets can result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

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Investments in privately held middle-market companies involve significant risks.

Our debt investments may be risky and we could lose all or part of our investment.

Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

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Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

When we are a debt or minority equity investor in a portfolio company, we are often not in a position to exert influence on the entity, and other equity holders and management of the company may make decisions that could decrease the value of our portfolio holdings.

Our portfolio companies may be highly leveraged.

Our investment adviser's incentive fee may induce it to make certain investments, including speculative investments.

Our investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments. We may also expose ourselves to risks if we engage in hedging transactions.

We may initially invest a portion of the net proceeds of offerings pursuant to this prospectus primarily in high-quality short-term investments, which will generate lower rates of return than those expected from the interest generated on first and second lien loans and mezzanine debt.

The Allied Acquisition may have triggered certain "change of control" provisions and other restrictions in certain of our and Allied Capital's contracts and the failure to obtain any required consents or waivers could adversely impact us.

**Risks Relating to Offerings Pursuant to this Prospectus**

Our shares of common stock have traded at a discount from net asset value and may do so again in the future, which could limit our ability to raise additional equity capital.

There is a risk that investors in our common stock may not receive dividends or that our dividends may not grow over time and that investors in our debt securities may not receive all of the interest income to which they are entitled.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

Investing in our common stock may involve an above average degree of risk.

The market price of our common stock may fluctuate significantly.

The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares.

Investors in offerings of our common stock will likely incur immediate dilution upon the closing of such offering.

Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

Our stockholders may experience dilution upon the conversion of the Convertible Notes.

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Our stockholders may receive shares of our common stock as dividends, which could result in adverse tax consequences to them.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

The trading market or market value of our publicly issued debt securities may fluctuate.

Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.

Our credit ratings may not reflect all risks of an investment in our debt securities.

**OUR CORPORATE INFORMATION**

Our administrative offices are located at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, telephone number (310) 201-4200, and our executive offices are located at 245 Park Avenue, 44th Floor, New York, New York 10167, telephone number (212) 750-7300.

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**OFFERINGS**

We may offer, from time to time, in one or more offerings or series, up to \$2,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such other circumstances as the SEC may permit. Any such issuance of shares of our common stock below net asset value may be dilutive to the net asset value of our common stock. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus."

At our 2011 annual stockholders meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 6, 2011 and expiring on the earlier of June 6, 2012 and the date of our 2012 annual stockholders meeting.

We may offer our securities directly to one or more purchasers, including existing stockholders in a rights offering, through agents that we designate from time to time or to or through underwriters or dealers. The prospectus supplement relating to each offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

Set forth below is additional information regarding offerings of our securities:

Use of proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes, among other things, (a) investing in portfolio companies in accordance with our investment objective and strategies and market conditions and (b) repaying indebtedness. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See "Use of Proceeds."
Distributions	We intend to distribute quarterly dividends to our stockholders out of assets legally available for distribution. Our quarterly dividends, if any, will be determined by our board of directors. For more information, see "Price Range of Common Stock and Distributions."
Taxation	We have elected to be treated for U.S. federal income tax purposes as a RIC. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any income and gain that we distribute to



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	our stockholders as dividends on a timely basis. Among other things, in order to maintain our RIC status, we must meet specified income source and asset diversification requirements and distribute annually generally an amount equal to at least 90% of our investment company taxable income, out of assets legally available for distribution. See "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC" and "Price Range of Common Stock and Distributions."
Dividend reinvestment plan	We have a dividend reinvestment plan for our stockholders. This is an "opt out" dividend reinvestment plan. As a result, if we declare a cash dividend, then stockholders' dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash. Stockholders whose cash dividends are reinvested in additional shares of our common stock will be subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."
The NASDAQ Global Select Market symbol	"ARCC"
Anti-takeover provisions	Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures adopted by us. See "Description of Our Capital Stock."
Leverage	We borrow funds to make additional investments. We use this practice, which is known as "leverage," to attempt to increase returns to our common stockholders, but it involves significant risks. See "Risk Factors," "Senior Securities" and "Regulation Indebtedness and Senior Securities." With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, equals at least 200% after such borrowing. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.
Management arrangements	Ares Capital Management serves as our investment adviser. Ares Operations serves as our administrator. For a description of Ares Capital Management, Ares Operations, Ares and our contractual arrangements with these companies, see "Management Investment Advisory and Management Agreement," and " Administration Agreement."
Available information	We are required to file periodic reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at <a href="http://www.arescapitalcorp.com">www.arescapitalcorp.com</a> . The SEC also maintains a website at <a href="http://www.sec.gov">www.sec.gov</a> that contains this information.

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**FEEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear, directly or indirectly, based on the assumptions set forth below. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid or to be paid by "you," "us," "the Company" or "Ares Capital," or that "we" will pay fees or expenses, stockholders will directly or indirectly bear such fees or expenses as investors in Ares Capital.

<b>Stockholder transaction expenses (as a percentage of offering price):</b>	
Sales load paid by us	(1)
Offering expenses	(2)
Dividend reinvestment plan expenses	None (3)
<b>Total stockholder transaction expenses paid</b>	<b>(4)</b>
<b>Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):</b>	
Management fees	2.25%(6)
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income and 20% of realized capital gains, subject to certain limitations)	2.11%(7)
Interest payments on borrowed funds	3.77%(8)
Other expenses	1.18%(9)
Acquired fund fees and expenses	0.00%(10)
<b>Total annual expenses (estimated)</b>	<b>9.31%(11)</b>

- 
- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load (underwriting discount or commission). Purchases of shares of our common stock on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include any sales load that stockholders may have paid in connection with their purchase of shares of our common stock.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The expenses of the dividend reinvestment plan are included in "Other expenses."
- (4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.
- (5) "Consolidated net assets attributable to common stock" equals our average net assets for the six months ended June 30, 2011.
- (6) Our management fee is currently 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents. The 2.25% reflected on the table is calculated on our average net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement."
- (7)

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This item represents our investment adviser's incentive fees based on annualizing actual amounts earned on our pre-incentive fee net investment income for the six months ended June 30, 2011 and assumes that the incentive fees earned at the end of the 2011 calendar year will be based on

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the actual cumulative realized capital gains computed net of cumulative realized capital losses and unrealized capital depreciation as of June 30, 2011. For purposes of this table, we have assumed that this fee will remain constant although it is based on Ares Capital's performance and will not be paid unless Ares Capital achieves certain goals. We expect to invest or otherwise utilize all of the net proceeds from securities registered under the registration statement of which this prospectus is a part pursuant to a particular prospectus supplement within three months of the date of the offering pursuant to such prospectus supplement and may have capital gains and interest income that could result in the payment of an incentive fee to our investment adviser in the first year after completion of offerings pursuant to this prospectus. Since our initial public offering through June 30, 2011, the average quarterly incentive fee payable to our investment adviser has been approximately 0.57% of our weighted average net assets (2.27% on an annualized basis). For more detailed information about incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011.

The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 1.75% quarterly (7.0% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our investment adviser receives no incentive fee until our net investment income equals the hurdle rate of 1.75% but then receives, as a "catch-up," 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.1875% in any calendar quarter, our investment adviser will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

The second part, payable annually in arrears, equals 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period.

These calculations will be adjusted for any share issuances or repurchases.

"Incentive fees payable under investment advisory and management agreement" does not include an accrual (in accordance with GAAP) for a capital gains incentive fee of \$24.6 million and \$39.8 million for the three and six months ended June 30, 2011, respectively, because no capital gains incentive fee was payable under the investment advisory and management agreement. GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Company Act or the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the Capital Gains Fee (as defined below) plus the aggregate cumulative unrealized capital appreciation. If such amount is

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positive at the end of a period, then GAAP requires us to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual Capital Gains Fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future or that the amount accrued for will ultimately be paid.

See "Management Investment Advisory and Management Agreement."

- (8) "Interest payments on borrowed funds" represents an estimate of our annualized interest expenses based on actual interest and credit facility expenses incurred for the six months ended June 30, 2011. During the six months ended June 30, 2011, our average outstanding borrowings were \$1,509.8 million and cash paid for interest expense was \$38.4 million. We had outstanding borrowings of \$1,722.0 million (with a carrying value of \$1,620.1 million) at June 30, 2011. This item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The prospectus supplement related to the offering of any debt securities pursuant to this prospectus will calculate this item based on the effects of our borrowings and interest costs after the issuance of such debt securities. The amount of leverage that we employ at any particular time will depend on, among other things, our board of directors' and our investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."
- (9) Includes our overhead expenses, including payments under our administration agreement (as defined below), based on our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, and income taxes. Such expenses are estimates based on annualized "Other expenses" for the six months ended June 30, 2011. The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses. See "Management Administration Agreement."
- (10) The Company's stockholders indirectly bear the expenses of underlying funds or other investment vehicles that would be investment companies under section 3(a) of the Investment Company Act but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the Investment Company Act ("Acquired Funds") in which the Company invests. This amount includes the fees and expenses of Acquired Funds in which the Company is invested as of June 30, 2011. Certain of these Acquired Funds are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% of net profits. When applicable, fees and expenses are based on historic fees and expenses for the Acquired Funds. For those Acquired Funds with little or no operating history, fees and expenses are based on expected fees and expenses stated in the Acquired Funds' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these Acquired Funds may be substantially higher or lower because certain fees and expenses are based on the performance of the Acquired Funds, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on average monthly net assets of \$3.1 billion for the six months ended June 30, 2011.

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- (11) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies.

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that we would have no additional leverage, that none of our assets are cash or cash equivalents, and that our annual operating expenses would remain at the levels set forth in the table above. Transaction expenses are not included in the following example. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return(1)	\$ 74	\$ 216	\$ 352	\$ 664

- (1) The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a \$1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, \$84; 3 years, \$245; 5 years, \$396; and 10 years, \$739. However, cash payment of the capital incentive fee would be deferred if, during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) was less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period (as adjusted for any share issuances or repurchases).

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if our board of directors authorizes and we declare a cash dividend, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

**This example and the expenses in the table above should not be considered a representation of our future expenses as actual expenses (including the cost of debt, if any, and other expenses) that we may incur in the future and such actual expenses may be greater or less than those shown.**

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**SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL**

The following selected financial and other data as of and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this prospectus. The selected financial and other data for the six months ended June 30, 2011 and other quarterly financial information are derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities," which are included elsewhere in this prospectus or the accompanying prospectus supplement.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA**  
**As of and For the Six Months Ended June 30, 2011 and**  
**As of and For the Years Ended December 31, 2010, 2009, 2008, 2007 and 2006**  
**(dollar amounts in millions, except per share data)**

	As of and For the Six Months Ended June 30, 2011	As of and the Year Ended December 31, 2010	As of and For the Year Ended December 31, 2009	As of and For the Year Ended December 31, 2008	As of and For the Year Ended December 31, 2007	As of and For the Year Ended December 31, 2006
Total Investment Income	\$ 280.0	\$ 483.4	\$ 245.3	\$ 240.4	\$ 188.9	\$ 120.0
Total Expenses	184.5	262.2	111.3	113.2	94.8	58.4
Net Investment Income Before Income Taxes	95.5	221.2	134.0	127.2	94.1	61.6
Income Tax Expense (Benefit), Including Excise Tax	3.9	5.4	0.6	0.2	(0.8)	4.9
Net Investment Income	91.6	215.8	133.4	127.0	94.9	56.7
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	69.1	280.1	69.3	(266.5)	(4.1)	13.0
Gain on the Allied Acquisition		195.9				
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ 160.7	\$ 691.8	\$ 202.7	\$ (139.5)	\$ 90.8	\$ 69.7
<b>Per Share Data:</b>						
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:						
Basic(1)	\$ 0.79	\$ 3.91	\$ 1.99	\$ (1.56)	\$ 1.34	\$ 1.58
Diluted(1)	\$ 0.79	\$ 3.91	\$ 1.99	\$ (1.56)	\$ 1.34	\$ 1.58
Cash Dividend Declared	\$ 0.70	\$ 1.40	\$ 1.47	\$ 1.68	\$ 1.66	\$ 1.64
Net Asset Value	\$ 15.28	\$ 14.92	\$ 11.44	\$ 11.27	\$ 15.47	\$ 15.17
Total Assets	\$ 4,911.5	\$ 4,562.5	\$ 2,313.5	\$ 2,091.3	\$ 1,829.4	\$ 1,348.0
Total Debt (Carrying Value)	\$ 1,620.1	\$ 1,378.5	\$ 969.5	\$ 908.8	\$ 681.5	\$ 482.0
Total Debt (Principal Value)	\$ 1,722.0	\$ 1,435.1	\$ 969.5	\$ 908.8	\$ 681.5	\$ 482.0
Total Stockholders' Equity	\$ 3,134.3	\$ 3,050.5	\$ 1,257.9	\$ 1,094.9	\$ 1,124.6	\$ 789.4
<b>Other Data:</b>						
Number of Portfolio Companies at Period End(2)	148	170	95	91	78	60
Principal Amount of Investments Purchased	\$ 1,212.7	\$ 1,583.9	\$ 575.0	\$ 925.9	\$ 1,251.3	\$ 1,087.5
Principal Amount of Investments Acquired as part of the Allied Acquisition	\$	\$ 1,833.8	\$	\$	\$	\$
Principal Amount of Investments Sold and Repayments	\$ 945.6	\$ 1,555.1	\$ 515.2	\$ 485.3	\$ 718.7	\$ 430.0
Total Return Based on Market Value(3)	1.8%	43.6%	119.9%	(45.3)%	(14.8)%	29.1%
Total Return Based on Net Asset Value(4)	5.3%	31.6%	17.8%	(11.2)%	9.0%	10.7%
Weighted Average Yield of Debt and Income Producing Securities at Fair Value(5):	12.4%	12.9%	12.7%	12.8%	11.7%	12.0%
Weighted Average Yield of Debt and Income Producing Securities at Amortized Cost(5):	12.5%	13.2%	12.1%	11.7%	11.6%	11.6%



- (1) In accordance with Accounting Standards Codification ("ASC") 260-10 (previously Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share), the weighted average shares of common stock outstanding used in computing basic and diluted earnings per common share have been adjusted retroactively by a factor of 1.02% to recognize the bonus element associated with rights to acquire shares of common stock that we issued to stockholders of record as of March 24, 2008 in connection with a rights offering.
- (2) Includes commitments to portfolio companies for which funding had yet to occur.

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- (3) Total return based on market value for the six months ended June 30, 2011 equals the decrease of the ending market value at June 30, 2011 of \$16.07 per share over the ending market value at December 31, 2010 of \$16.48 per share plus the declared dividends of \$0.70 per share for the six months ended June 30, 2011. Total return based on market value for the year ended December 31, 2010 equals the increase of the ending market value at December 31, 2010 of \$16.48 per share over the ending market value at December 31, 2009 of \$12.45 per share plus the declared dividends of \$1.40 per share for the year ended December 31, 2010. Total return based on market value for the year ended December 31, 2009 equals the increase of the ending market value at December 31, 2009 of \$12.45 per share over the ending market value at December 31, 2008 of \$6.33 per share plus the declared dividends of \$1.47 per share for the year ended December 31, 2009. Total return based on market value for the year ended December 31, 2008 equals the decrease of the ending market value at December 31, 2008 of \$6.33 per share from the ending market value at December 31, 2007 of \$14.63 per share plus the declared dividends of \$1.68 per share for the year ended December 31, 2008. Total return based on market value for the year ended December 31, 2007 equals the decrease of the ending market value at December 31, 2007 of \$14.63 per share from the ending market value at December 31, 2006 of \$19.11 per share plus the declared dividends of \$1.66 per share for the year ended December 31, 2007. Total return based on market value for the year ended December 31, 2006 equals the increase of the ending market value at December 31, 2006 of \$19.11 per share over the ending market value at December 31, 2005 of \$16.07 per share plus the declared dividends of \$1.64 per share for the year ended December 31, 2006. Total return based on market value is not annualized.
- (4) Total return based on net asset value for the six months ended June 30, 2011 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$0.70 per share for the six months ended June 30, 2011, divided by the beginning asset value. Total return based on net asset value for the year ended December 31, 2010 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.40 per share for the year ended December 31, 2010, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2009 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.47 per share for the year ended December 31, 2009, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2008 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.68 per share for the year ended December 31, 2008, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2007 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.66 per share for the year ended December 31, 2007, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2006 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.64 per share for the year ended December 31, 2006, divided by the beginning net asset value. Total return based on net asset value is not annualized.
- (5) Weighted average yield on debt and income producing securities at fair value is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, divided by (b) total debt and income producing securities at fair value included in such securities. Weighted average yield on debt and income producing securities at amortized cost is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, divided by (b) total income producing securities and debt at amortized cost included in such securities.

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**SELECTED QUARTERLY DATA (Unaudited)**  
**(dollar amounts in thousands, except per share data)**

	2011	
	Q2	Q1
Total investment income	\$ 144,307	\$ 135,691
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 85,509	\$ 95,494
Incentive compensation	\$ 41,746	\$ 47,671
Net investment income before net realized and unrealized gains	\$ 43,763	\$ 47,823
Net realized and unrealized gains (losses)	\$ (6,840)	\$ 75,943
Net increase in stockholders' equity resulting from operations	\$ 36,923	\$ 123,766
Basic and diluted earnings per common share	\$ 0.18	\$ 0.61
Net asset value per share as of the end of the quarter	\$ 15.28	\$ 15.45

	2010			
	Q4	Q3	Q2	Q1
Total investment income	\$ 157,170	\$ 138,126	\$ 121,590	\$ 66,510
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 99,323	\$ 89,025	\$ 64,514	\$ 39,849
Incentive compensation	\$ 35,973	\$ 17,805	\$ 14,973	\$ 8,144
Net investment income before net realized and unrealized gains (losses)	\$ 63,350	\$ 71,220	\$ 49,541	\$ 31,705
Net realized and unrealized gains (losses)	\$ 93,538	\$ 57,157	\$ 280,613(1)	\$ 44,710
Net increase in stockholders' equity resulting from operations	\$ 156,888	\$ 128,377	\$ 330,154	\$ 76,415
Basic and diluted earnings per common share	\$ 0.79	\$ 0.67	\$ 1.73	\$ 0.61
Net asset value per share as of the end of the quarter	\$ 14.92	\$ 14.43	\$ 14.11	\$ 11.78

(1) Includes gain on the Allied Acquisition of \$195,876.

	2009			
	Q4	Q3	Q2	Q1
Total investment income	\$ 69,264	\$ 60,881	\$ 59,111	\$ 56,016
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 47,920	\$ 41,133	\$ 39,935	\$ 37,750
Incentive compensation	\$ 9,568	\$ 8,227	\$ 7,987	\$ 7,550
Net investment income before net realized and unrealized gains (losses)	\$ 38,352	\$ 32,906	\$ 31,948	\$ 30,200
Net realized and unrealized gains (losses)	\$ 31,278	\$ 30,370	\$ 2,805	\$ 4,834
Net increase in stockholders' equity resulting from operations	\$ 69,630	\$ 63,276	\$ 34,753	\$ 35,034
Basic and diluted earnings per common share	\$ 0.64	\$ 0.62	\$ 0.36	\$ 0.36
Net asset value per share as of the end of the quarter	\$ 11.44	\$ 11.16	\$ 11.21	\$ 11.20

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	<b>2008</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 62,723	\$ 62,067	\$ 63,464	\$ 52,207
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 40,173	\$ 41,025	\$ 45,076	\$ 32,466
Incentive compensation	\$ 8,035	\$ 8,205	\$ 9,015	\$ 6,493
Net investment income before net realized and unrealized gains (losses)	\$ 32,138	\$ 32,820	\$ 36,061	\$ 25,973
Net realized and unrealized gains (losses)	\$ (142,638)	\$ (74,213)	\$ (32,789)	\$ (16,807)
Net (decrease) increase in stockholders' equity resulting from operations	\$ (110,500)	\$ (41,393)	\$ 3,272	\$ 9,166
Basic and diluted (loss) earnings per common share	\$ (1.14)	\$ (0.43)	\$ 0.04	\$ 0.12
Net asset value per share as of the end of the quarter	\$ 11.27	\$ 12.83	\$ 13.67	\$ 15.17

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The following table sets forth the unaudited pro forma condensed consolidated statement of operations for Ares Capital and Allied Capital as a consolidated entity. The unaudited pro forma condensed consolidated operating data for the year ended December 31, 2010 is presented as if the Allied Acquisition had been completed on January 1, 2010. In the opinion of management, all adjustments necessary to reflect the effect of this transaction have been made. The Allied Acquisition was accounted for under the acquisition method of accounting as provided by ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations* ("ASC 805-10").

The unaudited pro forma condensed consolidated statement of operations should be read together with the respective historical audited and unaudited consolidated financial statements of Allied Capital and Ares Capital, and the notes thereto, included elsewhere in this prospectus or the accompanying prospectus supplement. The unaudited pro forma condensed consolidated statement of operations is presented for comparative purposes only and does not necessarily indicate the future operating results of Ares Capital following the completion of the Allied Acquisition. The unaudited pro forma condensed consolidated statement of operations does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the Allied Acquisition or any future merger related restructuring or integration expenses.

The following should be read in connection with the section entitled "Unaudited Pro Forma Condensed Consolidated Statement of Operations" and other information included in this prospectus and the accompanying prospectus supplement.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations Allied Acquisition" for a description of the terms of the Allied Acquisition and "Risk Factors Risks Relating to Our Business We may be unable to realize the benefits anticipated by the Allied Acquisition or it may take longer than anticipated to achieve such benefits" for a description of certain risks associated with the Allied Acquisition.

**(dollar amounts in thousands, except per share data and as otherwise indicated)**

	<b>For the Year Ended December 31, 2010</b>
Total Investment Income	\$ 537,488
Total Expenses	291,912
Net Investment Income Before Income Taxes	245,576
Income Tax Expense	6,594
Net Investment Income	238,982
Net Realized and Unrealized Gains on Investments, Foreign Currencies, Acquisitions Extinguishment of Debt and Sale of Other Assets	246,879
Net Increase in Stockholders' Equity Resulting from Operations	\$ 485,861

Table of Contents**UNAUDITED PRO FORMA PER SHARE DATA**

The following selected unaudited combined pro forma per share information for the year ended December 31, 2010 reflects the Allied Acquisition and related transactions as if they had occurred on January 1, 2010.

Such unaudited pro forma combined per share information is based on the historical financial statements of Ares Capital and Allied Capital and on publicly available information and certain assumptions and adjustments as discussed in the section entitled "Unaudited Pro Forma Condensed Consolidated Statement of Operations." This unaudited pro forma combined per share information is provided for illustrative purposes only and is not necessarily indicative of what the operating results of Ares Capital or Allied Capital would have been had the Allied Acquisition and related transactions been completed at the beginning of the period indicated, nor are they necessarily indicative of any future operating results.

The following should be read in connection with the section entitled "Unaudited Pro Forma Condensed Consolidated Statement of Operations" and other information included in this prospectus and the accompanying prospectus supplement.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations Allied Acquisition" for a description of the terms of the Allied Acquisition and "Risk Factors Risks Relating to Our Business We may be unable to realize the benefits anticipated by the Allied Acquisition or it may take longer than anticipated to achieve such benefits" for a description of certain risks associated with the Allied Acquisition.

	<b>For the Year Ended December 31, 2010</b>			
	<b>Ares Capital</b>	<b>Allied Capital</b>	<b>Pro forma Combined Ares Capital</b>	<b>Per Equivalent Allied Capital Share(2)</b>
<b>Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:</b>				
Basic	\$ 3.91	\$ (0.20)	\$ 2.54	\$ 0.83
Diluted	\$ 3.91	\$ (0.20)	\$ 2.54	\$ 0.83
Cash Dividends Declared(1)	\$ 1.40	\$ 0.20	\$ 1.40	\$ 0.46

(1) The cash dividends declared per share represent the actual dividends declared per share for the period presented. The pro forma combined dividends declared is the dividends per share as declared by Ares Capital.

(2) The Allied Capital equivalent pro forma per share amount is calculated by multiplying the pro forma combined share amounts by the common stock exchange ratio of 0.325.

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**RISK FACTORS**

*Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus and the accompanying prospectus supplement, including our consolidated financial statements and the related notes thereto, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the net asset value of our common stock and the trading price of our securities could decline, and you may lose all or part of your investment.*

**RISKS RELATING TO OUR BUSINESS**

**Capital markets have recently been in a period of disruption and instability. These market conditions materially and adversely affected debt and equity capital markets in the United States, which had, and may in the future have, a negative impact on our business and operations.**

Beginning in 2007, the U.S. capital markets entered into a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While market conditions have improved from the beginning of the disruption, there have been recent periods of volatility and there can be no assurance that adverse market conditions will not repeat themselves or worsen in the future. If these adverse market conditions return, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital in order to grow. Equity capital may be difficult to raise because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2011 annual stockholders meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 6, 2011 and expiring on the earlier of June 6, 2012 and the date of our 2012 annual stockholders meeting. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the Investment Company Act, must equal at least 200% immediately after each time we incur indebtedness. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Moreover, the re-appearance of market conditions similar to those experienced from 2007 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business.

Given the recent extreme volatility and dislocation in the capital markets, many BDCs have faced, and may in the future face, a challenging environment in which to raise or access capital. At times during the recent significant changes in the capital markets, our ability to raise capital was affected and consequently the pace of our investment activity had slowed. In addition, significant

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changes in the capital markets, including the recent extreme volatility and disruption, has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our investment valuations. Further, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required. As a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse impact on our business, financial condition or results of operations.

**A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility.**

If we fail to maintain our status as a BDC, we might be regulated as a closed-end investment company under the Investment Company Act, which would subject us to additional regulatory restrictions and significantly decrease our operating flexibility. In addition, any such failure could cause an event of default under our outstanding indebtedness, which could have a material adverse effect on our business, financial condition or results of operations.

**We are dependent upon certain key personnel of Ares for our future success and upon their access to other Ares investment professionals.**

We depend on the diligence, skill and network of business contacts of certain key personnel of the Ares Private Debt Group. We also depend, to a significant extent, on access to the investment professionals of other groups within Ares and the information and deal flow generated by Ares' investment professionals in the course of their investment and portfolio management activities. Our future success depends on the continued service of the key personnel of the Ares Private Debt Group. The departure of any of these individuals, or of a significant number of the investment professionals or partners of Ares, could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that Ares Capital Management will remain our investment adviser or that we will continue to have access to Ares' investment professionals or its information and deal flow.

**Our financial condition and results of operations depend on our ability to manage future growth effectively.**

Our ability to achieve our investment objective depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on our investment adviser's ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of the structuring of our investment process and the ability of our investment adviser to provide competent, attentive and efficient services to us. Our executive officers and the members of our investment adviser's investment committee have substantial responsibilities in connection with their roles at Ares and with the other Ares funds, as well as responsibilities under the investment advisory and management agreement. They may also be called upon to provide significant managerial assistance to certain of our portfolio companies. These demands on their time, which will increase as the number of investments grow, may distract them or slow the rate of investment. In order to grow, Ares will need to hire, train, supervise, manage and retain new employees. However, we cannot assure you that we will be able to do so effectively. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.



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In addition, as we grow, we may open up new offices in new geographic regions that may increase our direct operating expenses without corresponding revenue growth.

**We may be unable to realize the benefits anticipated by the Allied Acquisition or it may take longer than anticipated to achieve such benefits.**

On April 1, 2010, we consummated the Allied Acquisition. The realization of certain benefits anticipated as a result of the Allied Acquisition will depend in part on the continued integration of Allied Capital's investment portfolio and business with our investment portfolio and business. The dedication of management resources to the legacy Allied Capital portfolio may detract attention from our day-to-day business, including new origination activity, and there can be no assurance that there will not be material adverse consequences to our business, financial condition and results of operations.

Further, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have traditionally made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity" for further information on the rotation and repositioning of investments acquired as part of the Allied Acquisition.

**Our ability to grow depends on our ability to raise capital.**

We will need to periodically access the capital markets to raise cash to fund new investments. We have elected to be treated as a RIC and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. Among other things, in order to maintain our RIC status, we must distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income (as defined by the Code), and, as a result, such distributions will not be available to fund investment originations. We must continue to borrow from financial institutions and issue additional securities to fund our growth. Unfavorable economic or capital market conditions may increase our funding costs, limit our access to the capital markets or could result in a decision by lenders not to extend credit to us. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any.

In addition, with certain limited exceptions, we are only allowed to borrow amounts or issue debt securities or preferred stock, which we refer to collectively as "senior securities," such that our asset coverage, as defined in the Investment Company Act, equals at least 200% immediately after such borrowing, which, in certain circumstances, may restrict our ability to borrow or issue debt securities or preferred stock. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing or issuance of senior securities. We cannot assure you that we will be able to maintain our current facilities, obtain other lines of credit or issue senior securities at all or on terms acceptable to us.

**Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.**

We may issue senior securities or borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the Investment Company Act, equals at

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least 200% after each such incurrence or issuance. If the value of our assets declines, we may be unable to satisfy this test, which may prohibit us from paying dividends and could prevent us from maintaining our status as a RIC or may prohibit us from repurchasing shares of our common stock. In addition, our inability to satisfy this test could cause an event of default under our existing indebtedness. If we cannot satisfy this test, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. Accordingly, any failure to satisfy this test could have a material adverse effect on our business, financial condition or results of operations. As of June 30, 2011, our asset coverage for senior securities was 293%.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value per share of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. Any such sale would be dilutive to the net asset value per share of our common stock. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any commission or discount). If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital.

At our 2011 annual stockholders meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 6, 2011 and expiring on the earlier of June 6, 2012 and the date of our 2012 annual stockholders meeting.

To generate cash for funding new investments, we have also securitized, and may in the future seek to securitize, our loans. To securitize loans, we may create a separate, wholly owned subsidiary and contribute or sell a pool of loans to such subsidiary (or one of its subsidiaries). Such subsidiary may then sell equity, issue debt or sell interests in the pool of loans, on a limited-recourse basis, the payments on which are generally limited to the pool of loans and the proceeds therefrom. We may also retain a portion of the equity interests in the securitized pool of loans. Any retained equity would be exposed to losses on the related pool of loans before any of the related debt securities. An inability to successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy. The securitization market is subject to changing market conditions (including the recent, unprecedented dislocation of the securitization and finance markets generally) and we may not be able to access this market when we would otherwise deem appropriate. Moreover, the successful securitization of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests may be those that are riskier and more apt to generate losses. The Investment Company Act may also impose restrictions on the structure of any securitization.

**We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us.**

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We currently borrow under our Facilities and have issued or assumed other senior securities, and in the future may borrow from, or issue additional senior securities to, banks, insurance companies, funds, institutional investors and other lenders and investors. Lenders and holders of such senior securities have fixed dollar claims on our consolidated assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our consolidated assets increases, then leveraging would cause the net

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asset value per share of our common stock to increase more sharply than it would have had we not incurred leverage.

Conversely, if the value of our consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not incurred leverage. Similarly, any increase in our consolidated income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would had we not incurred leverage, while any decrease in our consolidated income would cause net income to decline more sharply than it would have had we not incurred leverage. Such a decline could negatively affect our ability to make common stock dividend payments. There can be no assurance that a leveraging strategy will be successful.

As of June 30, 2011, we had \$348.7 million of outstanding borrowings under our Facilities, \$138.3 million in aggregate principal amount outstanding of our CLO Notes (excluding the Retained Notes (as defined below)), \$430 million in aggregate principal amount outstanding of the Unsecured Notes and \$805.0 million in aggregate principal amount outstanding of our Convertible Notes. In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our June 30, 2011 total assets of at least 1.8%. The weighted average stated interest rate charged on our borrowings as of June 30, 2011 was 5.1%. We intend to continue borrowing under the Facilities in the future and we may increase the size of the Facilities or issue additional debt securities or other evidences of indebtedness (although there can be no assurance that we will be successful in doing so). Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.

Our Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes impose financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC. A failure to renew our Facilities or to add new or replacement debt facilities or issue additional debt securities or other evidences of indebtedness could have a material adverse effect on our business, financial condition or results of operations.

The following table illustrates the effect on return to a holder of our common stock of the leverage created by our use of borrowing at the weighted average stated interest rate of 5.1% as of June 30, 2011, together with (a) our total value of net assets as of June 30, 2011; (b) \$1,722.0 million of principal indebtedness outstanding as of June 30, 2011 and (c) hypothetical annual returns on our portfolio of minus 15% to plus 15%.

Assumed Return on Portfolio (Net of Expenses)(1)	-15%	-10%	-5%	0%	5%	10%	15%
Corresponding Return to Common Stockholders(2)	-26.29%	-18.45%	-10.62%	-2.78%	5.05%	12.89%	20.72%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulation, this table is calculated as of June 30, 2011. As a result, it has not been updated to take into account any changes in assets since June 30, 2011.

(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of our assets at June 30, 2011 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 5.1% by the \$1,722.0 million of principal debt) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided

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by the total value of our net assets as of June 30, 2011 to determine the "Corresponding Return to Common Stockholders."

**In addition to regulatory requirements that restrict our ability to raise capital, the Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes contain various covenants that, if not complied with, could accelerate repayment under the Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes, thereby materially and adversely affecting our liquidity, financial condition and results of operations.**

The agreements governing the Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes require us to comply with certain financial and operational covenants. These covenants include:

restrictions on the level of indebtedness that we are permitted to incur in relation to the value of our assets;

restrictions on our ability to incur liens; and

maintenance of a minimum level of stockholders' equity.

As of the date of this prospectus, we are in compliance in all material respects with the covenants of the Facilities, the CLO Notes, the Unsecured Notes and the Convertible Notes. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. For example, depending on the condition of the public debt and equity markets and pricing levels, net unrealized depreciation in our portfolio may increase in the future. Any such increase could result in our inability to comply with our obligation to restrict the level of indebtedness that we are able to incur in relation to the value of our assets or to maintain a minimum level of stockholders' equity.

Accordingly, although we believe we will continue to be in compliance, there are no assurances that we will continue to comply with the covenants in the Facilities, the Debt Securitization, the Unsecured Notes and the Convertible Notes. Failure to comply with these covenants could result in a default under the Facilities, the Debt Securitization, the Unsecured Notes or the Convertible Notes that, if we were unable to obtain a waiver from the lenders or holders of such indebtedness, as applicable, could accelerate repayment under such indebtedness and thereby have a material adverse impact on our business, financial condition and results of operations.

**Our credit ratings may change and as a result the cost and flexibility under our debt instruments may change.**

As of June 30, 2011, we had a long-term counterparty credit rating from Standard & Poor's Ratings Services of "BBB," a long-term issuer default rating from Fitch Ratings of "BBB" and a long-term issuer rating from Moody's Investors Service of "Ba1." Interest expense on our Revolving Credit Facility and the Revolving Funding Facility is based on a pricing grid that fluctuates depending on our credit ratings. There can be no assurance that our ratings will be maintained. If our ratings are downgraded, our cost of borrowing will increase.

In addition, if the ratings of our CLO Notes are downgraded, our ability to engage in certain transactions in respect of the investments held in the Debt Securitization, among other things, may under certain circumstances be restricted and certain principal proceeds may under certain circumstances be required to be used to further reduce the outstanding principal balance of the CLO Notes. There can be no assurance that the CLO Notes ratings will be maintained.

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In addition, ratings agencies are required to make substantial changes to their ratings policies and practices as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which President Obama signed into law on July 21, 2010. There can be no assurance that such changes will not affect our ratings.

**We operate in a highly competitive market for investment opportunities.**

A number of entities compete with us to make the types of investments that we make in middle-market companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high yield investors, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC and that the Code imposes on us as a RIC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to pursue attractive investment opportunities from time to time.

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer. Rather, we compete with our competitors based on our existing investment platform, seasoned investment professionals, experience and focus on middle-market companies, disciplined investment philosophy, extensive industry focus and flexible transaction structuring. For a more detailed discussion of these competitive advantages, see "Business Competitive Advantages."

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on less favorable terms than what we may have originally anticipated, which may impact our return on these investments.

**We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC.**

We have elected to be treated as a RIC under Subchapter M of the Code and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on our income and gain that we distribute to our stockholders as dividends on a timely basis. To qualify as a RIC, we must meet certain income source, asset diversification and annual distribution requirements (and will pay corporate-level U.S. federal income tax on any undistributed income). We may also be subject to certain U.S. federal excise taxes, as well as state, local and foreign taxes.

We will satisfy the Annual Distribution Requirement (as defined below) for a RIC if we distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income (as defined by the Code) for each year. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under our indebtedness that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax.

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Because we must make distributions to our stockholders as described above, such amounts, to the extent a stockholder is not participating in our dividend reinvestment plan, will not be available to fund investment originations. We will be subject to corporate-level U.S. federal income tax on any undistributed income and/or gain.

To qualify as a RIC, we must also meet certain annual income source requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to (a) dispose of certain investments quickly or (b) raise additional capital to prevent the loss of RIC status. Because most of our investments are in private companies and are generally illiquid, any such dispositions may be at disadvantageous prices and may result in losses. Also, the rules applicable to our qualification as a RIC are complex with many areas of uncertainty. Accordingly, no assurance can be given that we have qualified or will continue to qualify as a RIC. If we fail to qualify as a RIC for any reason and become subject to regular "C" corporation income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders. The recently enacted "Regulated Investment Company Modernization Act of 2010," which is effective for 2011 and later tax years, provides some relief from RIC disqualification due to failures of the income source and asset diversification requirements, although there may be additional taxes due in such cases. We cannot assure you that we would qualify for any such relief should we fail the income source or asset diversification requirements.

**We may have difficulty paying our required distributions under applicable tax rules if we recognize income before or without receiving cash representing such income.**

For U.S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or payment-in-kind ("PIK") interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount or increases in loan balances are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash, including, for example, amounts attributable to hedging and foreign currency transactions or cancellation of indebtedness income resulting from a restructuring of an investment in debt securities.

Since, in certain cases, we may recognize income before or without receiving cash in respect of such income, we may have difficulty meeting the U.S. federal income tax requirement to distribute generally an amount equal to at least 90% of our investment company taxable income (as defined by the Code) to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC and thus be subject to additional corporate-level taxes. Such a failure would have a material adverse effect on us and on our stockholders. See "Certain Material U.S. Federal Income Tax Considerations Taxation as a RIC."

**We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.**

Because preferred stock is another form of leverage and the dividends on any preferred stock we issue must be cumulative, preferred stock has the same risks to our common stockholders as borrowings. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and

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preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

**We are exposed to risks associated with changes in interest rates.**

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our investment objective and rate of return on invested capital. Because we borrow money and may issue debt securities or preferred stock to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities or preferred stock and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. In the past, we have entered into certain hedging transactions, such as interest rate swap agreements, to mitigate our exposure to adverse fluctuations in interest rates, and we may do so again in the future. In addition, we may increase our floating rate investments to position the portfolio for rate increases. However, we cannot assure you that such transactions will be successful in mitigating our exposure to interest rate risk. Hedging transactions may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to 10 years. This means that we are subject to greater risk (other things being equal) than a fund invested solely in shorter-term securities. A decline in the prices of the debt we own could adversely affect the trading price of our shares. Also, an increase in interest rates available to investors could make an investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

**Many of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable.**

A large percentage of our portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as determined in good faith by our board of directors based on, among other things, the input of our management and audit committee and independent valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period. The valuation process is conducted at the end of each fiscal quarter, with a minimum of 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, we may use additional independent valuation firms to review the value of our investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. In addition, our independent accountants review our valuation process as part of their overall integrated audit. The types of factors that may be considered in valuing our investments include the enterprise value of the portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ

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materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that we may ultimately realize. Our net asset value per share could be adversely affected if our determinations regarding the fair value of these investments are materially higher than the values that we realize upon disposition of such investments.

**The lack of liquidity in our investments may adversely affect our business.**

As we generally make investments in private companies, substantially all of these investments are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we could realize significantly less than the value at which we have recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or an affiliated manager of Ares has material non-public information regarding such portfolio company.

**We may experience fluctuations in our quarterly results.**

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rates payable on the debt investments we make, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

**There are significant potential conflicts of interest that could impact our investment returns.**

Certain of our executive officers and directors, and members of the investment committee of our investment adviser, serve or may serve as officers, directors or principals of other entities and affiliates of our investment adviser and investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders' best interests or that may require them to devote time to services for other entities, which could interfere with the time available to provide services to us. Certain members of our investment adviser's investment committee have significant responsibilities for other Ares funds. For example, Messrs. Ressler and Rosenthal are required to devote a substantial majority of their business time to the affairs of ACOF. Similarly, although the professional staff of our investment adviser will devote as much time to the management of the Company as appropriate to enable our investment adviser to perform its duties in accordance with the investment advisory and management agreement, the investment professionals of our investment adviser may have conflicts in allocating their time and services among the Company, on the one hand, and investment vehicles managed by Ares or one or more of its affiliates, on the other hand. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of our investment adviser and its officers and employees will not be devoted exclusively to the business of the Company but will instead be allocated between the business of the Company and the management of these other investment vehicles. However, Ares believes that the efforts of such individuals are synergistic with and beneficial to the affairs of Ares Capital, ACOF and these other investment vehicles managed by Ares or its affiliates.

In addition, certain Ares funds may have investment objectives that compete or overlap with, and may from time to time invest in asset classes similar to those targeted by, Ares Capital. Consequently, we, on the one hand, and these other entities, may from time to time pursue the same or similar capital and investment opportunities. Our investment adviser endeavors to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary



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duties owed to Ares Capital. Nevertheless, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares. In addition, there may be conflicts in the allocation of investment opportunities among us and the funds managed by us or one or more of our controlled affiliates, or among the funds they manage. We may or may not participate in investments made by funds managed by us or one or more of our controlled affiliates.

We have from time to time sold assets to certain of the IHAM Vehicles and, as part of our investment strategy, we may offer to sell additional assets to vehicles managed by us and/or one or more of our controlled affiliates (including IHAM) or we may purchase assets from vehicles managed by us and/or one or more of our controlled affiliates. In addition, vehicles managed by us or one or more of our controlled affiliates (including IHAM) may offer assets to or may purchase assets from one another. While assets may be sold or purchased at prices that are consistent with those that could be obtained from third parties in the marketplace, and although these types of transactions generally require approval of one or more independent parties, there may be an inherent conflict of interest in such transactions between us and funds managed by us or one of our controlled affiliates.

We pay management and incentive fees to our investment adviser, and reimburse our investment adviser for certain expenses it incurs. In addition, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve if distributions were made on a gross basis.

Our investment adviser's management fee is based on a percentage of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and, consequently, our investment adviser may have conflicts of interest in connection with decisions that could affect our total assets, such as decisions as to whether to incur indebtedness or to make future investments.

The part of the incentive fee payable by us that relates to our pre-incentive fee net investment income is computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

Our investment advisory and management agreement renews for successive annual periods if approved by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our independent directors (as defined below). However, both we and our investment adviser have the right to terminate the agreement without penalty upon 60 days' written notice to the other party. Moreover, conflicts of interest may arise if our investment adviser seeks to change the terms of our investment advisory and management agreement, including, for example, the terms for compensation. See "Management Investment Advisory and Management Agreement." While any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act, we may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement.

We are party to an administration agreement (as defined below), with our administrator, Ares Operations, a wholly owned subsidiary of Ares, pursuant to which our administrator furnishes us with administrative services and we pay our administrator at cost our allocable portion of overhead and other expenses (including travel expenses) incurred by our administrator in performing its obligations under our administration agreement, including our allocable portion of the cost of certain of our officers (including our chief compliance officer, chief financial officer, general counsel, secretary and treasurer) and their respective staffs, but not investment professionals.

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Our portfolio company, IHAM, is party to an administration agreement, referred to herein as the "IHAM administration agreement," with Ares Operations. Pursuant to the IHAM administration agreement, our administrator provides IHAM with administrative services and IHAM reimburses our administrator for all of the actual costs associated with such services, including its allocable portion of our administrator's overhead and the cost of our administrator's officers and respective staff in performing its obligations under the IHAM administration agreement. Prior to entering into the IHAM administration agreement, IHAM was party to a services agreement with our investment adviser, pursuant to which our investment adviser provided similar services.

We recently entered into a new office lease that will expire in February 2026 pursuant to which we are leasing office facilities from a third party and began paying rent in May 2011. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM will sublease approximately 15% and 20%, respectively, of the new office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under the new office lease, plus certain additional costs and expenses.

As a result of the arrangements described above, there may be times when the management team of Ares (including those members of management focused primarily on managing Ares Capital) has interests that differ from those of our stockholders, giving rise to a conflict.

Our stockholders may have conflicting investment, tax and other objectives with respect to their investments in us. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of our investments, the structure or the acquisition of our investments, and the timing of dispositions of our investments. As a consequence, conflicts of interest may arise in connection with decisions made by our investment adviser, including with respect to the nature or structuring of our investments, that may be more beneficial for one stockholder than for another stockholder, especially with respect to stockholders' individual tax situations. In selecting and structuring investments appropriate for us, our investment adviser will consider the investment and tax objectives of the Company and our stockholders, as a whole, not the investment, tax or other objectives of any stockholder individually.

**Changes in laws or regulations governing our operations or the operations of our portfolio companies, changes in the interpretation thereof or newly enacted laws or regulations, such as the Dodd-Frank Act, and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.**

We and our portfolio companies are subject to regulation by laws and regulations at the local, state, federal and, in some cases, foreign levels. These laws and regulations, as well as their interpretation, may be changed from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities. In particular, Title IV of the Dodd-Frank Act, the Private Fund Investment Advisers Registration Act of 2010 (the "Advisers

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Registration Act"), becomes effective one year after the date of enactment and eliminates the "private adviser exemption" from SEC registration currently contained in Section 203(b)(3) of the Advisers Act. This provision exempted from registration investment advisers who do not hold themselves out to the public as investment advisers and have fewer than 15 clients. As a result, many investment advisers to private funds (with some exceptions) will be required to register with the SEC and will become subject to substantial regulatory reporting and recordkeeping requirements regarding the private funds they advise. Consequently, the Advisers Registration Act will likely require our wholly owned portfolio company, IHAM, to register as an investment adviser under the Advisers Act. This would require IHAM to comply with the regulatory restrictions and obligations imposed on registered investment advisers generally. In addition, as a BDC, we are currently restricted in our ability to invest in a registered investment adviser.

We are seeking relief from the SEC to enable us to continue to invest in IHAM following any registration by IHAM as a registered investment adviser; however, there can be no assurance that such relief will be granted. If we are not able to obtain such relief, we may not be able to make future investments in IHAM, which could harm IHAM's business and the performance of our investment in IHAM or we may be forced to dispose of our interests in IHAM at a time we would not consider to be advantageous.

While the impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

**Our investment adviser's liability is limited under the investment advisory and management agreement, and we are required to indemnify our investment adviser against certain liabilities, which may lead our investment adviser to act in a riskier manner on our behalf than it would when acting for its own account.**

Our investment adviser has not assumed any responsibility to us other than to render the services described in the investment advisory and management agreement, and it will not be responsible for any action of our board of directors in declining to follow our investment adviser's advice or recommendations. Pursuant to the investment advisory and management agreement, our investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it will not be liable to us for their acts under the investment advisory and management agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect our investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it with respect to all damages, liabilities, costs and expenses resulting from acts of our investment adviser not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead our investment adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account. See "Risk Factors Risks Relating to Our Investments Our investment adviser's incentive fee may induce it to make certain investments, including speculative investments."

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**We may be obligated to pay our investment adviser incentive compensation even if we incur a loss.**

Our investment adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter (before deducting incentive compensation and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our investment adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

Under the investment advisory and management agreement, we will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter periods ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 8.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any deferred incentive fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default on the obligation that resulted in the accrual of such income.

**We may not replicate Ares' historical success and our ability to enter into transactions with Ares and our other affiliates is restricted.**

We cannot assure you that Ares Capital will replicate Ares' historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by other Ares managed funds.

Further, we and certain of our controlled affiliates are prohibited under the Investment Company Act from knowingly participating in certain transactions with our upstream affiliates, or our investment adviser and its affiliates, without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our upstream affiliate for purposes of the Investment Company Act and we are generally prohibited from buying or selling any security (other than our securities) from or to such affiliate, absent the prior approval of our independent directors. The Investment Company Act also prohibits "joint" transactions with an upstream affiliate, or our investment adviser or its affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. In addition, we and certain of our controlled affiliates are prohibited from buying or selling any security from or to, or entering into joint transactions with, our investment adviser and its affiliates, or any person who owns more than 25% of our voting securities or is otherwise deemed to control, be controlled by, or be under common control with us, absent the prior approval of the SEC through an exemptive order (other than in certain limited situations pursuant to current regulatory guidance). The analysis of whether a particular transaction constitutes a joint transaction requires a review of the relevant facts and circumstances then existing.

We have applied for an exemptive order from the SEC that would permit us and certain of our controlled affiliates to co-invest with funds managed by Ares. Any such order, if issued, will be subject

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to certain terms and conditions and there can be no assurance that such order will be granted by the SEC. Accordingly, we cannot assure you that we or our controlled affiliates will be permitted to co-invest with funds managed by Ares, other than in the limited circumstances currently permitted by regulatory guidance or in the absence of a joint transaction.

**RISKS RELATING TO OUR INVESTMENTS**

**Declines in market prices and liquidity in the corporate debt markets can result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value.**

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. We may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect our investment valuations. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer unrealized losses, which could have a material adverse impact on our business, financial condition and results of operations.

**Economic recessions or downturns could impair our portfolio companies and harm our operating results.**

Many of our portfolio companies may be susceptible to economic downturns or recessions (including the recent economic downturn that began in 2007) and may be unable to repay our loans during these periods. Therefore, during these periods our non-performing assets may increase and the value of our portfolio may decrease if we are required to write down the values of our investments. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results. We experienced to some extent such effects during the recent economic downturn and may experience such effects again in any future downturn or recession.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its assets representing collateral for its obligations, which could trigger cross defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt that we hold and the value of any equity securities we own. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

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**Investments in privately held middle-market companies involve significant risks.**

We primarily invest in privately held U.S. middle-market companies. Investments in privately held middle-market companies involve a number of significant risks, including the following:

these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;

they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

they typically depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

there is generally little public information about these companies. These companies and their financial information are not subject to the Securities Exchange Act of 1934 (the "Exchange Act") and other regulations that govern public companies, and we may be unable to uncover all material information about these companies, which may prevent us from making a fully informed investment decision and cause us to lose money on our investments;

they generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and

they may have difficulty accessing the capital markets to meet future capital needs.

**Our debt investments may be risky and we could lose all or part of our investment.**

The debt that we invest in is typically not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Ratings Services). Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Therefore, our investments may result in an above average amount of risk and volatility or loss of principal. We also invest in assets other than first and second lien and mezzanine debt investments, including high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments. These investments entail additional risks that could adversely affect our investment returns.

In addition, to the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates. Also, such debt could subject us to phantom income, and since we generally do not receive any cash prior to maturity of the debt, the investment is of greater risk.

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**Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk.**

We may purchase common and other equity securities. Although common stock has historically generated higher average total returns than fixed income securities over the long-term, common stock also has experienced significantly more volatility in those returns and in recent years has significantly under performed relative to fixed income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company's success. Investments in equity securities involve a number of significant risks, including:

any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness (including trade creditors) or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;

to the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment; and

in some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of the portfolio company. Even if the portfolio company is successful, our ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or we can otherwise sell our investment. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell them.

There are special risks associated with investing in preferred securities, including:

preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes before we receive such distributions;

preferred securities are subordinated to debt in terms of priority to income and liquidation payments, and therefore will be subject to greater credit risk than debt;

preferred securities may be substantially less liquid than many other securities, such as common stock or U.S. government securities; and

generally, preferred security holders have no voting rights with respect to the issuing company, subject to limited exceptions.

Additionally, when we invest in first and second lien senior loans or mezzanine debt, we may acquire warrants or other equity securities as well. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

We may invest, to the extent permitted by law, in the equity securities of investment funds that are operating pursuant to certain exceptions to the Investment Company Act and in advisers to similar investment funds and, to the extent we so invest, will bear our ratable share of any such company's





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expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to Ares Capital Management with respect to the assets invested in the securities and instruments of such companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the management and incentive fee of Ares Capital Management as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers.

As a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have traditionally made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt or other investments. However, there can be no assurance that this strategy will be successful.

**There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.**

If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize our debt holding as an equity investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, we could become subject to a lender's liability claim, if, among other things, we actually render significant managerial assistance.

**Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.**

Our portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company typically are entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, we may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as junior lenders are adversely affected.

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**When we are a debt or minority equity investor in a portfolio company, we are often not in a position to exert influence on the entity, and other equity holders and management of the company may make decisions that could decrease the value of our portfolio holdings.**

When we make debt or minority equity investments, we are subject to the risk that a portfolio company may make business decisions with which we disagree and the other equity holders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our investment.

**Our portfolio companies may be highly leveraged.**

Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

**Our investment adviser's incentive fee may induce it to make certain investments, including speculative investments.**

The incentive fee payable by us to Ares Capital Management may create an incentive for Ares Capital Management to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to our investment adviser is determined, which is calculated as a percentage of the return on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock and the holders of securities convertible into our common stock. In addition, our investment adviser will receive the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The part of the incentive fee payable by us that relates to our pre-incentive fee net investment income will be computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on such accrued interest that we never actually receive.

Because of the structure of the incentive fee, it is possible that we may have to pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and/or unrealized capital losses. In addition, if market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for our investment adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income.

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**Our investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments. We may also expose ourselves to risks if we engage in hedging transactions.**

Our investment strategy contemplates potential investments in foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes (potentially at confiscatory levels), less liquid markets, less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments will be U.S. dollar denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that such strategies will be effective or without risk to us.

We have and may in the future enter into hedging transactions, which may expose us to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may include counter-party credit risk.

Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging transactions will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to (or be able to) establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. See also "Risk Factors Risk Relating to Our Business We are exposed to risks associated with changes in interest rates."

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**We may initially invest a portion of the net proceeds of offerings pursuant to this prospectus primarily in high-quality short-term investments, which will generate lower rates of return than those expected from the interest generated on first and second lien loans and mezzanine debt.**

We may initially invest a portion of the net proceeds of offerings primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not be able to achieve our investment objective and/or pay any dividends during this period or, if we are able to do so, such dividends may be substantially lower than the dividends that we expect to pay when our portfolio is fully invested. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our shares may decline.

**The Allied Acquisition may have triggered certain "change of control" provisions and other restrictions in certain of our and Allied Capital's contracts and the failure to obtain any required consents or waivers could adversely impact us.**

Certain agreements of Allied Capital and Ares Capital or their controlled affiliates may have required a consent, amendment or waiver of one or more counterparties in connection with the Allied Acquisition. Our failure to have obtained any such consent, amendment or waiver may permit such counterparties to terminate, or otherwise increase their rights or our obligations under, any such agreement because the Allied Acquisition may have violated an anti-assignment, change of control or other provision. As a result, we may have to seek to replace that agreement with a new agreement or seek a waiver or amendment to such agreement. We cannot assure you that we will be able to replace, amend or obtain a waiver under any such agreement on comparable terms or at all.

#### **RISKS RELATING TO OFFERINGS PURSUANT TO THIS PROSPECTUS**

**Our shares of common stock have traded at a discount from net asset value and may do so again in the future, which could limit our ability to raise additional equity capital.**

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict whether any shares of our common stock will trade at, above, or below net asset value. In the recent past, including during much of 2009, the stocks of BDCs as an industry, including at times shares of our common stock, traded below net asset value and at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. When our common stock is trading below its net asset value per share, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2011 annual stockholders meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 6, 2011 and expiring on the earlier of June 6, 2012 and the date of our 2012 annual stockholders meeting.

**There is a risk that investors in our common stock may not receive dividends or that our dividends may not grow over time and that investors in our debt securities may not receive all of the interest income to which they are entitled.**

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow

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us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments.

In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution. See "Price Range of Common Stock and Distributions."

The above-referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of our debt, which may cause a default under the terms of our debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt agreements.

**Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.**

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Ares Capital or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the Investment Company Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act (the "Control Share Acquisition Act") acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may discourage, delay, defer, make more difficult or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

**Investing in our common stock may involve an above average degree of risk.**

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

**The market price of our common stock may fluctuate significantly.**

The capital and credit markets have experienced a period of extreme volatility and disruption that began in 2007. The market price and liquidity of the market for shares of our common stock may

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be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

significant volatility in the market price and trading volume of securities of publicly traded RICs, BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

price and volume fluctuations in the overall stock market from time to time;

changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to RICs or BDCs;

loss of our RIC status;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of Ares Capital Management's key personnel;

operating performance of companies comparable to us;

short-selling pressure with respect to shares of our common stock or BDCs generally;

future sales of our securities convertible into or exchangeable or exercisable for our common stock or the conversion of such securities, including the Convertible Notes;

uncertainty surrounding the strength of the U.S. economic recovery;

concerns regarding U.S. and European sovereign debt;

general economic trends (including inflationary concerns) and other external factors (including the U.S. budget deficit); and

loss of a major funding source.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

**The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock.**

At our 2011 annual stockholders meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 6, 2011 and expiring on the earlier of June 6, 2012 and the date of our 2012 annual stockholders meeting.

In addition, at our 2009 annual stockholders meeting, our stockholders approved a proposal authorizing us to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of our common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of our then outstanding common stock and that the exercise or conversion price thereof is not, at the date of issuance, less than the greater of the market value per share and the net asset value per share of our common stock). The authorization granted to sell or

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issue warrants or securities to subscribe for or convertible into shares of our common stock has no expiration.

Any decision to sell shares of our common stock below its then current net asset value per share or securities to subscribe for or convertible into shares of our common stock would be subject to the determination by our board of directors that such issuance is in our and our stockholders' best interests.

If we were to sell shares of our common stock below its then current net asset value per share, such sales would result in an immediate dilution to the net asset value per share of our common stock. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest in us than the increase in our assets resulting from such issuance. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

In addition, if we issue warrants or securities to subscribe for or convertible into shares of our common stock, subject to certain limitations, the exercise or conversion price per share could be less than net asset value per share at the time of exercise or conversion (including through the operation of anti-dilution protections). Because we would incur expenses in connection with any issuance of such securities, such issuance could result in a dilution of the net asset value per share at the time of exercise or conversion. This dilution would include reduction in net asset value per share as a result of the proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest than the increase in our assets resulting from such issuance.

Further, if current stockholders of the Company do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value per share, their voting power will be diluted. For additional information and hypothetical examples of these risks, see "Sales of Common Stock Below Net Asset Value" and the prospectus supplement pursuant to which such sale is made.

**Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares.**

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to this prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock" and "Sales of Common Stock Below Net Asset Value."



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**Investors in offerings of our common stock will likely incur immediate dilution upon the closing of such offering.**

We generally expect the public offering price of any offering of shares of our common stock to be higher than the book value per share of our outstanding common stock (unless we offer shares pursuant to a rights offering or after obtaining prior approval for such issuance from our stockholders and our independent directors). Accordingly, investors purchasing shares of common stock in offerings pursuant to this prospectus may pay a price per share that exceeds the tangible book value per share after such offering.

**Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.**

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

**Our stockholders may experience dilution upon the conversion of the Convertible Notes.**

The February 2016 Convertible Notes are convertible into shares of our common stock beginning August 15, 2015 or, under certain circumstances, earlier and the June 2016 Convertible Notes are convertible into shares of our common stock beginning on December 15, 2015, or, under certain circumstances, earlier. Upon conversion of the Convertible Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The current conversion price of the February 2016 Convertible Notes is approximately \$19.13 per share of common stock and the current conversion price of the June 2016 Convertible Notes is approximately \$19.04, in each case subject to adjustment in certain circumstances. If we elect to deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders may incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the Convertible Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

**Our stockholders may receive shares of our common stock as dividends, which could result in adverse tax consequences to them.**

In order to satisfy the Annual Distribution Requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion can be as low as 10% for our taxable years ending on or before December 31, 2011) and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would be taxed on 100% of the fair market value of the dividend on the date a stockholder received it in the same manner as a cash dividend, even though most of the dividend was paid in shares of our common stock.

**Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.**

Sales of substantial amounts of our common stock, or the availability of such common stock for sale (including as a result of the conversion of our Convertible Notes into common stock), could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it

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could impair our ability to raise additional capital through the sale of securities should we desire to do so.

**The trading market or market value of our publicly issued debt securities may fluctuate.**

Our publicly issued debt securities may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

the time remaining to the maturity of these debt securities;

the outstanding principal amount of debt securities with terms identical to these debt securities;

the ratings assigned by national statistical ratings agencies;

the general economic environment;

the supply of debt securities trading in the secondary market, if any;

the redemption or repayment features, if any, of these debt securities;

the level, direction and volatility of market interest rates generally; and

market rates of interest higher or lower than rates borne by the debt securities.

You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

**Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.**

If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

**Our credit ratings may not reflect all risks of an investment in our debt securities.**

Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities.

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**FORWARD-LOOKING STATEMENTS**

Some of the statements in this prospectus constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus involve a number of risks and uncertainties, including statements concerning:

our, or our portfolio companies', future business, operations, operating results or prospects;

the return or impact of current and future investments;

the impact of a protracted decline in the liquidity of credit markets on our business;

the impact of fluctuations in interest rates on our business;

the impact of changes in laws or regulations (including interpretation thereof) governing our operations or the operations of our portfolio companies;

the valuation of our investments in portfolio companies, particularly those having no liquid trading market;

our ability to successfully integrate our business with the business of Allied Capital, including rotating out of certain investments acquired in connection therewith;

our ability to recover unrealized losses;

market conditions and our ability to access alternative debt markets and additional debt and equity capital;

our contractual arrangements and relationships with third parties;

Middle East turmoil and the potential for rising energy prices and its impact on the industries in which we invest;

the general economy (including inflation and the U.S. budget deficit) and its impact on the industries in which we invest;

the uncertainty surrounding the strength of the U.S. economic recovery;

United States and European sovereign debt issues;

the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;

our expected financings and investments;

our ability to successfully integrate any acquisitions;

the adequacy of our cash resources and working capital;

the timing, form and amount of any dividend distributions;

the timing of cash flows, if any, from the operations of our portfolio companies; and

the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments.

We use words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions to identify forward-looking statements, although not all forward-looking statements include these words. Our actual results and condition could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this prospectus.

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The forward-looking statements included in this prospectus have been based on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

The forward-looking statements in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Exchange Act.

Table of Contents**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**Ares Capital Corporation and Subsidiaries**  
**Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2010**  
**Unaudited**  
**(in thousands, except per share data)**

	Actual Ares Capital	Actual Allied Capital	Pro Forma Adjustments	Ares Capital Pro Forma Combined
<b>Performance Data:</b>				
Interest and dividend income	\$ 407,997	\$ 49,461	\$ (A)\$	457,458
Fees and other income	75,399	4,631		80,030
Total investment income	483,396	54,092		537,488
Interest and credit facility fees	79,347	23,605	(B)	102,952
Base management fees	51,998		7,876 (C)	59,874
Incentive management fees	76,895		(D)	76,895
Other expenses	53,948	31,357	(33,114)(E)	52,191
Total expenses	262,188	54,962	(25,238)	291,912
Net investment income before taxes	221,208	(870)	25,238	245,576
Income taxes	5,392	1,202		6,594
Net investment income after taxes	215,816	(2,072)		238,982
Net realized gains (losses)	45,478	(71,532)		(26,054)
Net unrealized gains (losses)	230,743	40,277		271,020
Net realized and unrealized gains (losses)	276,221	(31,255)		244,966
Gain on the Allied Acquisition	195,876		(195,876)	
Gain on extinguishment of debt		4,964		4,964
Loss on extinguishment of debt	(1,961)	(6,972)		(8,933)
Gain on sale of other assets	5,882			5,882
Net increase (decrease) in stockholders' equity	\$ 691,834	\$ (35,335)	\$ (170,638)	\$ 485,861
Weighted average shares outstanding	176,732	179,938	(165,355)(F)	191,315
Earnings (loss) per share	\$ 3.91	\$ (0.20)	\$ (1.17)	\$ 2.54

\*

Please see Note 2 of the accompanying notes to pro forma condensed consolidated statement of operations on page 57.

See accompanying notes to pro forma condensed consolidated statement of operations.

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**Ares Capital Corporation and Subsidiaries**  
**Notes to Pro Forma Condensed Consolidated Statement of Operations**  
**Unaudited**  
**(In thousands, unless otherwise stated)**

**1. BASIS OF PRO FORMA PRESENTATION**

The unaudited pro forma condensed consolidated statement of operations related to the merger is included for the year ended December 31, 2010. On October 26, 2009, we entered into a definitive agreement to acquire Allied Capital in the Allied Acquisition. On April 1, 2010, we completed the Allied Acquisition by acquiring the outstanding shares of Allied Capital in exchange for shares of our common stock in a transaction valued at approximately \$908 million as of the closing date. Concurrently with the completion of the Allied Acquisition, we assumed and then repaid in full the \$137 million of remaining amounts outstanding on Allied Capital's \$250 million senior secured term loan. We also assumed all of Allied Capital's other outstanding debt obligations, including approximately \$745 million in aggregate principal amount of the 2011 Notes, the 2012 Notes and the 2040 Notes (collectively, the "Allied Unsecured Notes").

Under the terms of the transaction, each Allied Capital stockholder received 0.325 shares of our common stock for each share of Allied Capital common stock then owned by such stockholder. In connection with the Allied Acquisition, approximately 58.5 million shares of our common stock (including the effect of outstanding in-the money Allied Capital stock options) were issued to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company.

The Allied Acquisition was accounted for in accordance with the acquisition method of accounting as detailed in ASC 805-10. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity based on their fair values as of the date of acquisition. As described in more detail in ASC 805-10, if the total acquisition date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred, the excess will be recognized as a gain. Upon completion of our determination of the fair value of Allied Capital's identifiable net assets as of April 1, 2010, the fair value of such net assets exceeded the fair value of the consideration transferred, thereby, resulting in the recognition of a gain. The valuation of the investments acquired as part of the Allied Acquisition was done in accordance with Ares Capital's valuation policy (see Notes 2 and 8 to the consolidated financial statements for the year ended December 31, 2010).



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Following is the allocation of the purchase price to the assets acquired and liabilities assumed as a result of the Allied Acquisition:

Common stock issued	\$	872,727
Payments to holders of "in-the-money" Allied Capital stock options		35,011(1)
<b>Total purchase price</b>	<b>\$</b>	<b>907,738</b>
Assets acquired:		
Investments	\$	1,833,766
Cash and cash equivalents		133,548
Other assets		80,078
<b>Total assets acquired</b>		<b>2,047,392</b>
<b>Debt and other liabilities assumed</b>		<b>(943,778)</b>
<b>Net assets acquired</b>		<b>1,103,614</b>
<b>Gain on acquisition of Allied Capital</b>		<b>(195,876)</b>
	<b>\$</b>	<b>907,738</b>

(1) Represents cash payment for holders of any "in-the-money" Allied Capital stock options that elected to receive cash.

Ares Capital has elected to be treated as a RIC under subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, Ares Capital is required to timely distribute to its stockholders generally at least 90% of its investment company taxable income, as defined by the Code, for each year. The unaudited pro forma condensed consolidated financial information reflects that Ares Capital has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve Ares Capital from U.S. federal income taxes.

The unaudited pro forma condensed consolidated statement of operations presented in this document is for illustrative purposes only and does not necessarily indicate the results of operations that would have resulted had the merger and subsequent combination been completed at the beginning of the applicable period presented, nor the impact of expense efficiencies, asset dispositions, share repurchases and other factors. The unaudited pro forma condensed consolidated statement of operations is not indicative of the results of operations in future periods of the combined company.

## 2. PRO FORMA ADJUSTMENTS

The pro forma purchase accounting allocation included in the unaudited pro forma condensed consolidated statement of operations is as follows:

- A. The purchase price of certain investments in debt securities acquired from Allied Capital was determined by Ares Capital to be less than the expected recovery value of such investments. In accordance with Generally Accepted Accounting Principles ("GAAP"), subsequent to April 1, 2010, Ares Capital will record the accretion to the expected recovery value in interest income over the remaining term of the investment. Other than what was included in the actual results for Ares Capital for the year ended December 31, 2010, interest income has not been adjusted to reflect the accretion to the expected recovery value for the periods presented. The accretion for the first 12 months subsequent to April 1, 2010 is estimated to be approximately \$12 million. However, there can be no assurance that such accretion will be more or less than such estimate.
- B. The fair value of the outstanding debt assumed from Allied Capital was determined by Ares Capital to be below the face amount of such debt. In accordance with GAAP, subsequent to



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April 1, 2010, Ares Capital will record accretion to the face amount in interest expense over the remaining term of the debt. Other than what was included in the actual results for Ares Capital for the year ended December 31, 2010, interest expense has not been adjusted to reflect the accretion to the face value for the periods presented. The accretion for the first 12 months subsequent to April 1, 2010 is estimated to be approximately \$11 million. However, there can be no assurance that such accretion will be more or less than such estimate.

- C. Base management fees were computed based on 1.5% of average total assets other than cash and cash equivalents but including assets purchased with borrowed funds per Ares Capital's investment advisory and management agreement with Ares Capital Management.
- D. Incentive management fees were recomputed based on the formula in Ares Capital's investment advisory and management agreement with Ares Capital Management.
- E. Adjustments to other expenses were made to reflect compensation costs for Allied Capital's employees that would have been covered by the base management fees paid to Ares Capital Management and therefore not incurred by Ares Capital. Additionally, all stock option costs were excluded as such costs would not exist at Ares Capital as there is no stock option plan maintained by Ares Capital. Payments of stock option costs to employees would have been similarly incurred by Ares Capital in the form of incentive management fees paid to Ares Capital Management. Lastly, any actual costs incurred related to the merger and subsequent combination, primarily various transaction costs, were also excluded.
- F. Weighted average shares for the year ended December 31, 2010 have been adjusted to reflect the following:

(in thousands)	For the Year Ended December 31, 2010
Ares Capital weighted average shares outstanding	176,732
Estimated additional weighted average shares outstanding as a result of the Allied Acquisition	14,583
Ares Capital adjusted weighted average shares outstanding	191,315

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**USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective and strategies and market conditions. We also expect to use the net proceeds of an offering to repay or repurchase outstanding indebtedness, which may include indebtedness under (a) the Revolving Credit Facility (\$189.8 million principal amount outstanding as of September 30, 2011), (b) the Revolving Funding Facility (\$383.0 million principal amount outstanding as of September 30, 2011), (c) the CLO Notes under the Debt Securitization (\$91.8 million aggregate principal amount outstanding as of September 30, 2011), (d) the 2040 Notes (\$200.0 million aggregate principal amount outstanding as of September 30, 2011), (e) the 2047 Notes (\$230.0 million aggregate principal amount outstanding as of September 30, 2011); (f) the February 2016 Convertible Notes (\$575.0 million aggregate principal amount outstanding as of September 30, 2011) and (g) the June 2016 Convertible Notes (\$230.0 million aggregate principal amount outstanding as of September 30, 2011).

The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six month) plus an applicable spread of between 2.50% and 4.00%. As of September 30, 2011, the one, two, three and six month LIBOR were 0.24%, 0.30%, 0.37% and 0.56%, respectively, and the applicable LIBOR spread was 3.00%. The Revolving Credit Facility matures on January 22, 2013. Subject to certain exceptions, the interest charged on the Revolving Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a "base rate" (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case based on a pricing grid depending upon the credit rating of the Company. The effective LIBOR spread under the Revolving Funding Facility on September 30, 2011 was 2.75%. The Revolving Funding Facility is scheduled to expire on January 18, 2016 (subject to two one-year extension options exercisable upon mutual consent). As of September 30, 2011, the blended pricing of the CLO Notes, excluding fees, was approximately three-month LIBOR plus 0.43%. The CLO Notes mature on December 20, 2019 and the reinvestment period for this vehicle expired on June 17, 2011. The interest charged on the Unsecured Notes and Convertible Notes is as follows: (a) 7.75% in the case of the 2040 Notes, (b) 6.875% in the case of the 2047 Notes, (c) 5.75% in the case of the February 2016 Convertible Notes and (d) 5.125% in the case of the June 2016 Convertible Notes. The 2040 Notes, 2047 Notes, February 2016 Convertible Notes and June 2016 Convertible Notes mature on October 14, 2040, April 15, 2047, February 1, 2016 and June 1, 2016, respectively. The supplement to this prospectus relating to an offering may more fully identify the use of the proceeds from such offering.

We anticipate that substantially all of the net proceeds of an offering of securities pursuant to this prospectus and its related prospectus supplement will be used for the above purposes within three months of any such offering, depending on the availability of appropriate investment opportunities consistent with our investment objective and strategies and market conditions, but no longer than within six months of any such offerings.

Our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies. In addition to such investments, we may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. As part of this 30%, we may invest in debt of middle-market companies located outside of the United States. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not be able to achieve our investment objective and/or pay any dividends during this period or, if we are able to do so, such dividends may be substantially lower than the

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dividends that we expect to pay when our portfolio is fully invested. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our common stock and debt securities may decline. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." Our common stock has historically traded at prices both above and below our net asset value per share. It is not possible to predict whether our common stock will trade at, above or below net asset value. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus Our shares of common stock have traded at a discount from net asset value and may do so again in the future, which could limit our ability to raise additional equity capital."

The following table sets forth, for each fiscal quarter for the fiscal years ended December 31, 2009, 2010 and 2011, the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock, the closing sales price as a percentage of net asset value and the dividends or distributions declared by us. On October 13, 2011, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$14.26 per share, which represented a discount of approximately 6.7% to the net asset value per share reported by us as of June 30, 2011.

	Net Asset Value(1)	Price Range		High Sales Price to Net Asset Value(2)	Low Sales Price to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
<b>Year ended December 31, 2009</b>						
First Quarter	\$ 11.20	\$ 7.39	\$ 3.21	66.0%	28.7%	\$ 0.42
Second Quarter	\$ 11.21	\$ 8.31	\$ 4.53	74.1%	40.4%	\$ 0.35
Third Quarter	\$ 11.16	\$ 11.02	\$ 7.04	98.7%	63.1%	\$ 0.35
Fourth Quarter	\$ 11.44	\$ 12.71	\$ 10.21	111.1%	89.2%	\$ 0.35
<b>Year ended December 31, 2010</b>						
First Quarter	\$ 11.78	\$ 14.82	\$ 11.75	125.8%	99.7%	\$ 0.35
Second Quarter	\$ 14.11	\$ 16.40	\$ 12.53	116.2%	88.8%	\$ 0.35
Third Quarter	\$ 14.43	\$ 15.89	\$ 12.44	110.1%	86.2%	\$ 0.35
Fourth Quarter	\$ 14.92	\$ 17.26	\$ 15.64	115.7%	104.8%	\$ 0.35
<b>Year ending December 31, 2011</b>						
First Quarter	\$ 15.45	\$ 17.83	\$ 16.08	115.4%	104.1%	\$ 0.35
Second Quarter	\$ 15.28	\$ 17.71	\$ 15.70	115.9%	102.7%	\$ 0.35
Third Quarter	*	\$ 16.30	\$ 13.07	*	*	\$ 0.35
Fourth Quarter (through October 13, 2011)	*	\$ 14.34	\$ 13.26	*	*	**

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.

(2) Calculated as the respective high or low closing sales price divided by net asset value.

(3) Represents the dividend or distribution declared in the relevant quarter.

\* Net asset value has not yet been calculated for this period.

\*\* Dividend has not yet been declared for this period.

We currently intend to distribute quarterly dividends or distributions to our stockholders. Our quarterly dividends or distributions, if any, will be determined by our board of directors.

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The following table summarizes our dividends or distributions declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
December 16, 2004	December 27, 2004	January 26, 2005	\$ 0.30
Total declared for 2004			\$ 0.30
February 23, 2005	March 7, 2005	April 15, 2005	\$ 0.30
June 20, 2005	June 30, 2005	July 15, 2005	\$ 0.32
September 6, 2005	September 16, 2005	September 30, 2005	\$ 0.34
December 12, 2005	December 22, 2005	January 16, 2006	\$ 0.34
Total declared for 2005			\$ 1.30
February 28, 2006	March 24, 2006	April 14, 2006	\$ 0.36
May 8, 2006	June 15, 2006	June 30, 2006	\$ 0.38
August 9, 2006	September 15, 2006	September 29, 2006	\$ 0.40
November 8, 2006	December 15, 2006	December 29, 2006	\$ 0.40
November 8, 2006	December 15, 2006	December 29, 2006	\$ 0.10
Total declared for 2006			\$ 1.64
March 8, 2007	March 19, 2007	March 30, 2007	\$ 0.41
May 10, 2007	June 15, 2007	June 29, 2007	\$ 0.41
August 9, 2007	September 14, 2007	September 28, 2007	\$ 0.42
November 8, 2007	December 14, 2007	December 31, 2007	\$ 0.42
Total declared for 2007			\$ 1.66
February 28, 2008	March 17, 2008	March 31, 2008	\$ 0.42
May 8, 2008	June 16, 2008	June 30, 2008	\$ 0.42
August 7, 2008	September 15, 2008	September 30, 2008	\$ 0.42
November 6, 2008	December 15, 2008	January 2, 2009	\$ 0.42
Total declared for 2008			\$ 1.68
March 2, 2009	March 16, 2009	March 31, 2009	\$ 0.42
May 7, 2009	June 15, 2009	June 30, 2009	\$ 0.35
August 6, 2009	September 15, 2009	September 30, 2009	\$ 0.35
November 5, 2009	December 15, 2009	December 31, 2009	\$ 0.35
Total declared for 2009			\$ 1.47
February 25, 2010	March 15, 2010	March 31, 2010	\$ 0.35
May 10, 2010	June 15, 2010	June 30, 2010	\$ 0.35
August 5, 2010	September 15, 2010	September 30, 2010	\$ 0.35
November 4, 2010	December 15, 2010	December 31, 2010	\$ 0.35
Total declared for 2010			\$ 1.40
March 1, 2011	March 15, 2011	March 31, 2011	\$ 0.35
May 3, 2011	June 15, 2011	June 30, 2011	\$ 0.35
August 4, 2011	September 15, 2011	September 30, 2011	\$ 0.35
Total declared for 2011			\$ 1.05

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To maintain our RIC status, we must timely distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code, which generally includes net ordinary income and net short term capital gains) to our stockholders. In addition, the Company generally will be required to pay an excise tax equal to 4% of the amount by which 98% of the Company's (i) ordinary income recognized during a calendar year and (ii) capital gain net income (as defined by



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the Code) recognized for the one year period ending on October 31<sup>st</sup> of a calendar year exceeds the distributions for the year. For 2011 and beyond, 98.2% of capital gain net income must be distributed to avoid the excise tax. The taxable income on which excise tax is paid is generally distributed to stockholders in the next tax year. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income for distribution in the following year, and pay any applicable excise tax. For the six months ended June 30, 2011 we recorded a net excise tax expense of \$1.77 million. For the year ended December 31, 2010 we recorded a net excise tax expense of \$2.2 million. We cannot assure you that we will achieve results that will permit the payment of any cash distributions.

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends. See "Dividend Reinvestment Plan."

Table of Contents**RATIOS OF EARNINGS TO FIXED CHARGES**

For the six months ended June 30, 2011 and the years ended December 31, 2010, 2009, 2008, 2007 and 2006, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	<b>For the Six Months Ended June 30, 2011</b>	<b>For the Year Ended December 31, 2010</b>	<b>For the Year Ended December 31, 2009</b>	<b>For the Year Ended December 31, 2008</b>	<b>For the Year Ended December 31, 2007</b>	<b>For the Year Ended December 31, 2006</b>
Earnings to Fixed Charges(1)	3.8	9.8(2)	9.4(3)	(2.8)	3.4	5.0

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in stockholders' equity resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

- (1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

Excluding the net unrealized gains or losses, the earnings to fixed charges ratio would be 3.3 for the six months ended June 30, 2011, 6.9 for the year ended December 31, 2010, 5.7 for the year ended December 31, 2009, 4.7 for the year ended December 31, 2008, 3.7 for the year ended December 31, 2007 and 5.8 for the year ended December 31, 2006.

Excluding the net realized and unrealized gains or losses, the earnings to fixed charges ratio would be 2.6 for the six months ended June 30, 2011, 3.8 for the year ended December 31, 2010, 6.5 for the year ended December 31, 2009, 4.5 for the year ended December 31, 2008, 3.6 for the year ended December 31, 2007 and 4.3 for the year ended December 31, 2006.

- (2) Earnings for year ended December 31, 2010, include a one-time gain on the Allied Acquisition of \$195.9 million, a net realized loss on the extinguishment of debt of \$2.0 million and net realized gain on sale of other assets of \$5.9 million.
- (3) Earnings for the year ended December 31, 2009, include a net realized gain on the extinguishment of debt of \$26.5 million.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*The information contained in this section should be read in conjunction with the "Selected Condensed Consolidated Financial Data of Ares Capital," the "Unaudited Selected Pro Forma Condensed Consolidated Statement of Operations," the "Unaudited Pro Forma Condensed Consolidated Statement of Operations" and our and Allied Capital's financial statements and notes thereto appearing elsewhere in this prospectus or the accompanying prospectus supplement.*

**OVERVIEW**

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a BDC under the Investment Company Act. We were founded on April 16, 2004, were initially funded on June 23, 2004 and on October 8, 2004 completed our initial public offering.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants.

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments, of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, which included equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful.

We are externally managed by Ares Capital Management, a wholly owned subsidiary of Ares Management, a global alternative asset manager and an SEC-registered investment adviser, pursuant to an investment advisory and management agreement. Ares Operations, a wholly owned subsidiary of Ares Management, provides the administrative services necessary for us to operate.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities and indebtedness of private U.S. companies and certain public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less.

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Code, for each year. Pursuant to this election, we generally will not have to pay corporate level taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

***Allied Acquisition***

On April 1, 2010, we consummated the Allied Acquisition in an all stock merger whereby each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection

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therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, resulting in our then-existing stockholders owning approximately 69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company.

Information presented herein as of and for the three and six months ended June 30, 2011 and June 30, 2010 and the year ended December 31, 2010 includes the results of operations and financial condition of the combined company following the consummation of the Allied Acquisition on April 1, 2010 unless otherwise indicated in the footnotes. Information presented herein as of and for the years ended December 31, 2009 and 2008 relate solely to Ares Capital, as it existed before the Allied Acquisition.

Table of Contents**PORTFOLIO AND INVESTMENT ACTIVITY**

The Company's investment activity for the six months ended June 30, 2011 and 2010 and the years ended December 31, 2010, 2009 and 2008 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	For the six months ended		Year Ended December 31,		
	June 30, 2011	June 30, 2010	2010	2009	2008
<b>New investment commitments(1):</b>					
New portfolio companies(2)	\$ 797.3	\$ 419.5	\$ 774.3	\$ 317.6	\$ 600.5
Existing portfolio companies(3)	594.5	289.2	933.8	162.2	305.0
Total new investment commitments(4)	1,391.8	708.7	1,708.1	479.8	905.5
Less:					
Investment commitments exited(5)	943.2	838.9	1,644.5	604.4	430.3
Net investment commitments	\$ 448.6	\$ (130.2)	\$ 63.6	\$ (124.6)	\$ 475.2
<b>Principal amount of investments funded excluding investments acquired as part of the Allied Acquisition:</b>					
Senior term debt	\$ 953.1	\$ 186.1	\$ 715.3	\$ 289.5	\$ 529.2
Senior subordinated debt	30.3	241.3	308.7	59.4	336.3
Subordinated Certificates of the SSLP(6)	183.6	44.7	391.6	165.0	
Equity and other	45.7	108.1	168.3	61.1	60.4
Total	\$ 1,212.7	\$ 580.2	\$ 1,583.9	\$ 575.0	\$ 925.9
<b>Principal amount of investments sold or repaid excluding investments acquired as part of the Allied Acquisition:</b>					
Senior term debt	\$ 282.4	\$ 594.0	\$ 779.7	\$ 283.4	\$ 448.8
Senior subordinated debt	109.0	154.4	234.0	202.4	29.0
Subordinated Certificates of the SSLP(6)		15.4	15.4		
Equity and other	44.3	7.4	18.3	29.4	7.4
Total	\$ 435.7	\$ 771.2	\$ 1,047.4	\$ 515.2	\$ 485.2
<b>Principal amount of investments acquired as part of the Allied Acquisition:</b>					
Senior term debt	\$	\$ 661.1	\$ 661.1	\$	\$
Senior subordinated debt		746.6	746.6		
Collateralized loan obligation		114.3	114.3		
Commercial real estate		41.0	41.0		
Equity and other		270.8	270.8		
Total	\$	\$ 1,833.8	\$ 1,833.8	\$	\$
<b>Principal amount of investments acquired as part of the Allied Acquisition sold or repaid:</b>					
Senior term debt	\$ 141.1	\$ 57.7	\$ 207.7	\$	\$
Senior subordinated debt	165.3	71.1	227.9		
Collateralized loan obligation	114.4	1.8	6.5		
Equity and other	89.1	31.1	66.4		
Total	\$ 509.9	\$ 161.7	\$ 508.5	\$	\$
<b>Number of new investment commitments(4)(7)</b>	34	29	63	33	39
<b>Average new investment commitment amount(4)</b>	\$ 40.9	\$ 24.4	\$ 27.1	\$ 14.5	\$ 23.2
<b>Weighted average term for new investment commitments (in months)(4)</b>	64	57	61	74	66
<b>Percentage of new investment commitments at floating rates(4)</b>	91%	50%	70.8%	65.2%	27.0%
<b>Percentage of new investment commitments at fixed rates(4)</b>	6%	41%	23.0%	22.2%	65.5%
<b>Weighted average yield of debt and income producing securities(4)(8):</b>					
Funded during the period at fair value	10.6%	13.9%	13.1%	13.4%	12.6%

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Funded during the period at amortized cost	10.6%	14.0%	13.2%	13.7%	12.6%
Exited or repaid during the period at fair value(9)	11.3%	13.3%	12.9%	13.4%	9.5%
Exited or repaid during the period at amortized cost	11.6%	13.4%	12.9%	12.2%	9.8%
<b>Weighted average yield of debt and income producing securities acquired as part of the Allied Acquisition(8):</b>					
Funded during the period at fair value		14.0%	14.0%	%	%
Funded during the period at amortized cost		14.0%	14.0%	%	%
Exited or repaid during the period at fair value(9)	16.2%	11.7%	11.9%	%	%
Exited or repaid during the period at amortized cost	18.6%	11.7%	13.2%	%	%

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- (1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.
- (2) Does not include investment commitments made by the SSLP.
- (3) Includes investment commitments to the SSLP of \$183.6 million and \$45.7 million for the six months ended June 30, 2011 and 2010, respectively, as well as \$392 million for the year ended December 31, 2010.

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- (4) Excludes investment commitments acquired as a part of the Allied Acquisition on April 1, 2010.
- (5) Investment commitments exited for the six months ended June 30, 2011 and 2010 include \$506 million and \$151 million, respectively, of investment commitments in connection with the Allied Acquisition.
- (6) See Note 4 to our consolidated financial statements for the three and six months ended June 30, 2011 for more detail on the SSLP.
- (7) Number of new investment commitments represents each commitment to a particular portfolio company.
- (8) "Weighted average yield at fair value" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total debt and income producing securities at fair value. "Weighted average yield at amortized cost" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total debt and income producing securities at amortized cost.
- (9) Represents fair value as of the most recent quarter end.

As of June 30, 2011 and December 31, 2010, investments consisted of the following:

(in millions)	June 30, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior term debt	\$ 2,274.0	\$ 2,255.7	\$ 1,722.1	\$ 1,695.5
Senior subordinated debt	811.1	738.9	1,055.5	1,014.5
Subordinated Certificates of the SSLP(1)	721.0	740.6	537.5	561.7
Collateralized loan obligations	107.4	109.4	219.3	261.2
Equity securities	649.3	778.4	716.6	751.2
Commercial real estate	22.1	20.2	41.0	33.9
<b>Total</b>	<b>\$ 4,584.9</b>	<b>\$ 4,643.2</b>	<b>\$ 4,292.0</b>	<b>\$ 4,318.0</b>

- (1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 23 different borrowers.

The weighted average yields at fair value and amortized cost of the following portions of our portfolio as of June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and income producing securities	12.5%	12.4%	13.2%	12.9%
Debt and income producing securities for investments acquired as part of the Allied Acquisition	15.3%	15.6%	15.2%	14.0%

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Total portfolio	10.4%	10.2%	10.6%	10.5%
Senior term debt	10.9%	11.0%	10.6%	10.8%
First lien senior term debt	10.1%	10.1%	10.3%	10.2%
Second lien senior term debt	13.3%	13.6%	11.3%	12.1%
Subordinated Certificates of the SSLP(1)	16.0%	15.6%	16.5%	15.8%
Senior subordinated debt	12.1%	13.3%	13.1%	13.6%
Collateralized loan obligations	8.8%	8.7%	18.7%	15.7%
Income producing equity securities (excluding collateralized loan obligations)	9.5%	8.4%	7.7%	7.7%

- (1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans.



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Below is certain information regarding changes in the investments acquired in the Allied Acquisition since April 1, 2010 through June 30, 2011:

(dollar amounts in millions)	Investments at Fair Value as of						Net Change in Fair Value
	April 1, 2010			June 30, 2011			
	\$	% of Total Investments	Weighted Average Yield	\$	% of Total Investments	Weighted Average Yield	\$
<b><i>Investments with yields less than 10%</i></b>							
Debt with yields less than 10%	\$ 128.3	7.0%	6.5%	\$ 24.8	2.6%	6.5%	\$ (103.5)
Debt on non-accrual status	335.6	18.3%	%	45.7	4.9%	%	(289.9)
Equity securities	270.8	14.8%	%	202.5	21.6%	0.2%	(68.3)
Commercial real estate and other	34.5	1.9%	3.3%	11.0	1.2%	%	(23.5)
<b>Total</b>	<b>\$ 769.2</b>	<b>42.0%</b>	<b>1.2%</b>	<b>\$ 284.0</b>	<b>30.3%</b>	<b>0.7%</b>	<b>\$ (485.2)</b>
<b><i>Investments with yields equal to or greater than 10%</i></b>							
Debt with yields equal to or greater than 10%	\$ 950.2	51.8%	14.3%	\$ 654.5	69.7%	16.0%	\$ (295.7)
Collateralized loan obligations	114.4	6.2%	18.9%		%	%	(114.4)
<b>Total</b>	<b>\$ 1,064.6</b>	<b>58.0%</b>	<b>14.8%</b>	<b>\$ 654.5</b>	<b>69.7%</b>	<b>16.0%</b>	<b>\$ (410.1)</b>
<b>Total</b>	<b>\$ 1,833.8</b>	<b>100.0%</b>	<b>9.1%</b>	<b>\$ 938.5</b>	<b>100.0%</b>	<b>11.4%</b>	<b>\$ (895.3)</b>

Since April 1, 2010 and through June 30, 2011, we have decreased the assets comprising the legacy Allied Capital portfolio by approximately \$895 million, primarily as a result of exits and repayments of approximately \$1,018 million and net unrealized depreciation in the portfolio of approximately \$22 million, net of other increases of approximately \$145 million due to fundings of revolving and other commitments of \$102 million, PIK interest and accretion of purchase discounts. From April 1, 2010 through June 30, 2011 we also recognized \$140 million in net realized gains on the exits and repayments of investments acquired in the Allied Acquisition resulting in total proceeds received from exits and repayments of \$1,158 million. Ares Capital intends to continue its strategy of rotating and repositioning a portion of the legacy Allied Capital portfolio, with a focus on reducing our holdings of lower and non-yielding investments, investments on non-accrual and investments that may not be core to our investment strategy. However, there can be no assurance that this strategy will be successful.

Our investment adviser employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, our investment adviser grades the credit risk of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (i.e., at the time of acquisition), although it may also take into account under certain circumstances the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. Under this system, investments with a grade of 4 involve the least amount of risk to our initial cost basis. The trends and risk factors for this investment since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments graded 3 involve a level of risk to our initial cost basis that is similar to the risk to our initial cost basis at the time of origination or acquisition. This portfolio company is generally performing as expected and the risk factors to our ability to ultimately recoup the cost of our investment are neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3. Investments graded 2 indicate that the risk to our ability to recoup the cost of such investment has increased materially since origination or

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acquisition, including as a result of factors such as declining performance and non-compliance with debt covenants; however, payments are generally not more than 120 days past due. An investment grade of 1 indicates that the risk to our ability to recoup the cost of such investment has substantially increased since origination or acquisition, and the portfolio company likely has materially declining performance. For debt investments with an investment grade of 1, most or all of the debt covenants are out of compliance and payments are substantially delinquent. For investments graded 1, it is not anticipated that we will be repaid in an amount equal to our full initial cost basis. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company.

Each investment acquired in the Allied Acquisition was initially assessed a grade of 3 (i.e., the grade we generally assign a portfolio company at origination or acquisition) on April 1, 2010, the date of initial acquisition, reflecting the relative risk to our initial cost basis of such investments. Our investment adviser grades the investments in our portfolio at least each quarter and it is possible that the grade of certain of these portfolio investments may be reduced or increased over time.

Set forth below is the grade distribution of our portfolio companies as of June 30, 2011 and December 31, 2010:

(dollar amounts in millions)	As of							
	June 30, 2011				December 31, 2010			
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 28.4	0.6%	8	5.4%	\$ 13.5	0.3%	10	5.9%
Grade 2	348.3	7.5%	16	10.8%	153.9	3.6%	12	7.1%
Grade 3	3,627.6	78.1%	109	73.7%	3,503.4	81.1%	127	74.7%
Grade 4	638.9	13.8%	15	10.1%	647.2	15.0%	21	12.3%
	\$ 4,643.2	100.0%	148	100.0%	\$ 4,318.0	100.0%	170	100.0%

As of June 30, 2011, the weighted average grade of the investments in our portfolio (excluding investments acquired in connection with the Allied Acquisition), the investments in our portfolio acquired in connection with the Allied Acquisition and the investments in our portfolio as a whole were 3.1, 2.8 and 3.1, respectively. As of December 31, 2010, the weighted average grade of the investments in our portfolio (excluding investments acquired in connection with the Allied Acquisition), the investments in our portfolio acquired in connection with the Allied Acquisition and the investments in our portfolio as a whole were each 3.1.

Investments on non-accrual status as of June 30, 2011 and December 31, 2010, were as follows:

	As of			
	June 30, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investments, excluding investments acquired in connection with the Allied Acquisition	1.9%	0.6%	2.3%	0.3%
Investments acquired in connection with the Allied Acquisition	1.6%	1.0%	1.5%	1.0%
	3.5%	1.6%	3.8%	1.3%

Table of Contents**RESULTS OF OPERATIONS***For the three and six months ended June 30, 2011 and 2010*

Operating results for the three and six months ended June 30, 2011 and 2010 are as follows:

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Total investment income	\$ 144,307	\$ 121,590	\$ 279,998	\$ 188,100
Total expenses	98,637	71,363	184,458	106,330
Net investment income before income taxes	45,670	50,227	95,540	81,770
Income tax expense, including excise tax	1,907	686	3,954	524
Net investment income	43,763	49,541	91,586	81,246
Net realized gains (losses) from investments	(6,374)	12,307	56,195	7,426
Net unrealized gains from investments	9,992	72,813	32,226	122,404
Gain from the acquisition of Allied Capital		195,876		195,876
Realized losses on extinguishment of debt	(10,458)	(383)	(19,318)	(383)
Net increase in stockholders' equity resulting from operations	\$ 36,923	\$ 330,154	\$ 160,689	\$ 406,569

Net income can vary substantially from period to period as a result of various factors, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net income may not be meaningful.

**Investment Income**

(in millions)	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest	\$ 111.3	\$ 104.1	\$ 221.8	\$ 165.6
Capital structuring service fees	20.1	7.7	31.1	9.8
Dividend income	6.7	3.4	15.5	3.9
Management fees	4.6	4.1	8.1	5.6
Other income	1.6	2.3	3.5	3.2
Total investment income	\$ 144.3	\$ 121.6	\$ 280.0	\$ 188.1

The increase in interest income for the three months ended June 30, 2011 was primarily due to the increase in the size of the portfolio from an average of \$4.0 billion at amortized cost for the three months ended June 30, 2010 to an average of \$4.4 billion at amortized cost for the comparable period in 2011. The increase in capital structuring service fees for the three months ended June 30, 2011 compared to the same period in 2010 was primarily due to the increase in new investment commitments, which increased from \$409.9 million for the three months ended June 30, 2010 to \$889.5 million for the comparable period in 2011, as well as an increase in the average capital structuring service fees received on new investments. The increase in dividend income for the three months ended June 30, 2011 was primarily attributable to dividend income from IHAM, which was \$4.8 million for the three months ended June 30, 2011 and \$3.4 million for the comparable period in 2010. Total dividend income for the three months ended June 30, 2011 also included \$0.8 million of dividends that were non-recurring in nature from non-income producing equity securities.

The increase in interest income for the six months ended June 30, 2011 was primarily due to the increase in the size of the portfolio in connection with the investments acquired on April 1, 2010 as part of the Allied Acquisition. Interest income from investments acquired as part of the Allied

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Acquisition increased from \$43.6 million for the six months ended June 30, 2010 to \$65.9 million for the comparable period in 2011 as the legacy Allied portfolio was part of our portfolio for the entire six month period in 2011 versus 2010. The remainder of the increase in interest income was due to an increase in the size of Ares Capital's investment portfolio excluding investments acquired as part of the Allied Acquisition, which increased from an average of \$2.6 billion at amortized cost for the six months ended June 30, 2010 to an average of \$3.0 billion at amortized cost for the comparable period in 2011. The increase in capital structuring service fees for the six months ended June 30, 2011 was primarily due to the increase in new investment commitments, which increased from \$708.6 million for the six months ended June 30, 2010 to \$1.4 billion for the comparable period in 2011, as well as an increase in the average amount of capital structuring service fees received on new investments. The increase in management fees for the six months ended June 30, 2011 was primarily due to the management fees earned from the SSLP, which increased from \$1.9 million for the six months ended June 30, 2010 to \$5.2 million for the comparable period in 2011 as the aggregate principal amount of investments made through the SSLP increased from approximately \$1.0 billion at June 30, 2010 to approximately \$3.3 billion at June 30, 2011. The increase in dividend income for the six months ended June 30, 2011 was primarily attributable to dividend income from IHAM, which was \$9.6 million for the six months ended June 30, 2011, compared to \$1.8 million for the comparable period in 2010. Total dividend income for the six months ended June 30, 2011 also included \$4.4 million of dividends that were non-recurring in nature from non-income producing equity securities.

**Operating Expenses**

(in millions)	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest and credit facility fees	\$ 28.6	\$ 23.1	\$ 58.8	\$ 31.7
Incentive management fees	41.7	15.0	72.7	23.1
Base management fees	17.4	11.7	34.1	20.1
Professional fees	4.8	3.5	7.3	6.0
Administrative fees	2.5	2.4	4.9	3.6
Professional fees and other costs related to the Allied Acquisition	0.7	12.5	0.9	16.3
Other general and administrative	2.9	3.2	5.8	5.5
Total operating expenses	\$ 98.6	\$ 71.4	\$ 184.5	\$ 106.3

Interest and credit facility fees for the three and six months ended June 30, 2011 and 2010, were comprised of the following:

(in millions)	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Stated interest expense	\$ 20.4	\$ 17.2	\$ 42.1	\$ 22.0
Facility fees	2.2	1.2	4.3	2.5
Amortization of debt issuance costs	3.4	2.0	6.2	4.5
Accretion of discount related to the Allied Unsecured Notes	0.2	2.7	2.6	2.7
Accretion of original issue discount on the Convertible Notes	2.4		3.6	
Total interest and credit facility fees expense	\$ 28.6	\$ 23.1	\$ 58.8	\$ 31.7

Stated interest expense for the three months ended June 30, 2011 increased primarily due to the increase in our weighted average stated interest rate. The weighted average stated interest rate on

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our indebtedness outstanding for the three months ended June 30, 2011 was 5.5% as compared to 4.5% for the comparable period in 2010. Our weighted average stated interest rate of indebtedness for the three months ended June 30, 2011 increased from the comparable period in 2010 due to having higher amounts of unsecured indebtedness, with longer durations to maturity and higher stated interest rates, outstanding during the period.

Stated interest expense for the six months ended June 30, 2011 increased primarily due to the increase in our weighted average stated interest rate. The weighted average stated interest rate on our indebtedness outstanding for the six months ended June 30, 2011 was 5.6% as compared to 4.5% for the comparable period in 2010. Our weighted average stated interest rate of indebtedness for the six months ended June 30, 2011 increased from the comparable period in 2010 due to having higher amounts of unsecured indebtedness, with longer durations to maturity and higher stated interest rates, outstanding during the period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources, Debt Capital Activities" below.

Incentive and base management fees increased for the three and six months ended June 30, 2011 from the comparable period in 2010 primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in net investment income as well as the net appreciation of the investment portfolio. Incentive management fees related to pre-incentive fee net investment income for the three and six months ended June 30, 2011 were \$17.1 million and \$32.9 million, respectively. The capital gains incentive fee accrual in accordance with GAAP for the three and six months ended June 30, 2011 was \$24.6 million and \$39.8 million, respectively, bringing the total GAAP accrual in respect of these fees to \$55.4 million (included in management and incentive fees payable in the consolidated balance sheet) as of June 30, 2011. As a result of an amendment to the capital gains portion of the incentive fee under the investment advisory and management agreement (the "Capital Gains Amendment") that was adopted June 6, 2011, for the three and six months ended June 30, 2011 we accrued \$26 million of capital gains incentive fees as a result of the application of the Capital Gains Amendment with respect to the assets purchased in the Allied Acquisition, net of a reversal of accrued capital gains incentive fees due to a reduction in cumulative net realized and unrealized capital gains primarily due to the \$10.5 million loss on the extinguishment of debt realized for the three months ended June 30, 2011. For the three and six months ended June 30, 2011 we did not incur a Capital Gains Fee under the investment advisory and management agreement and therefore there are no amounts currently due under the agreement. There was no capital gains incentive fee accrual in accordance with GAAP, nor a Capital Gains Fee recorded for the three and six months ended June 30, 2010. See Note 3 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more information on the incentive and base management fees.

Professional fees include legal, accounting, valuation and other professional fees incurred related to the management of the Company. Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs. Other general and administrative expenses include rent, insurance, depreciation, directors fees and other costs. The decline in professional fees and other costs related to the Allied Acquisition primarily resulted from having substantially completed the integration process following the Allied Acquisition. The increases in professional fees and administrative fees were primarily due to the increase in the size of the company following the Allied Acquisition and the various associated costs of managing a larger portfolio.

Table of Contents**Income Tax Expense, Including Excise Tax**

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must, among other things, timely distribute to its stockholders generally at least 90% of its investment company taxable income, as defined by the Code, for each year. In order to maintain its RIC status, the Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, the Company accrues excise tax on estimated excess taxable income. For the three and six months ended June 30, 2011, a net expense of \$1.0 million and \$1.7 million, respectively, was recorded for U.S. federal excise tax. For the three and six months ended June 30, 2010, the Company recorded no amounts for U.S. federal excise tax.

Certain of our wholly owned subsidiaries are subject to U.S. federal and state income taxes. For the three and six months ended June 30, 2011, we recorded a tax expense of \$0.9 million and \$2.2 million, respectively, for these subsidiaries, and for the three and six months ended June 30, 2010, we recorded a tax expense of \$0.7 million and \$0.5 million, respectively, for these subsidiaries.

**Net Realized Gains/Losses**

During the three months ended June 30, 2011, the Company had \$380.0 million of sales, repayments or exits of investments resulting in \$6.4 million of net realized losses. These sales, repayments or exits included \$38.7 million of investments sold to certain of the IHAM Vehicles (see Note 13 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on IHAM and the IHAM Vehicles). Net realized losses on investments were comprised of \$22.1 million of gross realized gains and \$28.5 million of gross realized losses. The \$6.4 million of net realized losses included approximately \$14.0 million in net realized gains from investments acquired as part of the Allied Acquisition. The realized gains and losses on investments during the three months ended June 30, 2011 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Border Foods, Inc.	\$ 5.2
BB&T Capital Partners/Windsor Mezzanine Fund	4.2
Network Hardware Resale, Inc.	2.8
Univita Health Inc.	2.1
Van Ness Hotel, Inc.	(2.3)
Carador PLC	(3.0)
Trivergance Capital Partners, LP	(3.8)
AWTP, LLC	(7.6)
Summit Business Media, LLC	(10.1)
Other	6.1
<b>Total</b>	<b>\$ (6.4)</b>

Also during the three months ended June 30, 2011, in connection with the redemption of the remaining balance of the 6.000% Notes due on April 1, 2012 (the "2012 Notes"), the Company recognized a loss on the extinguishment of debt of \$10.5 million.

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During the three months ended June 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$196 million (see Note 15 to the Company's consolidated financial statements for the three and six months ended June 30, 2011). Additionally, during the three months ended June 30, 2010, the Company had \$632 million of sales and repayments resulting in \$12.3 million of net realized gains. Net realized gains on investments were comprised of \$14.1 million of gross realized gains and \$1.8 million of gross realized losses. Of the \$12.3 million of net realized gains, approximately \$0.5 million were from investments acquired as part of the Allied Acquisition. The realized gains and losses on investments for the three months ended June 30, 2010 (excluding the gain on the acquisition of Allied Capital) consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Instituto de Banca y Comercio, Inc.	\$ 3.6
DSI Renal, Inc.	3.0
Other	5.7
 Total	 \$ 12.3

During the six months ended June 30, 2011, the Company had \$1,002.7 million of sales, repayments or exits of investments resulting in \$56.2 million of net realized gains. These sales, repayments or exits included \$80.5 million of investments sold to certain of the IHAM Vehicles (see Note 13 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on IHAM and the IHAM Vehicles). Net realized gains on investments were comprised of \$130.4 million of gross realized gains and \$74.2 million of gross realized losses. The \$56.2 million of net realized gains included approximately \$109.2 million in net realized gains from investments acquired as part of the Allied Acquisition. The realized gains and losses on investments during the six months ended June 30, 2011 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Callidus Debt Partners CLO Fund VI, Ltd.	\$ 23.9
Dryden XVIII Leveraged Loan 2007 Limited	19.3
Callidus MAPS CLO Fund I LLC	15.0
Callidus Debt Partners CLO Fund VII, Ltd.	10.8
Callidus MAPS CLO Fund II Ltd.	8.2
Callidus Debt Partners CLO Fund IV, Ltd.	8.0
Callidus Debt Partners CLO Fund V, Ltd.	5.7
Border Foods, Inc.	5.2
Callidus Debt Partners CLO Fund III, Ltd.	4.4
BB&T Capital Partners/Windsor Mezzanine Fund	4.2
United Consumers Club, Inc.	3.6
Network Hardware Resale LLC	2.8
Univita Health Inc.	2.1
Pangaea CLO 2007-1 Ltd.	2.0
Van Ness Hotel, Inc.	(2.3)
Carador PLC	(3.0)
Trivergance Capital Partners, LP	(3.8)
Coverall North America, Inc.	(7.6)
AWTP, LLC	(7.6)
Universal Trailer Corporation	(7.9)
Summit Business Media, LLC	(10.1)
MPBP Holdings, Inc.	(27.7)
Other	11.0
 Total	 \$ 56.2





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Also during the six months ended June 30, 2011, in connection with the redemptions of the remaining balances of the 2012 Notes and the 6.625% Notes due on July 15, 2011 (the "2011 Notes"), the Company recognized a loss on the extinguishment of debt of \$19.3 million.

During the six months ended June 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$196 million. Additionally, during the six months ended June 30, 2010, the Company had \$945 million of sales and repayments resulting in \$7.4 million of net realized gains. These sales and repayments included \$94.5 million of loans sold to certain of the IHAM Vehicles (see Note 13 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on IHAM and the IHAM Vehicles). Net realized gains on investments were comprised of \$21.6 million of gross realized gains and \$14.2 million of gross realized losses. The realized gains and losses on investments for the six months ended June 30, 2010 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
DSI Renal, Inc.	\$ 3.8
Instituto de Banca y Comercio, Inc.	3.6
Best Brands Corp.	2.4
3091779 Nova Scotia Inc.	(3.5)
Growing Family, Inc.	(7.6)
Other	8.7
<b>Total</b>	<b>\$ 7.4</b>

**Net Unrealized Gains/Losses**

We value our portfolio investments quarterly and any changes in value are recorded as unrealized gains or losses. See "Portfolio Valuation" below. Net unrealized gains and losses during the three and six months ended June 30, 2011 and 2010 for the Company's portfolio were comprised of the following:

(in millions)	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Unrealized appreciation	\$ 82.5	\$ 125.5	\$ 151.7	\$ 183.1
Unrealized depreciation	(84.8)	(43.3)	(134.8)	(59.9)
Net unrealized (appreciation) depreciation reversed related to net realized gains (losses)(1)	12.3	(9.4)	15.3	(0.8)
<b>Total net unrealized gains</b>	<b>\$ 10.0</b>	<b>\$ 72.8</b>	<b>\$ 32.2</b>	<b>\$ 122.4</b>

(1) The net unrealized depreciation reversed related to net realized losses represents the unrealized appreciation or depreciation recorded on the related asset at the end of the prior period.

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Included in net unrealized gains and losses above were net unrealized gains and losses for the investments acquired as part of the Allied Acquisition as follows:

(in millions)	For the three months ended		For the six months ended June 30,	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Unrealized appreciation	\$ 13.9	\$ 73.1	\$ 28.3	\$ 73.1
Unrealized depreciation	(54.4)	(26.8)	(87.0)	(26.8)
Net unrealized appreciation reversed related to net realized gains(1)	(7.7)		(46.0)	
Total net unrealized gains (losses)	\$ (48.2)	\$ 46.3	\$ (104.7)	\$ 46.3

(1) The net unrealized appreciation reversed related to net realized gains represents the unrealized appreciation or depreciation recorded on the related asset at the end of the prior period.

The changes in unrealized appreciation and depreciation during the three months ended June 30, 2011 consisted of the following:

(in millions)	Net unrealized appreciation (depreciation)
Refexite Corporation	\$ 34.3
Ivy Hill Asset Management, L.P.	7.0
AWTP, LLC	4.3
BenefitMall Holdings Inc.	3.1
Industrial Container Services, LLC	3.0
Insight Pharmaceuticals Corporation	3.0
Growing Family, Inc.	2.5
CT Tech (Healthport)	2.0
Making Memories Wholesale, Inc.	(2.3)
ADF Restaurant Group, LLC	(2.5)
The Step2 Company, LLC	(2.5)
eInstruction Corporation	(3.0)
VSS-Tranzact Holdings, LLC	(4.7)
Orion Foods, LLC	(4.9)
Ciena Capital LLC	(8.9)
Prommis Solutions, LLC	(13.9)
Cook Inlet Alternative Risk, LLC	(14.0)
United Consumers Club, Inc.	(14.8)
Other	10.0
Total	\$ (2.3)

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The changes in unrealized appreciation and depreciation during the three months ended June 30, 2010 consisted of the following:

(in millions) Portfolio Company	Net unrealized appreciation (depreciation)
Senior Secured Loan Fund LLC(1)	\$ 8.7
Ivy Hill Asset Management, L.P.	5.9
Component Hardware Group, Inc.	5.6
S.B. Restaurant Company	5.2
Air Medical Group Holdings LLC	4.8
Callidus Debt Partners CLO Fund VI, Ltd.	4.7
Callidus MAPS CLO Fund I, LLC	4.5
Stag-Parkway, Inc.	4.5
Callidus MAPS CLO Fund II, LLC	4.4
BenefitMall Holdings, Inc.	4.1
Callidus Debt Partners CLO Fund VII, Ltd.	4.0
DSI Renal, Inc.	3.9
Promo Works, LLC	3.8
Woodstream Corporation	3.6
Tradesmen International, Inc.	3.4
Callidus Debt Partners CLO Fund III, Ltd.	3.2
Instituto de Banca y Comercio, Inc.	2.6
Canon Communications LLC	2.4
Callidus Debt Partners CLO Fund IV, Ltd.	2.3
Things Remembered, Inc.	2.3
Dryden XVIII Leveraged Loan 2007 Limited	2.2
Industrial Container Services, LLC	2.2
Crescent Hotels & Resorts, LLC	(2.4)
Border Foods, Inc.	(2.6)
Aquila Binks Forest Development, LLC	(2.8)
Penn Detroit Diesel Allison LLC	(2.9)
FirstLight Financial Corporation	(3.1)
The Step2 Company, LLC	(3.5)
Knightsbridge CLO 2007-1 Ltd.	(3.5)
Knightsbridge CLO 2008-1 Ltd.	(3.6)
Other	18.3
 Total	 \$ 82.2

(1) See Note 4 to the Company's consolidated financial statements for the three and six months ended June 30, 2011.

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The changes in unrealized appreciation and depreciation during the six months ended June 30, 2011 consisted of the following:

(in millions) Portfolio Company	Net unrealized appreciation (depreciation)
Reflexite Corporation	\$ 34.3
Ivy Hill Asset Management, L.P.	31.8
Industrial Container Services, LLC	4.9
American Broadband Communications, LLC	4.7
AWTP, LLC	4.2
Insight Pharmaceuticals Corporation	4.2
Bushnell Inc.	4.1
Knightsbridge CLO 2007-1 Ltd.	4.0
BenefitMall Holdings, Inc.	4.0
Growing Family, Inc.	3.5
Knightsbridge CLO 2008-1 Ltd.	3.4
Savers, Inc.	3.1
Firstlight Financial Corporation	3.0
Allbridge Financial, LLC	3.0
DSI Renal, Inc.	2.4
Vistar Corporation	2.1
Passport Health Communications, Inc.	(2.6)
The Step2 Company, LLC	(2.6)
Callidus Capital Management, LLC	(3.5)
VSS-Tranzact Holdings, LLC	(4.5)
Senior Secured Loan Fund LLC	(4.6)
Orion Foods, LLC	(5.3)
Making Memories Wholesale, Inc.	(5.9)
CitiPostal Inc.	(6.6)
eInstruction Corporation	(8.1)
Ciena Capital LLC	(16.6)
Cook Inlet Alternative Risk, LLC	(17.5)
Prommis Solutions, LLC	(22.9)
United Consumers Club, Inc.	(23.5)
Other	24.4
<b>Total</b>	<b>\$ 16.9</b>

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The changes in unrealized appreciation and depreciation during the six months ended June 30, 2010 consisted of the following:

(in millions) Portfolio Company	Net unrealized appreciation (depreciation)
R3 Education, Inc.	\$ 15.0
Senior Secured Loan Fund LLC(1)	12.3
Ivy Hill Asset Management, L.P.	8.5
Things Remembered, Inc.	7.0
DSI Renal, Inc.	6.3
Component Hardware Group, Inc.	5.6
S.B. Restaurant Company	5.2
Air Medical Group Holdings LLC	4.8
Callidus Debt Partners CLO Fund VI, Ltd.	4.7
Woodstream Corporation	4.7
Callidus MAPS CLO Fund I, LLC	4.5
Stag-Parkway, Inc.	4.5
Callidus MAPS CLO Fund II, LLC	4.4
BenefitMall Holdings, Inc.	4.1
Callidus Debt Partners CLO Fund VII, Ltd.	4.0
Campus Management Corp.	4.0
Promo Works, LLC	3.8
VOTC Acquisition Corp.	3.7
Instituto de Banca y Comercio, Inc.	3.7
Industrial Container Services, LLC	3.4
Tradesmen International, Inc.	3.4
OTG Management, Inc.	3.2
Callidus Debt Partners CLO Fund III, Ltd.	3.2
Canon Communications LLC	2.4
Callidus Debt Partners CLO Fund IV, Ltd.	2.3
Dryden XVIII Leveraged Loan 2007 Limited	2.2
Web Services Company, LLC	2.2
ADF Restaurant Group, LLC	(2.1)
Crescent Hotels & Resorts, LLC	(2.4)
Border Foods, Inc.	(2.6)
Trivergance Capital Partners, LP	(2.6)
Aquila Binks Forest Development, LLC	(2.8)
Penn Detroit Diesel Allison LLC	(2.9)
The Step2 Company, LLC	(3.5)
Knightsbridge CLO 2007-1 Ltd.	(3.5)
Knightsbridge CLO 2008-1 Ltd.	(3.6)
MPBP Holdings, Inc.	(5.6)
FirstLight Financial Corporation	(6.8)
Other	28.5
 Total	 \$ 123.2

(1) See Note 4 to the Company's consolidated financial statements for the three and six months ended June 30, 2011.

Table of Contents**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Since the Company's inception, the Company's liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, advances from the Revolving Funding Facility and the Revolving Credit Facility, net proceeds from the issuance of secured and unsecured notes as well as cash flows from operations. As part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including the Allied Unsecured Notes.

As of June 30, 2011, the Company had \$84.9 million in cash and cash equivalents and \$1.6 billion in total indebtedness outstanding at carrying value (\$1.7 billion at principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$851.2 million available for additional borrowings under the Revolving Funding Facility and the Revolving Credit Facility as of June 30, 2011.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding indebtedness through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions (including under the Investment Company Act) and other factors. The amounts involved may be material.

**Equity Issuances**

There were no sales of our equity securities during the six months ended June 30, 2011.

The following table summarizes the total number of shares issued and proceeds we received in an underwritten public offering of the Company's common stock, net of underwriter and offering costs for the six months ended June 30, 2010:

(in millions, except per share data)	Shares of common stock issued	Offering price per share	Proceeds net of underwriter and offering costs
February 2010 public offering	23.0	\$ 12.75	\$ 277.2
Total for the six months ended June 30, 2010	23.0		\$ 277.2

Part of the proceeds from the above public offering were used to repay outstanding indebtedness. The remaining unused portions of the proceeds were used to fund investments in portfolio companies in accordance with our investment objective and strategies and market conditions.

As of June 30, 2011, the Company's total market capitalization was \$3.3 billion compared to \$3.4 billion as of December 31, 2010.

Table of Contents**Debt Capital Activities**

Our debt obligations consisted of the following as of June 30, 2011 and December 31, 2010:

(in millions)	As of			
	June 30, 2011		December 31, 2010	
	Carrying Value(1)	Total Available(2)	Carrying Value	Total Available(2)
Revolving Funding Facility	\$ 348.7	\$ 400.0	\$ 242.0	\$ 400.0
Revolving Credit Facility		810.0(3)	146.0	810.0(3)
Debt Securitization	138.3	138.3	155.3	183.2
2011 Notes (principal amount outstanding of \$0 and \$300.6, respectively)			296.3(4)	300.6
2012 Notes (principal amount outstanding of \$0 and \$161.2, respectively)			158.1(4)	161.2
February 2016 Convertible Notes (principal amount outstanding of \$575.0)	537.7(5)	575.0		
June 2016 Convertible Notes (principal amount outstanding of \$230.0)	214.6(5)	230.0		
2040 Notes (principal amount outstanding of \$200.0)	200.0	200.0	200.0	200.0
2047 Notes (principal amount outstanding of \$230.0)	180.9(4)	230.0	180.8(4)	230.0
	\$ 1,620.2(6)	\$ 2,583.3	\$ 1,378.5(6)	\$ 2,285.0

- (1) Except for the Allied Unsecured Notes and the Convertible Notes, all carrying values are the same as the principal amounts outstanding.
- (2) Subject to borrowing base and leverage restrictions. Represents the total aggregate amount available under such instrument.
- (3) Includes an "accordion" feature that allows us, under certain circumstances, to increase the size of the facility to a maximum of \$1,050.0 million
- (4) Represents the aggregate principal amount outstanding of the applicable series of notes less the unaccreted discount recorded as a part of the Allied Acquisition. The total unaccreted discount on the Allied Unsecured Notes was \$49.1 million and \$56.6 million at June 30, 2011 and December 31, 2010, respectively.
- (5) Represents the aggregate principal amount outstanding of the Convertible Notes less the unaccreted discount initially recorded upon issuance of the Convertible Notes. The total unaccreted discount for the February 2016 Convertible Notes and the June 2016 Convertible Notes was \$37.3 million and \$15.4 million, respectively, at June 30, 2011.
- (6) Total principal amount of debt outstanding totaled \$1,722.0 million and \$1,435.1 million at June 30, 2011 and December 31, 2010, respectively.

The weighted average stated interest rate and weighted average maturity, both on principal value, of all our principal indebtedness outstanding as of June 30, 2011 were 5.1% and 12.0 years, respectively. The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of December 31, 2010 were 5.2% and 11.8 years, respectively.

The ratio of total principal amount of indebtedness outstanding to stockholders' equity as of June 30, 2011 was 0.55:1.00 compared to 0.47:1.00 as of December 31, 2010.

The ratio of total carrying value of indebtedness outstanding to stockholders' equity as of June 30, 2011 was 0.52:1.00 compared to 0.45:1.00 as of December 31, 2010.





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In accordance with the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of June 30, 2011, our asset coverage was 293%.

***Revolving Funding Facility***

In October 2004, we formed Ares Capital CP, a wholly owned subsidiary of the Company, through which we established the Revolving Funding Facility. The Revolving Funding Facility allows Ares Capital CP to borrow up to \$400 million as part of a single revolving securitized facility. In connection with the January 22, 2010 amendment, we entered into an Amended and Restated Purchase and Sale Agreement with Ares Capital CP Funding Holdings LLC, our wholly owned subsidiary ("CP Holdings"), pursuant to which we may sell to CP Holdings certain loans that we have originated or acquired from time to time, which CP Holdings will subsequently sell to Ares Capital CP, which is a wholly owned subsidiary of CP Holdings. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The January 22, 2010 amendment to the Revolving Funding Facility, among other things, extended the maturity date of the facility to January 22, 2013.

On January 18, 2011, we and Ares Capital CP amended the Revolving Funding Facility to, among other things, provide for a three year reinvestment period until January 18, 2014 (with two one-year extension options, subject to our and our lenders' consent) and extend the stated maturity date to January 18, 2016 (with two one-year extension options, subject to our and our lenders' consent).

Subject to certain exceptions, the interest charged on the Revolving Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a "base rate" (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case based on a pricing grid depending upon our credit rating. Additionally, we are required to pay a commitment fee of between 0.50% and 2.00% depending on the usage level on any unused portion of the Revolving Funding Facility. As of June 30, 2011, the effective LIBOR spread under the Revolving Funding Facility was 2.75%.

As of June 30, 2011, there was \$348.7 million outstanding under the Revolving Funding Facility and the Company and Ares Capital CP were in material compliance with the terms of the Revolving Funding Facility. See "Recent Developments" and Note 5 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on the Revolving Funding Facility, including a description of an increase in the size of the facility in October 2011 from \$400 million to \$500 million.

***Revolving Credit Facility***

In December 2005, we entered into the Revolving Credit Facility, under which, as amended, the lenders agreed to extend credit to the Company. The Revolving Credit Facility matures on January 22, 2013 and has commitments totaling \$810 million. The Revolving Credit Facility also includes an "accordion" feature that allows the Company under certain circumstances, to increase the size of the facility to a maximum of \$1.05 billion. As of June 30, 2011, there were no amounts outstanding under the Revolving Credit Facility and the Company was in material compliance with the terms of the Revolving Credit Facility. As of June 30, 2011, subject to borrowing base availability, there was \$799.9 million available for borrowing (net of standby letters of credits issued).

Subject to certain exceptions, pricing under the Revolving Credit Facility is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the "alternate base rate" plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending upon our credit rating. As of June 30, 2011, the effective LIBOR spread under the Revolving Credit Facility was 3.00%.

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As of June 30, 2011, there were no amounts outstanding under the Revolving Credit Facility and the Company was in material compliance with the terms of the Revolving Credit Facility. See Note 5 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on the Revolving Credit Facility.

***Debt Securitization***

In July 2006, through ARCC Commercial Loan Trust 2006, a vehicle serviced by our wholly owned subsidiary ARCC CLO 2006 LLC, we completed the Debt Securitization and issued approximately \$314 million aggregate principal amount of asset-backed notes (the "CLO Notes") to third parties that were secured by a pool of middle-market loans purchased or originated by the Company. We initially retained approximately \$86 million of aggregate principal amount outstanding of certain "BBB" and non-rated securities in the Debt Securitization and have subsequently repurchased \$34.8 million of the CLO Notes, bringing our total holdings of CLO Notes to \$120.8 million (the "Retained Notes"). During the three months ended June 30, 2011, we repaid \$31.9 million of the CLO Notes. At June 30, 2011, \$138.3 million was outstanding under the CLO Notes (excluding the Retained Notes), which are included in the June 30, 2011 consolidated balance sheet. As of June 30, 2011, the Company was in material compliance with the terms of the Debt Securitization.

The CLO Notes provided for a reinvestment period which ended on June 17, 2011, has a stated maturity of December 20, 2019 and has a blended pricing of LIBOR plus 0.38% as of June 30, 2011. See Note 5 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on the Debt Securitization.

***Unsecured Notes***

*Allied Unsecured Notes*

As part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including Allied Capital's unsecured notes, which consisted of the 2011 Notes, the 2012 Notes and the 2047 Notes. On March 16, 2011 we redeemed the remaining balance of the 2011 Notes for a total redemption price (including a redemption premium) of \$306.8 million, in accordance with the terms of the indenture governing the 2011 Notes, which resulted in a loss on the extinguishment of debt of \$8.9 million. On April 27, 2011, we redeemed the remaining balance of the 2012 Notes for a total redemption price (including a redemption premium) of \$169.3 million, in accordance with the terms of the indenture governing the 2012 Notes, which resulted in a loss on the extinguishment of debt of \$10.5 million.

As of June 30, 2011, there was \$230.0 million principal amount outstanding of the 2047 Notes which bear interest at a rate of 6.875% and mature on April 15, 2047. The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time on or after April 15, 2012, at a par redemption price of \$25 per security plus accrued and unpaid interest and upon the occurrence of certain tax events as stipulated in the notes.

*2040 Notes*

On October 21, 2010, we issued the 2040 Notes, \$200 million in aggregate principal amount of senior unsecured notes that mature on October 15, 2040, that may be redeemed in whole or in part at our option at any time or from time to time on or after October 15, 2015 at a par redemption price of \$25 per security plus accrued and unpaid interest. The principal amount of the 2040 Notes will be payable at maturity. The 2040 Notes bear interest at a rate of 7.75% per year payable quarterly.

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As of June 30, 2011 the Company was in material compliance with the terms of the 2047 Notes and the 2040 Notes.

See Note 5 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on the Allied Unsecured Notes and the 2040 Notes.

*Convertible Notes*

(in millions)	Carrying value as of June 30, 2011(1)	
February 2016 Convertible Notes (principal amount of \$575.0)	\$	537.7
June 2016 Convertible Notes (principal amount of \$230.0)	\$	214.6
<b>Total</b>	<b>\$</b>	<b>752.3</b>

- (1) Represents the aggregate principal amount outstanding of the Convertible Notes less the unaccreted discount initially recorded upon issuance of the Convertible Notes.

*February 2016 Convertible Notes.* In January 2011, we issued the February 2016 Convertible Notes, \$575 million of unsecured convertible senior notes that mature on February 1, 2016 unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the February 2016 Convertible Notes prior to maturity. The February 2016 Convertible Notes bear interest at a rate of 5.75% per year, payable semi-annually. In certain circumstances, the February 2016 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at an initial conversion rate of 52.2766 shares of common stock per \$1,000 principal amount of the February 2016 Convertible Notes, which was equivalent to an initial conversion price of approximately \$19.13 per share of our common stock, subject to customary anti-dilution adjustments. The initial conversion price was approximately 17.5% above the \$16.28 per share closing price of our common stock on January 19, 2011.

Prior to the close of business on the business day immediately preceding August 15, 2015, holders may convert their February 2016 Convertible Notes only under certain circumstances set forth in the indenture governing the terms of the February 2016 Convertible Notes (the "February 2016 Indenture"). On or after August 15, 2015 until the close of business on the scheduled trading day immediately preceding February 1, 2016, holders may convert their February 2016 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock, subject to the requirements of the February 2016 Indenture.

*June 2016 Convertible Notes.* In March 2011, we issued the June 2016 Convertible Notes, \$230 million of unsecured convertible senior notes that mature on June 1, 2016 unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the June 2016 Convertible Notes prior to maturity. The June 2016 Convertible Notes bear interest at a rate of 5.125% per year, payable semi-annually. In certain circumstances, the June 2016 Convertible Notes will be convertible into cash, shares of Ares Capital's common stock or a combination of cash and shares of our common stock, at our election, at an initial conversion rate of 52.5348 shares of common stock per \$1,000 principal amount of the June 2016 Convertible Notes, which was equivalent to an initial conversion price of approximately \$19.04 per share of our common stock, subject to customary anti-dilution adjustments. The initial conversion price was approximately 17.5% above the \$16.20 per share closing price of our common stock on March 22, 2011.

Prior to the close of business on the business day immediately preceding December 15, 2015, holders may convert their June 2016 Convertible Notes only under certain circumstances set forth in

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the indenture governing the terms of the June 2016 Convertible Notes (the "June 2016 Indenture"). On or after December 15, 2015 until the close of business on the scheduled trading day immediately preceding June 1, 2016, holders may convert their June 2016 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock, subject to the requirements of the June 2016 Indenture.

The Convertible Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not expressly subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

As of June 30, 2011, the Company was in material compliance with the terms of the indentures governing the Convertible Notes. See Note 5 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more detail on the Convertible Notes.

**PORTFOLIO VALUATION**

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to the unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized. Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period, and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 50% of our portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, our independent accountants review our valuation process as part of their overall integrated audit.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate our valuation.

Because there is not a readily available market value for most of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good

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

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the gains or losses reflected in the valuations currently assigned. See the factors set forth in "Risk Factors" included in our annual report on Form 10-K for the fiscal year ended December 31, 2010, including the risk factor entitled "Risk Factors - Risks Relating to our Investments - Recent unprecedented declines in market prices and liquidity in the corporate debt markets resulted in significant net unrealized depreciation of our portfolio in the recent past, reducing our net asset value, and such conditions may occur again in the future."

Our board of directors undertakes a multi-step valuation process each quarter, as described below:

Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with our portfolio management team.

Preliminary valuations are reviewed and discussed with our investment adviser's management and investment professionals, and then valuation recommendations are presented to our board of directors.

The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, with respect to the valuations of a minimum of 50% of our portfolio at fair value.

Our board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on, among other things, the input of our investment adviser, audit committee and where applicable, independent third-party valuation firms.

Effective January 1, 2008, the Company adopted ASC 820-10 (previously SFAS No. 157, Fair Value Measurements), which expands the application of fair value accounting for investments (see Note 8 to the Company's consolidated financial statements for the three and six months ended June 30, 2011). Investments acquired as part of the Allied Acquisition were accounted for in accordance with ASC 805-10 (previously SFAS No. 141(R), Business Combinations), which requires that all assets be recorded at fair value. As a result, the initial amortized cost basis and fair value for the acquired investments were the same at April 1, 2010 (see Note 15 to the Company's consolidated financial statements for the three and six months ended June 30, 2011).

Table of Contents**OFF BALANCE SHEET ARRANGEMENTS**

The Company has various commitments to fund investments in its portfolio, as described below.

As of June 30, 2011 and December 31, 2010, the Company had the following commitments to fund various revolving senior secured and subordinated loans, including commitments the funding of which is at (or substantially at) the Company's discretion:

(in millions)	June 30, 2011	As of December 31, 2010
Total revolving commitments	\$ 447.4	\$ 260.7
Less: funded commitments	(77.1)	(60.0)
Total unfunded commitments	370.3	200.7
Less: commitments substantially at discretion of the Company	(11.8)	(19.9)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(68.4)	(6.7)
Total net adjusted unfunded revolving commitments	\$ 290.1	\$ 174.1

As of June 30, 2011, \$375.1 million of the total revolving commitments extend beyond the maturity date of our Revolving Credit Facility. Included within the total revolving commitments as of June 30, 2011 are commitments to issue up to \$7.5 million in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, if the standby letters of credit were to be issued, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. As of June 30, 2011, the Company had \$6.9 million in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability on our balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$1.7 million expire in September 2011, \$0.2 million expire in December 2011, \$0.1 million expire in January 2012, \$0.05 million expire in February 2012, and \$4.8 million expire in June 2012.

As of June 30, 2011 and December 31, 2010, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships:

(in millions)	June 30, 2011	As of December 31, 2010
Total private equity commitments	\$ 181.3	\$ 537.6
Less: funded private equity commitments	(67.0)	(104.3)
Total unfunded private equity commitments	114.3	433.3
Less: private equity commitments substantially at discretion of the Company	(103.9)	(400.4)
Total net adjusted unfunded private equity commitments	\$ 10.4	\$ 32.9

As of June 30, 2011 and December 31, 2010, we had funded the SSLP with \$731.7 million and \$548.2 million, respectively, which the SSLP used to fund loans to its underlying portfolio companies. As of these dates, we had also committed to make available to the SSLP an additional \$227.1 and \$410.6 million, respectively, to fund additional loans. It is within our discretion to make these additional amounts available to the SSLP. In addition, all portfolio decisions and generally all other

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decisions in respect of the SSLP must be approved by both GE and the Company. See Note 4 to the Company's consolidated financial statements for the three and six months ended June 30, 2011 for more information on the Company's investment in the SSLP.

In the ordinary course of business, Allied Capital had issued guarantees on behalf of certain portfolio companies. Under these arrangements, payments would be required to be made to third parties if the portfolio companies were to default on their related payment. As part of the Allied Acquisition, the Company assumed such outstanding guarantees or similar obligations. As a result, as of each of June 30, 2011 and December 31, 2010, the Company had outstanding guarantees or similar obligations totaling \$0.8 million.

Further in the ordinary course of business, we may sell certain of our investments to third party purchasers. In particular, since the Allied Acquisition we have sold and currently continue to seek opportunities to sell certain of Allied Capital's equity investments larger than those we have historically made and controlled portfolio company equity investments. In connection with these sales (as well as certain other sales) we have, and may continue to do so in the future, agreed to indemnify such purchasers for future liabilities arising from the investments and the related sale transaction. Such indemnification provisions may give rise to future liabilities.

As of June 30, 2011, one of the Company's portfolio companies, Ciena Capital LLC ("Ciena"), had one non-recourse securitization Small Business Administration ("SBA") loan warehouse facility, which has reached its maturity date but remains outstanding. Ciena is working with the providers of the SBA loan warehouse facility with regard to the repayment of that facility. Allied Capital had previously issued a performance guaranty (which Ares Capital succeeded to as a result of the Allied Acquisition) whereby Ares Capital must indemnify the warehouse providers for any damages, losses, liabilities and related costs and expenses that they may incur as a result of Ciena's failure to perform any of its obligations as loan originator, loan seller or loan servicer under the warehouse facility. As of June 30, 2011, there are no known issues or claims with respect to this performance guaranty.

## **RECENT DEVELOPMENTS**

As of September 30, 2011, since June 30, 2011 we had made new investment commitments of \$1.4 billion, of which \$1.1 billion were funded. Of these new commitments, 65% were in first lien senior secured debt, 21% were in second lien senior secured debt, 10% were in equity securities, and 4% were in investments in subordinated certificates of the SSLP. Of the \$1.4 billion of new investment commitments, 96% were floating rate and 4% were fixed rate. The weighted average yield of debt and income producing securities funded during the period at amortized cost was 10.0%. We may seek to syndicate a portion of these new investment commitments to third parties, although there can be no assurance that we will be able to do so.

As of September 30, 2011, since June 30, 2011 we had exited \$971 million of investments. Of these investments, 63% were in first lien senior secured debt, 16% were in senior subordinated debt, 12% were in second lien senior secured debt, 7% were in equity securities, and 2% were in collateralized loan obligations. Of the \$971 million of exited investments, 79% were floating rate investments, 12% were fixed rate investments, 7% were non-interest bearing and 2% were on non-accrual status. The weighted average yield of debt and income producing securities exited or repaid during the period at amortized cost was 10.2%. On the \$971 million of investments exited since June 30, 2011, we recognized total net realized gains of approximately \$48 million. Included within the \$971 million of investments exited since June 30, 2011 were \$105 million of investments acquired as part of the Allied Acquisition. We recognized net realized losses of approximately \$16 million on the investments exited that were acquired as part of the Allied Acquisition.

In addition, as of September 30, 2011, we had an investment backlog and pipeline of \$610 million and \$105 million, respectively. We may syndicate a portion of these investments and

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commitments to third parties. The consummation of any of the investments in this backlog and pipeline depends upon, among other things: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. We cannot assure you that we will make any of these investments or that we will syndicate any portion of such investments and commitments.

On October 13, 2011, we and Ares Capital CP entered into an amendment to the Revolving Funding Facility to, among other things, increase the amount of the Revolving Funding Facility from \$400 million to \$500 million.

**CRITICAL ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with GAAP, and include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

***Cash and Cash Equivalents***

Cash and cash equivalents include funds from time to time deposited with financial institutions and short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value.

***Concentration of Credit Risk***

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in money market accounts may exceed the Federal Deposit Insurance Corporation insured limit.

***Investments***

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized. Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12 month period, and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 50% of our portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, our independent accountants review our valuation process as part of their overall integrated audit.



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As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison of the portfolio company's securities to any similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate our valuation.

Because there is not a readily available market value for most of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our board of directors, as described herein. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which we have recorded it.

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

Our board of directors undertakes a multi-step valuation process each quarter, as described below:

Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with our portfolio management team.

Preliminary valuations are reviewed and discussed with our investment adviser's management and investment professionals, and then valuation recommendations are presented to our board of directors.

The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, with respect to the valuations of a minimum of 50% of our portfolio at fair value.

Our board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on, among other things, the input of our investment adviser, audit committee and, where applicable, independent third-party valuation firms.

Effective January 1, 2008, the Company adopted ASC 820-10, which expands the application of fair value accounting for investments (see Note 8 to our consolidated financial statements for the year ended December 31, 2010 and the three and six months ended June 30, 2011). Investments acquired as part of the Allied Acquisition were accounted for in accordance with ASC 805-10, which requires that all assets be recorded at fair value. As a result, the initial amortized cost basis and fair value for the acquired investments were the same at April 1, 2010 (see Note 17 to our consolidated financial statements for the year ended December 31, 2010 and Note 15 to our consolidated financial statements for the three and six months ended June 30, 2011).

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***Interest and Dividend Income Recognition***

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on securities purchased are accreted/amortized into interest income over the life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The Company may make exceptions to this if the loan has sufficient collateral value and is in the process of collection.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

***Payment-in-Kind Interest***

The Company has loans in its portfolio that contain PIK provisions. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash.

***Capital Structuring Service Fees and Other Income***

The Company's investment adviser seeks to provide assistance to our portfolio companies in connection with the Company's investments and in return the Company may receive fees for capital structuring services. These fees are generally only available to the Company as a result of the Company's underlying investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Company's investment adviser provides vary by investment, but generally include reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to the Company. In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, a portion of loan fees paid to the Company in such situations will be deferred and amortized over the estimated life of the loan. The Company's investment adviser may also take a seat on the board of directors of a portfolio company, or observe the meetings of the board of directors without taking a formal seat.

Other income includes fees for asset management, management and consulting services, loan guarantees, commitments, amendments and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

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***Foreign Currency Translation***

The Company's books and records are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

- (1) Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.
- (2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

Results of operations based on changes in foreign exchange rates are separately disclosed in the statement of operations. Foreign security and currency translations may involve certain considerations and risks not typically associated with investing in U.S. companies and U.S. government securities. These risks include, but are not limited to, currency fluctuation and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

***Accounting for Derivative Instruments***

The Company does not utilize hedge accounting and marks its derivatives to market through unrealized gains (losses) in the accompanying statement of operations.

***Equity Offering Expenses***

The Company's offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received.

***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method.

***U.S. Federal Income Taxes***

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must, among other things, timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each year. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

Certain of our wholly owned subsidiaries are subject to U.S. federal and state income taxes.

***Dividends to Common Stockholders***

Dividends and distributions to common stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by our board of directors each quarter and is

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generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for investment.

We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividend. While we generally use newly issued shares to implement the dividend reinvestment plan (especially if our shares are trading at a premium to net asset value), we may purchase shares in the open market in connection with our obligations under the dividend reinvestment plan. In particular, if our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan.

*Use of Estimates in the Preparation of Financial Statements*

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

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to financial market risks, including changes in interest rates and the valuations of our investment portfolio.

*Interest Rate Risk*

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. Because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. See "Risk Factors Risks Relating to Our Business We are exposed to risks associated with changes in interest rates."

As of June 30, 2011, approximately 25% of the investments at fair value in our portfolio were at fixed rates, approximately 57% were at variable rates, 16% were non-interest earning and 2% were on non-accrual status. Additionally, for the investments at variable rates, 62% of the investments contained interest rate floors (representing 35% of total investments at fair value). The Revolving Credit Facility, the Revolving Funding Facility and the Debt Securitization all bear interest at variable rates with no interest rate floors, while the 2047 Notes, the 2040 Notes and the Convertible Notes bear interest at fixed rates.

We regularly measure our exposure to interest rate risk. We assess interest rate risk and manage our interest rate exposure on an ongoing basis by comparing our interest rate sensitive assets to our interest rate sensitive liabilities. Based on that review, we determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates.

While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap

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agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Based on our June 30, 2011 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

(in millions)

<b>Basis Point Change</b>	<b>Interest Income</b>	<b>Interest Expense(1)</b>	<b>Net Income</b>
Up 300 basis points	\$ 39.1	\$ 14.6	\$ 24.5
Up 200 basis points	\$ 21.7	\$ 9.7	\$ 12.0
Up 100 basis points	\$ 7.3	\$ 4.9	\$ 2.4
Down 100 basis points	\$ (0.8)	\$ (1.0)	\$ 0.2
Down 200 basis points	\$ (0.9)	\$ (1.0)	\$ 0.1
Down 300 basis points	\$ (0.9)	\$ (1.0)	\$ 0.1

(1)

As of June 30, 2011, we had no amounts outstanding under the Revolving Credit Facility.

Based on our December 31, 2010 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

(in millions)

<b>Basis Point Change</b>	<b>Interest Income</b>	<b>Interest Expense</b>	<b>Net Income</b>
Up 300 basis points	\$ 26.2	\$ 16.3	\$ 9.9
Up 200 basis points	\$ 14.8	\$ 10.9	\$ 3.9
Up 100 basis points	\$ 5.5	\$ 5.4	\$ 0.1
Down 100 basis points	\$ (1.5)	\$ (1.6)	\$ 0.1
Down 200 basis points	\$ (1.9)	\$ (1.6)	\$ (0.3)
Down 300 basis points	\$ (2.3)	\$ (1.6)	\$ (0.7)

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**SENIOR SECURITIES**  
(dollar amounts in thousands, except per share data)

Information about our senior securities (including preferred stock, debt securities and other indebtedness) is shown in the following tables as of the end of each fiscal year ended December 31 since we commenced operations and as of June 30, 2011. The report of our independent registered public accounting firm, KPMG LLP, on the senior securities table as of December 31, 2010, is attached as an exhibit to the registration statement of which this prospectus is a part. The " " indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
<b>Revolving Credit Facility</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$	\$	\$	N/A
Fiscal 2010	\$ 146,000	\$ 3,212.92	\$	N/A
Fiscal 2009	\$ 474,144	\$ 2,297.51	\$	N/A
Fiscal 2008	\$ 480,486	\$ 2,204.77	\$	N/A
Fiscal 2007	\$ 282,528	\$ 2,650.04	\$	N/A
Fiscal 2006	\$ 193,000	\$ 2,637.83	\$	N/A
Fiscal 2005	\$	\$	\$	N/A
<b>Revolving Funding Facility</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 348,679	\$ 2,934.57	\$	N/A
Fiscal 2010	\$ 242,050	\$ 3,212.92	\$	N/A
Fiscal 2009	\$ 221,569	\$ 2,297.51	\$	N/A
Fiscal 2008	\$ 114,300	\$ 2,204.77	\$	N/A
Fiscal 2007	\$ 85,000	\$ 2,650.04	\$	N/A
Fiscal 2006	\$ 15,000	\$ 2,637.83	\$	N/A
Fiscal 2005	\$ 18,000	\$ 32,645.11	\$	N/A
Fiscal 2004	\$ 55,500	\$ 3,877.62	\$	N/A
<b>Revolving Funding II Facility</b>				
Fiscal 2009	\$	\$	\$	N/A
<b>Debt Securitization</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 138,320	\$ 2,934.57	\$	N/A
Fiscal 2010	\$ 155,297	\$ 3,212.92	\$	N/A
Fiscal 2009	\$ 273,752	\$ 2,297.51	\$	N/A
Fiscal 2008	\$ 314,000	\$ 2,204.77	\$	N/A
Fiscal 2007	\$ 314,000	\$ 2,650.04	\$	N/A
Fiscal 2006	\$ 274,000	\$ 2,637.83	\$	N/A
<b>2011 Notes</b>				
Fiscal 2010	\$ 296,258	\$ 3,212.92	\$	\$ 1,018
<b>2012 Notes</b>				
Fiscal 2010	\$ 158,108	\$ 3,212.92	\$	\$ 1,018
<b>2040 Notes</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 200,000	\$ 2,934.57	\$	\$ 981
Fiscal 2010	\$ 200,000	\$ 3,212.92	\$	\$ 952
<b>2047 Notes</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 180,890	\$ 2,934.57	\$	\$ 924
Fiscal 2010	\$ 180,795	\$ 3,212.92	\$	\$ 847
<b>February 2016 Convertible Notes</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 537,668	\$ 2,934.57	\$	\$ 1,053
<b>June 2016 Convertible Notes</b>				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 214,585	\$ 2,934.57	\$	\$ 1,026

(1)

Total amount of each class of senior securities outstanding at carrying value at the end of the period presented.

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- (2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the "Asset Coverage Per Unit" (including for the 2040 Notes and the 2047 Notes, which were issued in \$25 increments). The ratios depicted for each of the periods previously presented have been revised to reflect the current year methodology described above.
- (3) The amount to which such class of senior security would be entitled upon our involuntary liquidation in preference to any security junior to it.
- (4) Not applicable, except for with respect to the 2011 Notes, the 2012 Notes, the 2040 Notes, the 2047 Notes, the February 2016 Convertible Notes and the June 2016 Convertible Notes. The average market value per unit for each of the 2011 Notes, the 2012 Notes, the 2040 Notes, the 2047 Notes, the February 2016 Convertible Notes and the June 2016 Convertible Notes is based on the average daily quoted prices of such notes and is expressed per \$1,000 of indebtedness (including for the 2040 Notes and the 2047 Notes, which were issued in \$25 increments).



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**BUSINESS**

**GENERAL**

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a BDC under the Investment Company Act. We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately \$13 billion of total committed capital under management as of June 30, 2011, including available debt capacity (subject to leverage and borrowing base restrictions), vehicles directly or indirectly managed or co-managed by us or one of our wholly owned subsidiaries and vehicles managed or sub-managed by our wholly owned portfolio company IHAM.

We are externally managed by our investment adviser, Ares Capital Management, a wholly owned subsidiary of Ares Management, a global alternative asset manager and a SEC registered investment adviser with approximately \$41 billion of total committed capital under management as of June 30, 2011. Our administrator, a wholly owned subsidiary of Ares Management, provides the administrative services necessary for us to operate.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. However, we may from time to time invest in larger companies. In this prospectus, we generally use the term "middle-market" to refer to companies with annual EBITDA between \$10 million and \$250 million. As used herein, EBITDA represents net income before net interest expense, income tax expense, depreciation and amortization.

On April 1, 2010, we consummated the Allied Acquisition in an all stock merger whereby each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments have generally ranged between \$20 million and \$250 million each, although the investment size may be more or less than this range. Our investment sizes are expected to grow with our capital availability.

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, which included equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this

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strategy will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity" for further information on the rotation of investments acquired as part of the Allied Acquisition.

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment we are operating in. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate a portion of such amount to third parties, such that we are left with a smaller investment than what was reflected in our original commitment. In addition to originating investments, we may also acquire investments in the secondary market.

The first and second lien senior loans in which we invest generally have stated terms of three to 10 years and the mezzanine debt investments in which we invest generally have stated terms of up to 10 years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, we may invest in loans and securities with any maturity or duration. The instruments in which we invest typically are not initially rated by any rating agency, but we believe that if such instruments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Ratings Services). We may invest without limit in debt or other securities of any rating, as well as debt or other securities that have not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms of Ares to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 13 years and its senior principals have an average of over 20 years experience investing in senior loans, high yield bonds, mezzanine debt and private equity securities. The Company has access to the Ares staff of approximately 170 investment professionals and approximately 145 administrative professionals who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations.

Since our initial public offering on October 8, 2004 through June 30, 2011, our realized gains have exceeded our realized losses by \$106.8 million (excluding the one-time gain on the Allied Acquisition and gains/losses from the extinguishment of debt and other assets). For this same time period, our portfolio exits have resulted in an aggregate cash flow realized internal rate of return to us of approximately 15% (based on original cash invested of \$3.8 billion and total proceeds from such exits of \$4.6 billion). Approximately 78% of the exits resulted in an aggregate cash flow internal rate of return to us of 10% or greater. Internal rate of return is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these expenses are not allocable to specific investments. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of our debt investment or sale of an investment or through the determination that no further consideration was collectible and, thus, a loss may have been realized. These internal rate of return results are historical results relating to our past performance and are not necessarily indicative of future results, the achievement of which cannot be assured.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity

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securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in opportunistic investments in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation." Specifically, as part of this 30% basket, we may invest in debt of middle-market companies located outside of the United States, in investment funds that are operating pursuant to certain exceptions to the Investment Company Act, in advisers to similar investment funds and in debt and equity of public companies that are not considered "eligible portfolio companies" (as defined in the Investment Company Act) because their market capitalization of publicly traded equity securities exceeds the levels provided for in the Investment Company Act. We expect that these public companies generally will have debt that may be non-investment grade. From time to time we may also invest in high yield bonds, which, depending on the issuer, may or may not be included in this 30% basket.

We and GE also co-invest through the SSLP, an unconsolidated vehicle. The SSLP was initially formed in December 2007 to co-invest in "stretch senior" and "unitranche" loans (loans that combine both senior and subordinated debt, generally in a first lien position) of middle-market companies and currently has approximately \$5.1 billion of available capital, approximately \$3.5 billion in aggregate principal amount of which was funded as of June 30, 2011. At June 30, 2011, we had agreed to make available to the SSLP approximately \$1 billion, of which approximately \$200 million was unfunded. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by both an affiliate of GE and the Company.

We also manage an unconsolidated fund, the AGILE Fund, which had approximately \$65.4 million of total committed capital under management as of June 30, 2011.

In addition, our portfolio company IHAM manages (or sub-manages) the IHAM Vehicles, which are described in more detail under "Investments Managed Vehicles" below. We have also made direct investments in securities of certain of these vehicles. As of June 30, 2011, IHAM had total committed capital under management of approximately \$3.4 billion, which included approximately \$0.4 billion invested by Ares Capital in IHAM or securities issued by the IHAM Vehicles.

**About Ares**

Founded in 1997, Ares is a global alternative asset manager and SEC registered investment adviser with approximately \$41 billion of total committed capital under management and over 380 employees as of June 30, 2011.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the origination, acquisition and management of senior loans, high yield bonds, mezzanine debt and special situation investments. Ares' private equity activities focus on providing flexible, junior capital to middle-market companies. Ares has the ability to invest across a capital structure, from senior floating rate debt to common equity. This flexibility, combined with Ares' "buy and hold" philosophy, enables Ares to structure an investment to meet the specific needs of a company rather than the less flexible demands of the public markets.

Ares is comprised of the following groups:

**Private Debt Group.** The Ares Private Debt Group manages the assets of Ares Capital, the IHAM Vehicles, Ares Credit Strategies Fund II, L.P., Ares Credit Strategies Fund III, L.P. and Ares' private debt middle-market financing business in Europe, ACE, which together had approximately \$15 billion of total committed capital under management as of June 30, 2011, including capital which may be committed for investment both directly and through certain financial services portfolio companies of the Company. The Ares Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt, which in some cases may include an equity component. The Ares Private Debt Group also makes equity

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investments in private middle-market companies, usually in conjunction with a concurrent debt investment.

**Capital Markets Group.** The Ares Capital Markets Group had approximately \$20 billion of total committed capital under management as of June 30, 2011 through a variety of funds and investment vehicles, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

**Private Equity Group.** The Ares Private Equity Group had approximately \$6 billion of total committed capital under management as of June 30, 2011, primarily through ACOF. ACOF generally makes private equity investments in amounts substantially larger than the private equity investments anticipated to be made by Ares Capital. In particular, the Ares Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

Ares' senior principals have been working together as a group for many years and have an average of over 20 years of experience in leveraged finance, private equity, distressed debt, investment banking and capital markets. They are backed by a large team of highly disciplined professionals. Ares' rigorous investment approach is based upon an intensive, independent financial analysis, with a focus on preservation of capital, diversification and active portfolio management. These fundamentals underlie Ares' investment strategy and have resulted in large pension funds, banks, insurance companies, endowments and certain high net worth individuals investing in Ares' funds.

**Ares Capital Management**

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of approximately 55 U.S.-based investment professionals led by the senior partners of the Ares Private Debt Group: Michael Arougheti, Eric Beckman, Kipp deVeer, Mitchell Goldstein, Michael Smith and Gordon Watters. Ares Capital Management leverages off of Ares' investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares has approximately 170 investment professionals covering current investments in more than 1,000 companies across over 30 industries. Ares Capital Management's investment committee has nine members, including the senior partners of the Ares Private Debt Group and senior partners in the Ares Capital Markets Group and the Ares Private Equity Group.

**MARKET OPPORTUNITY**

We believe that current market conditions present attractive opportunities for us to invest in middle-market companies. Specifically:

We believe that many senior lenders have, in recent years, de-emphasized their service and product offerings to middle-market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, commercial and investment banks are limited in their ability to underwrite and syndicate bank loans and high yield securities for middle-market issuers as they seek to build capital and reduce leverage, resulting in opportunities for alternative funding sources and therefore higher new-issue market opportunities.

We believe that there is a lack of market participants that are willing to not only underwrite but also hold loans. As a result, we believe our ability to minimize syndication risk for a company seeking financing by being able to hold our loans without syndicating them is a competitive advantage.

We believe there is a large pool of uninvested private equity capital for middle-market businesses. We expect private equity firms will seek to leverage their investments by

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combining equity capital with senior secured loans and mezzanine debt from other sources, such as the Company.

A high volume of senior secured and high yield debt was originated in the calendar years 2004 through 2007 and will come due in the near term and, accordingly, we believe that new financing opportunities will increase as many companies seek to refinance this indebtedness.

**COMPETITIVE ADVANTAGES**

We believe that we have the following competitive advantages over other capital providers to middle-market companies:

**The Ares Platform**

As of June 30, 2011, Ares managed approximately \$41 billion of total committed capital under management in the related asset classes of non-syndicated first and second lien senior loans, syndicated loans, high yield bonds, mezzanine debt and private equity. We believe Ares' current investment platform provides a competitive advantage in terms of access to origination and marketing activities and diligence for Ares Capital. Specifically, the Ares platform provides the Company an advantage through its deal flow generation and investment evaluation process. Ares' asset management platform also provides additional market information, company knowledge and industry insight that benefit the investment and due diligence process. Ares' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

**Seasoned Management Team**

Ares' senior professionals have an average of more than 20 years of experience in leveraged finance, including substantial experience in investing in leveraged loans, high yield bonds, mezzanine debt, distressed debt and private equity securities. The investment professionals in the Ares Private Debt Group and members of our investment adviser's investment committee also have significant experience originating and investing across market cycles. As a result of Ares' extensive investment experience and the history of its seasoned management team, Ares has developed a strong reputation across U.S. and European capital markets. We believe that Ares' long history in the leveraged loan market and the extensive experience of its principals originating and investing across market cycles provides Ares Capital with a competitive advantage in identifying, originating, investing in and managing a portfolio of investments in middle-market companies.

**Experience and Focus on Middle-Market Companies**

Ares has historically focused on investments in middle-market companies and we benefit from this experience. In sourcing and analyzing deals, our investment adviser benefits from Ares' extensive network of relationships focused on middle-market companies, including management teams, members of the investment banking community, private equity groups and other investment firms with whom Ares has had long-term relationships. We believe this network enables us to identify well-positioned prospective portfolio company investments. The Ares Private Debt Group works closely with Ares' other investment professionals, who together currently oversee a portfolio of investments in over 1,000 companies across over 30 industries, and provide access to an extensive network of relationships and insights into industry trends and the state of the capital markets.

**Disciplined Investment Philosophy**

In making its investment decisions, our investment adviser has adopted Ares' long-standing, consistent, credit-based investment approach that was developed over 20 years ago by its founders.

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Specifically, our investment adviser's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment and financial markets and company-specific research and analysis. Its investment approach emphasizes capital preservation, low volatility and minimization of downside risk. In addition to engaging in extensive due diligence from the perspective of a long-term investor, our investment adviser's approach seeks to reduce risk in investments by focusing on:

businesses with strong franchises and sustainable competitive advantages;

industries with positive long-term dynamics that have performed through the credit cycle;

businesses and industries with cash flows that are dependable and predictable, including those that have strategic M&A value;

management teams with demonstrated track records and appropriate economic incentives;

rates of return commensurate with the perceived risks;

securities or investments that are structured with favorable terms and covenants; and

businesses backed by experienced private equity sponsors.

**Extensive Industry Focus**

We seek to concentrate our investing activities in industries with a history of predictable and dependable cash flows and in which the Ares investment professionals have had extensive investment experience. Ares investment professionals have developed long-term relationships with management teams and management consultants in over 30 industries, and have accumulated substantial information and identified potential trends within these industries. In turn, we benefit from these relationships, information and identification of potential trends in making investments.

**Flexible Transaction Structuring and Scale**

We believe that being one of the largest BDCs with approximately \$13 billion of total committed capital under management as of June 30, 2011, including available debt capacity (subject to leverage and borrowing base restrictions), vehicles directly or indirectly managed or co-managed by us or one of our wholly owned subsidiaries and vehicles managed or sub-managed by certain financial services portfolio companies makes us a more desirable capital provider, especially in competitive markets. We are flexible in structuring investments, including the types of investments and the terms associated with such investments. Ares has extensive experience investing in a wide variety of structures for companies with a diverse set of terms and conditions. We believe this approach and experience enables our investment adviser to identify attractive investment opportunities throughout economic cycles and across a company's capital structure so we can make investments consistent with our stated investment objective and preserve principal while seeking appropriate risk adjusted returns. In addition, we have the ability to provide "one stop" financing with the ability to invest capital across the balance sheet and syndicate and hold larger investments than many of our competitors. We believe that the ability to underwrite, syndicate and hold larger investments benefits our stockholders by (a) potentially increasing net income and earnings through syndication, (b) increasing originated deal flow flexibility, (c) broadening market relationships and deal flow, (d) allowing us to optimize our portfolio composition and (e) allowing us to provide capital to middle-market companies, which we believe currently have limited access to capital from traditional lending sources. In addition, we believe that the ability to provide capital at every level of the balance sheet provides a strong value proposition to middle-market borrowers and our senior debt capabilities provide superior deal origination and relative value analysis capabilities compared to traditional "mezzanine only" lenders.



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**Broad Origination Strategy**

We focus on self-originating most of our investments by pursuing a broad array of investment opportunities in middle-market companies across multiple channels. We also leverage off of the extensive relationships of the broader Ares platform, including relationships with the companies in the IHAM Vehicles, to identify investment opportunities. We believe that this allows for asset selectivity and that there is a significant relationship between proprietary deal origination and credit performance. We believe that our focus on generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and enables us to actively manage our portfolio investments. Moreover, by leading the investment process, we are often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. We also have originated substantial proprietary deal flow from middle-market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

**OPERATING AND REGULATORY STRUCTURE**

Our investment activities are managed by Ares Capital Management, which is wholly owned by Ares, and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Ares Capital Management is registered under the Advisers Act. Under our investment advisory and management agreement, we have agreed to pay Ares Capital Management an annual base management fee based on our total assets, as defined under the Investment Company Act (other than cash and cash equivalents but including assets purchased with borrowed funds), and an incentive fee based on our performance. See "Management Investment Advisory and Management Agreement."

As a BDC, we are required to comply with certain regulatory requirements. For example, we are not generally permitted to invest in any portfolio company in which funds managed by Ares or any of its downstream affiliates (including Ares Capital Management) (other than Ares Capital and its downstream affiliates) currently has an investment (although we may co-invest on a concurrent basis with funds managed by Ares or any of its downstream affiliates (including Ares Capital Management), subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures). Some of these co-investments would only be permitted pursuant to an exemptive order from the SEC. We have applied for an exemptive order from the SEC that would permit us to co-invest with funds managed by Ares or its downstream affiliates (including Ares Capital Management). Any such order will be subject to certain terms and conditions. There is no assurance that the application for exemptive relief will be granted by the SEC. Accordingly, we cannot assure you that we will be permitted to co-invest with funds managed by Ares or any of its downstream affiliates (including Ares Capital Management). See "Risk Factors Risks Relating to Our Business We may not replicate Ares' historical success and our ability to enter into transactions with Ares and our other affiliates is restricted."

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant respects. As a BDC and a RIC for tax purposes, we are dependent on our ability to raise capital through the issuance of common stock. RICs generally must distribute substantially all of their earnings to stockholders as dividends in order to preserve their status as RICs and avoid corporate-level U.S. income tax. This requirement, in turn, prevents us from using earnings to support our operations including making new investments. Further, BDCs must have at least 200% asset coverage in order to incur debt or issue preferred stock (which we refer to collectively as "senior securities"), which requires us to finance our investments with at least as much equity as senior securities in the aggregate. Our Facilities also require that we maintain asset coverage of 200%.



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**INVESTMENTS**

**Ares Capital Corporation Portfolio**

We have built an investment portfolio of primarily first and second lien loans, mezzanine debt and, to a lesser extent, equity investments in private middle-market companies. Our portfolio is well diversified by industry sector and its concentration to any single issuer is limited. Our investments have generally ranged between \$20 million to \$250 million each, although the investment size may be more or less than this range depending on capital availability. To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, which included equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity" for further information on the rotation of investments acquired as part of the Allied Acquisition.

In addition, the proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment we are operating in. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate a portion of such amount to third parties prior to closing such investment, such that we are left with a smaller investment than what was reflected in our original commitment. In addition to originating investments, we may also acquire investments in the secondary market.

We make senior secured loans primarily in the form of first and/or second lien loans. Our first and second lien loans generally have terms of three to 10 years. Such first and second lien loans are granted a security interest in certain of the assets of the borrower and consequently such assets serve as collateral in support of the repayment of such senior secured loans. Senior secured loans are generally exposed to the least amount of credit risk because they typically hold a senior position with respect to scheduled interest and principal payments and security interests in assets of the borrower. However, unlike mezzanine debt, senior secured loans typically do not receive any stock, warrants to purchase stock or other yield enhancements. Senior secured loans may include revolving lines of credit, senior term loans, senior syndicated loans and senior last-out tranche loans.

Structurally, mezzanine debt usually ranks subordinate in priority of payment to senior loans and is often unsecured. However, mezzanine debt ranks senior to common and preferred equity in a borrowers' capital structure. Typically, mezzanine debt has elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with senior loans, while providing lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of an equity co-investment and/or warrants. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine debt generally yields a higher return than senior secured debt. The equity co-investment and warrants associated with mezzanine debt typically allow lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Equity issued in connection with mezzanine debt also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula.

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In making an equity investment, in addition to considering the factors discussed below under " Investment Selection," we also consider the anticipated timing of a liquidity event, such as a public offering, sale of the company or redemption of our equity securities.

Our principal focus is investing in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity capital, of private middle-market companies in a variety of industries. We generally seek to invest in companies in the industries in which Ares' investment professionals have direct expertise. The following is a representative list of the industries in which we have invested:

- Business Services
- Consumer Products
- Education
- Financial Services
- Food and Beverage
- Healthcare Services
- Investment Funds and Vehicles
- Manufacturing
- Retail
- Restaurants and Food Services

However, we may invest in other industries if we are presented with attractive opportunities.

The industrial and geographic compositions of our portfolio at fair value as of June 30, 2011 and December 31, 2010 were as follows:

Industry	As of	
	June 30, 2011	December 31, 2010
Investment Funds and Vehicles(1)	20.0%	21.4%
Healthcare Services	16.2	15.6
Business Services	10.7	12.6
Manufacturing	10.2	4.2
Restaurants and Food Services	8.0	8.8
Financial Services	6.9	6.7
Education	6.4	5.2
Consumer Products	6.1	8.3
Other Services	4.2	3.3
Telecommunications	2.6	2.5
Environmental Services	2.1	0.8
Retail	1.3	2.4

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Food and Beverage	1.2	2.4
Wholesale Distribution	1.2	1.3
Commercial Real Estate	1.1	1.5
Other	1.8	3.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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(1)

Includes our investment in the SSLP, which represented 16.0% and 13.0% of the Company's total portfolio at fair value as of June 30, 2011 and December 31, 2010, respectively. The SSLP had issued loans to 23 and 20 different issuers as of June 30, 2011 and December 31, 2010, respectively. The portfolio companies in the SSLP are in industries similar to the companies in our portfolio.

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Geographic Region	As of	
	June 30, 2011	December 31, 2010
West	43.6%	34.5%
Southeast	17.6	16.5
Midwest	17.2	20.2
Mid-Atlantic	16.4	24.4
Northeast	3.6	1.4
International	1.6	3.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

As of June 30, 2011, 3.5% of total investments at amortized cost (or 1.6% of total investments at fair value), were on non-accrual status, including 1.6% of total investments at amortized cost (or 1.0% of total investments at fair value) of investments acquired as part of the Allied Acquisition. As of December 31, 2010, 3.8% of total investments at amortized cost (or 1.3% of total investments at fair value), were on non-accrual status, including 1.5% of total investments at amortized cost (or 1.0% of total investments at fair value) of investments acquired as part of the Allied Acquisition.

In addition to such investments, we may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. Specifically, as part of this 30% basket, we may invest in debt of middle-market companies located outside of the United States, in investment funds that are operating pursuant to certain exceptions to the Investment Company Act, in advisers to similar investment funds and in debt and equity of public companies that do not meet the definition of eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the Investment Company Act. We expect that these public companies generally will have debt that may be non-investment grade. From time to time, we may also invest in high yield bonds, which, depending on the issuer, may or may not be included in the 30% basket.

**Managed Vehicles**

We have made investments in our portfolio company, IHAM, which manages 10 unconsolidated senior debt vehicles: Ivy Hill Middle Market Credit Fund, Ltd., Ivy Hill Middle Market Credit Fund II, Ltd. and Ivy Hill Senior Debt Fund, L.P., Knightsbridge CLO 2007-1, Ltd. and Knightsbridge CLO 2008-1, Ltd., Emporia Preferred Funding I, Ltd., Emporia Preferred Funding II, Ltd. and Emporia Preferred Funding III, Ltd. and Ares Private Debt Strategies Fund II, L.P. and Ares Private Debt Strategies Fund III, L.P. In addition, IHAM serves as the sub-adviser/sub-manager for four others: CoLTS 2005-1 Ltd., CoLTS 2005-2 Ltd. and CoLTS 2007-1 Ltd. and FirstLight Funding I, Ltd. As of June 30, 2011, IHAM had total committed capital under management of approximately \$3.4 billion, which includes approximately \$0.4 billion invested by Ares Capital in IHAM or vehicles managed by IHAM. We have also made direct investments in debt securities of certain of these vehicles.

Certain vehicles managed by IHAM have also purchased investments from us at fair value at the time of the transactions, including approximately \$39 million, \$113 million, \$46 million and \$68 million for the three months ending June 30, 2011 and the years ending December 31, 2010, 2009 and 2008, respectively.

IHAM is party to the IHAM administration agreement with our administrator, Ares Operations. Pursuant to the IHAM administration agreement, our administrator provides IHAM with office facilities, equipment, clerical, bookkeeping and record keeping services, and the services of certain personnel to perform research and related services, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Under the IHAM administration agreement, IHAM reimburses our administrator for all of the actual costs associated with such services, including its allocable portion of our administrator's

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overhead and the cost of our administrator's officers and respective staff in performing its obligations under the IHAM administration agreement.

We also manage the AGILE Fund, an unconsolidated fund that had approximately \$65.4 million of total committed capital under management as of June 30, 2011. At June 30, 2011, our investment in the AGILE Fund was \$0.2 million at fair value, including an unrealized loss of \$0.1 million.

**Allied Acquisition**

On October 26, 2009, we entered into a definitive agreement to acquire Allied Capital in an all stock transaction. On April 1, 2010, we completed the Allied Acquisition by acquiring the outstanding shares of Allied Capital in exchange for shares of our common stock in a transaction valued at approximately \$908 million as of the closing date. Concurrently with the completion of the Allied Acquisition, we repaid in full the \$137 million of remaining principal amounts outstanding on Allied Capital's \$250 million senior secured term loan. We also assumed all of Allied Capital's other outstanding debt obligations, including approximately \$745 million in aggregate principal amount outstanding of Allied Capital's unsecured notes.

Under the terms of the Allied Acquisition, each Allied Capital stockholder received 0.325 shares of our common stock for each share of Allied Capital common stock then owned by such stockholder. In connection with the Allied Acquisition, approximately 58.5 million shares of our common stock (including the effect of outstanding in-the money Allied Capital stock options) were issued to Allied Capital's then-existing stockholders, resulting in our then-existing stockholders owning approximately 69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company.

The Allied Acquisition was accounted for in accordance with the acquisition method of accounting as detailed in ASC 805-10. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity based on their fair values as of the date of acquisition. As described in more detail in ASC 805-10, if the total acquisition date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred, the excess will be recognized as a gain. Upon completion of our determination of the fair value of Allied Capital's identifiable net assets as of April 1, 2010, the fair value of such net assets exceeded the fair value of the consideration transferred, resulting in the recognition of a gain. The valuation of the investments acquired as part of the Allied Acquisition was done in accordance with Ares Capital's valuation policy.

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Set forth below is the allocation of the purchase price to the assets acquired and liabilities assumed in connection with the Allied Acquisition:

(in millions)

Common stock issued	\$	872.7
Payments to holders of "in-the-money" Allied Capital stock options		35.0(1)
<b>Total purchase price</b>	<b>\$</b>	<b>907.7</b>
Assets acquired:		
Investments	\$	1,833.8
Cash and cash equivalents		133.5
Other assets		80.1
<b>Total assets acquired</b>		<b>2,047.4</b>
<b>Debt and other liabilities assumed</b>		<b>(943.8)</b>
<b>Net assets acquired</b>		<b>1,103.6</b>
<b>Gain on Allied Acquisition</b>		<b>(195.9)</b>
	<b>\$</b>	<b>907.7</b>

(1) Represents cash payment for holders of any "in-the-money" Allied Capital stock options that elected to receive cash.

Prior to the completion of the Allied Acquisition we purchased \$340 million of assets from Allied Capital in arm's length transactions. Additionally, during the same period of time, IHAM purchased \$69 million of assets from Allied Capital, also in arm's length transactions.

We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity" for further information on the rotation of investments acquired as part of the Allied Acquisition.

## INVESTMENT SELECTION

Ares' investment philosophy was developed over the past 21 years and has remained consistent and relevant throughout a number of economic cycles. We are managed using a similar investment philosophy used by the investment professionals of Ares in Ares' private investment funds.

This investment philosophy involves, among other things:

an assessment of the overall macroeconomic environment and financial markets and how such assessment may impact industry and asset selection;

company-specific research and analysis; and

with respect to each individual company, an emphasis on capital preservation, low volatility and minimization of downside risk.

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The foundation of Ares' investment philosophy is intensive credit investment analysis, a portfolio management discipline based on both market technicals and fundamental value-oriented research, and diversification strategy. We follow a rigorous investment process based on:

a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;

an evaluation of management and its economic incentives;

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an analysis of business strategy and industry trends; and

an in-depth examination of capital structure, financial results and projections.

We seek to identify those companies exhibiting superior fundamental risk-reward profiles and strong defensible business franchises while focusing on the relative value of the investment across the industry as well as for the specific company.

**Intensive Due Diligence**

The process through which an investment decision is made involves extensive research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, we will engage in an intensive due diligence process. Approximately 30-40% of the investments initially reviewed by us proceed to this phase. Though each transaction will involve a somewhat different approach, the regular due diligence steps generally undertaken include:

meeting with the target company's management to get an insider's view of the business, and to probe for potential weaknesses in business prospects;

checking management's backgrounds and references;

performing a detailed review of historical financial performance and the quality of earnings;

visiting headquarters and company operations and meeting with top and middle-level executives;

contacting customers and vendors to assess both business prospects and standard practices;

conducting a competitive analysis, and comparing the issuer to its main competitors on an operating, financial, market share and valuation basis;

researching the industry for historic growth trends and future prospects as well as to identify future exit alternatives (including Wall Street research, industry association literature and general news);

assessing asset value and the ability of physical infrastructure and information systems to handle anticipated growth; and

investigating legal risks and financial and accounting systems.

**Selective Investment Process**

After an investment has been identified and preliminary diligence has been completed, a credit research and analysis report is prepared. This report is reviewed by the senior investment professional in charge of the potential investment. If such senior and other investment professionals are in favor of the potential investment, then it is first presented to an underwriting committee, which is comprised of the senior partners of the Ares Private Debt Group. However, the portfolio managers of Ares Capital Management are responsible for the day-to-day management of our portfolio.



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After the investment is approved by the underwriting committee, a more extensive due diligence process is employed by the transaction team. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys, independent accountants, and other third party consultants and research firms prior to the closing of the investment, as appropriate on a case-by-case basis. Approximately 7-10% of all investments initially reviewed by us will be presented to the investment committee. Approval of an investment for funding requires the approval of the majority of the investment committee of Ares Capital Management, although unanimous consent is sought.

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**Issuance of Formal Commitment**

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management and/or sponsor of that company and its other capital providers, including senior, junior and equity capital providers, if any, to finalize the structure of the investment. Approximately 5-7% of the investments initially reviewed by us eventually result in the issuance of formal commitments.

***Debt Investments***

We invest in portfolio companies primarily in the form of first and second lien senior loans and mezzanine debt. The first and second lien senior loans generally have terms of three to 10 years. We obtain security interests in the assets of our portfolio companies that will serve as collateral in support of the repayment of the first and second lien senior loans. This collateral generally takes the form of first or second priority liens on the assets of a portfolio company.

We structure our mezzanine investments primarily as unsecured subordinated loans that provide for relatively high fixed interest rates that provide us with significant current interest income. The mezzanine debt investments generally have terms of up to 10 years. These loans typically have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine debt. In some cases, we may enter into loans that, by their terms, convert into equity or additional debt or defer payments of interest (or at least cash interest) for the first few years after our investment. Also, in some cases our mezzanine debt will be collateralized by a subordinated lien on some or all of the assets of the borrower.

In some cases, our debt investments may provide for a portion of the interest payable to be PIK interest. To the extent interest is PIK, it will be payable through the increase of the principal amount of the loan by the amount of interest due on the then-outstanding aggregate principal amount of such loan.

In the case of our first and second lien senior loans and mezzanine debt, we tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that aims to protect our rights and manage our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a senior position in the capital structure of our portfolio companies, we will seek, where appropriate, to limit the downside potential of our investments by:

targeting a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;

incorporating "put" rights, call protection and LIBOR floors into the investment structure; and

negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

We generally require financial covenants and terms that require an issuer to reduce leverage, thereby enhancing credit quality. These methods include: (a) maintenance leverage covenants requiring a decreasing ratio of indebtedness to cash flow, (b) maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures and (c) indebtedness incurrence prohibitions, limiting a company's ability to take on additional indebtedness. In addition, by including limitations on asset sales and capital expenditures we may be able to prevent a company from changing the nature of its business or capitalization without our consent.

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Our debt investments may include equity features, such as warrants or options to buy a minority interest in the portfolio company. Warrants we receive with our debt investments may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as puts, or rights to sell such securities back to the portfolio company, upon the occurrence of specified events. In many cases, we also obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

***Equity Investments***

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, which included equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity" for further information on the rotation of investments acquired as part of the Allied Acquisition.

**ON-GOING RELATIONSHIPS WITH AND MONITORING OF PORTFOLIO COMPANIES**

We closely monitor each investment we make, maintain a regular dialogue with both the management team and other stakeholders and seek specifically tailored financial reporting. In addition, senior investment professionals may take board seats or obtain board observation rights for our portfolio companies. As of June 30, 2011, of our 148 portfolio companies, we were entitled to board seats or board observation rights on 59% of these companies.

We seek to exert significant influence post-investment, in addition to covenants and other contractual rights and through board participation, when appropriate, by actively working with management on strategic initiatives. We often introduce managers of companies in which we have invested to other portfolio companies to capitalize on complementary business activities and best practices.

Our investment adviser employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, our investment adviser grades the credit risk of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (i.e., at the time of acquisition), although it may also take into account under certain circumstances the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. Under this system, investments with a grade of 4 involve the least amount of risk to our initial cost basis. The trends and risk factors for this investment since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments graded 3 involve a level of risk to our initial cost basis that is similar to the risk to our initial cost basis at the time of origination or acquisition. This portfolio company is generally performing as expected and the risk factors to our ability to ultimately recoup the cost of our investment are neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3. Investments graded 2 indicate that the risk to our ability to recoup the cost of such investment has increased materially since origination or

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acquisition, including as a result of factors such as declining performance and non-compliance with debt covenants; however, payments are generally not more than 120 days past due. An investment grade of 1 indicates that the risk to our ability to recoup the cost of such investment has substantially increased since origination or acquisition, and the portfolio company likely has materially declining performance. For debt investments with an investment grade of 1, most or all of the debt covenants are out of compliance and payments are substantially delinquent. For investments graded 1, it is not anticipated that we will be repaid in an amount equal to our full initial cost basis. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company.

Each investment acquired in the Allied Acquisition was initially assessed a grade of 3 (i.e., the grade we generally assign a portfolio company at origination or acquisition) on April 1, 2010, the date of initial acquisition, reflecting the relative risk to our initial cost basis of such investments. Our investment adviser grades the investments in our portfolio at least each quarter and it is possible that the grade of certain of these portfolio investments may be reduced or increased over time.

As of June 30, 2011, the weighted average grade of our portfolio was 3.1. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity."

**MANAGERIAL ASSISTANCE**

As a BDC, we must offer, and must provide upon request, significant managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services.

**COMPETITION**

Our primary competitors include public and private funds, commercial and investment banks, commercial financing companies and private equity funds, each of which we compete with for financing opportunities. Many of our competitors are substantially larger and have considerably greater financial and marketing resources than we do. For example, some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than Ares Capital. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC. For additional information concerning the competitive risks we face, see "Risk Factors Risks Relating to Our Business We operate in a highly competitive market for investment opportunities."

We believe that the relationships of the members of our investment adviser's investment committees and of the senior principals of Ares enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we seek to invest. We believe that Ares' professionals' deep and long-standing direct sponsor relationships and the resulting proprietary transaction opportunities that these relationships often present, provide valuable insight and access to transactions and information. We use the industry information of Ares' investment professionals to which we have access to assess investment risks and determine appropriate pricing for our investments in portfolio companies.

**MARKET CONDITIONS**

Due to the volatility in global markets, the availability of capital and access to capital markets has been limited over the last several years. As the global liquidity situation and market conditions evolve, we will continue to monitor and adjust our approach to funding accordingly. However, given the

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unprecedented nature of the recent volatility in the global markets and the uncertainty around the strength of the U.S. economic recovery, there can be no assurance that these activities will be successful. While levels of market disruption and volatility have improved, there can be no assurance that adverse market conditions will not repeat themselves. If they do, we could face materially higher financing costs. Consequently, our operating strategy could be materially and adversely affected. See "Risk Factors Risks Relating to Our Business Capital markets have recently been in a period of disruption and instability. These market conditions materially and adversely affected debt and equity capital markets in the United States, which had, and may in the future have, a negative impact on our business and operations."

In connection with the prior depressed market conditions of the general economy, the stocks of BDCs as an industry have in the past traded at near historic lows as a result of concerns over liquidity, credit quality, leverage restrictions and distribution requirements. In some cases, certain BDCs became "forced sellers" of assets, defaulted on their indebtedness, decreased their distributions to stockholders or announced share repurchase programs. We cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

**STAFFING**

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees or affiliates of our investment adviser or our administrator, each of which is a wholly owned subsidiary of Ares Management, pursuant to the terms of our investment advisory and management agreement and administration agreement, respectively, each as described below. Each of our executive officers is an employee or affiliate of our investment adviser or our administrator. Our day-to-day investment activities are managed by our investment adviser. Most of the services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by our investment adviser or our administrator. Our investment adviser has approximately 55 U.S.-based investment professionals who focus on origination, transaction development, investment and the ongoing monitoring of our investments. See "Management Investment Advisory and Management Agreement." We reimburse both our investment adviser and our administrator for a certain portion of expenses incurred in connection with such staffing, as described in more detail below. Because we have no employees, Ares Capital does not have a formal employee relations policy.

**PROPERTIES**

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are currently located at 245 Park Avenue, 44th Floor, New York, New York 10167. We rent the office space directly from a third party pursuant to a lease that expires in February 2026. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM will sublease approximately 15% and 20%, respectively, of this office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under the office lease, plus certain additional costs and expenses.

**LEGAL PROCEEDINGS**

We are party to certain lawsuits in the normal course of business. Allied Capital was also involved in various legal proceedings, which we assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, we do not expect these matters will materially affect our business, financial condition or results of operations.

Table of Contents**PORTFOLIO COMPANIES**

The following table describes each of the businesses included in our portfolio and reflects data as of June 30, 2011. Percentages shown for class of investment securities held by us represent percentage of the class owned and do not necessarily represent voting ownership. Percentages shown for equity securities, other than warrants or options, represent the actual percentage of the class of security held before dilution. Percentages shown for warrants and options held represent the percentage of class of security we may own assuming we exercise our warrants or options before dilution.

We have indicated by footnote portfolio companies (a) where we directly or indirectly own more than 25% of the outstanding voting securities of such portfolio company and, therefore, are presumed to be "controlled" by us under the Investment Company Act and (b) where we directly or indirectly own 5% to 25% of the outstanding voting securities of such portfolio company or where we hold one or more seats on the portfolio company's board of directors and, therefore, are deemed to be an "affiliated person" under the Investment Company Act. We directly or indirectly own less than 5% of the outstanding voting securities of all other portfolio companies (or have no other affiliations with such portfolio companies) listed on the table. We offer to make significant managerial assistance to certain of our portfolio companies. We may also receive rights to observe the meetings of our portfolio companies' boards of directors.

**ARES CAPITAL AND SUBSIDIARIES**  
**PORTFOLIO COMPANIES**  
**As of June 30, 2011 (unaudited)**  
**(dollar amounts in thousands)**

Company	Industry	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2011	Fair Value
10th Street, LLC(3) 5 North 11th Street Brooklyn, NY 11211	Real estate holding company	Senior subordinated loan Member interest Option	8.93% Cash, 4.07% PIK	11/2/2014		\$ 23,723 \$ 552 \$ 25
ADF Capital, Inc. & ADF Restaurant Group, LLC 165 Passaic Avenue Fairfield, NJ 07004	Restaurant owner and operator	Senior secured revolving loan Senior secured loan Senior secured loan Promissory note Warrants	6.50% (Libor + 3.50%/Q) 6.50% (Libor + 3.50%/Q) 12.50% (Libor + 9.50%/Q)	11/27/2013 11/27/2013 11/27/2014 11/27/2016		\$ 2,118(5) \$ 13,777 \$ 20,819 \$ 12,560 \$ (2)
AGILE Fund I, LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment partnership	Member interest				\$ 150
AllBridge Financial, LLC(4) 13760 Noel Road, Suite 1100 Dallas, TX 75240	Asset management services	Equity interest				\$ 16,081
Allied Capital REIT, Inc.(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Real estate investment trust	Real estate equity interests Real estate equity interests				\$ 429 \$ 80.00% 100.00%
American Academy Holdings, LLC 2480 South 3850 West, Suite B Salt Lake City, UT 84120	Provider of education, training, certification, networking, and consulting	Senior secured revolving loan Senior secured loan	9.50% (Libor + 8.50%/Q) 9.50% (Libor + 8.50%/Q)	3/18/2016 3/18/2016		\$ 1,000(6) \$ 81,289

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services to  
medical coders  
and other  
healthcare  
providers

American Broadband Communications, LLC and American Broadband Holding Company 401 N. Tryon Street, 10th Floor Charlotte, NC 28202	Broadband communication services	Senior secured loan	7.50% (Libor + 5.50%/M)	9/1/2013	\$ 26,889
		Senior subordinated loan	12.00% Cash, 2.00% PIK	11/7/2014	\$ 43,520
		Senior subordinated loan	10.00% Cash, 4.00% PIK	11/7/2014	\$ 26,400
		Warrants			\$ 8,398(2)
				17.00%	
American Commercial Coatings, Inc. 2008 Cypress Street Paris, KY 40362	Real estate property	Commercial mortgage loan		12/1/2025	\$ 1,776

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Company	Industry	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2011	Fair Value
Anthony, Inc. 12391 Montero Ave. Sylmar, CA 91342	Manufacturer of refrigeration glass doors and related products	Senior secured revolving loan	5.13% (Libor + 4.00%/M)	6/15/2017		\$ 3,000(7)
		Senior secured revolving loan	6.25% (Base Rate + 3.00%/Q)	6/15/2017		\$ 3,400(7)
		Senior secured revolving loan	8.25% (Base Rate + 5.00%/Q)	6/15/2017		\$ 245,000
		Senior secured loan				
AP Global Holdings, Inc. 1043 North 47th Avenue Phoenix, AZ 85043	Safety and security equipment manufacturer	Senior secured loan	3.94% (Libor + 3.75%/M)	10/26/2013		\$ 6,274
Apple & Eve, LLC and US Juice Partners, LLC(3) 2 Seaview Blvd Port Washington, NY 11050	Juice manufacturer	Senior secured revolving loan		10/1/2013		\$ (8)
		Senior secured loan	12.00% (Libor + 9.00%/M)	10/1/2013		\$ 27,501
		Senior units			8.74%	\$ 4,806
Aquila Binks Forest Development, LLC 15430 Endeavour Drive Jupiter, FL 33478	Real estate developer	Commercial mortgage loan Real estate equity interests		6/1/2011		\$ 4,957 \$
					85.00%	
Athletic Club Holdings, Inc. 5201 East Tudor Road Anchorage, AL 99507	Premier health club operator	Senior secured loan	4.69% (Libor + 4.50%/M)	10/11/2013		\$ 18,188
Augusta Sportswear, Inc. 425 Park West Drive Grovetown, GA 30813	Manufacturer of athletic apparel	Senior secured loan	8.50% (Libor + 7.50%/Q)	7/30/2015		\$ 9,137
Aviation Properties Corporation(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Aviation services	Common stock				\$
					100.00%	
AWTP, LLC(4) 2080 Lunt Avenue Elk Grove Village, IL 60007	Water treatment services	Junior secured loan	5.00% Cash, 5.00% PIK	6/23/2015		\$ 4,008
		Junior secured loan	15.00% PIK	6/23/2015		\$ 5,028
		Membership interest			90.00%	\$ 49
Axium Healthcare Pharmacy, Inc. 550 Technology Park Lake Mary, FL 32746	Specialty pharmacy provider	Senior subordinated loan	8.00%	3/31/2015		\$ 3,160
BECO Holding Company, Inc. 10926 David Taylor Drive, Suite 300 Charlotte, NC 28262	Wholesale distributor of first response fire protection equipment and related parts	Common stock				\$ 2,536
					2.39%	
BenefitMall Holdings Inc.(4) 4851 LBJ Freeway, Suite 1100 Dallas, TX 75244	Employee benefits broker services company	Senior subordinated loan	18.00%	6/30/2014		\$ 40,326
		Common stock			68.10%	\$ (2)
		Warrants			100.00%	
Bushnell Inc. 9200 Cody Overland Park, KS 66214	Sports optics manufacturer	Junior secured loan	6.80% (Libor + 6.50%/Q)	2/24/2014		\$ 36,366
Callidus Capital Corporation(4)	Asset	Common stock			100.00%	\$ 2,712



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2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	management services					
Campus Management Corp. and Campus Management Acquisition Corp. c/o Leeds Equity Partner's LLC(3) 350 Park Avenue, 23rd Floor New York, NY 10022	Education software developer	Preferred stock				\$ 14,431 16.75%
Carlisle Wide Plank Floors, Inc. 1676 Route 9 Stoddard, NH 03464	Hardwood floor manufacturer	Member interest				\$ 3.31%
CCS Group Holdings, LLC 3343 Perimeter Hill Drive, Suite 300 Nashville, TN 37211	Correctional facility healthcare operator	Class A units				\$ 878 1.41%
Charter Baking Company, Inc. 3300 Walnut Street, Unit C Boulder, CO 80301	Baked goods manufacturer	Senior subordinated loan Preferred stock	16.00% PIK	2/6/2013		\$ 7,111 \$ 1,500 3.05%
CIC Flex, LP 60 South Sixth Street, Suite 3720 Minneapolis, MN 55402	Investment partnership	Limited partnership units				\$ 2,512 14.28%
Ciena Capital LLC(4) 1633 Broadway, 39th Floor New York, NY 10019	Real estate and small business loan servicer	Senior secured revolving loan Senior secured loan Equity interests	6.00% 12.00%	12/31/2013 12/31/2015		\$ 14,000(9) \$ 32,000 \$ 30,424 100.00%

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Company	Industry	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2011	Fair Value
CitiPostal Inc.(4) 5 North 11th Street Brooklyn, NY 11211	Document storage and management services	Senior secured revolving loan	6.50% (Libor + 4.50%/M)	12/21/2013		\$ 1,950(27)
		Senior secured revolving loan	6.75% (Base Rate + 3.25%/M)	12/21/2013		\$ 1,250(27)
		Senior secured revolving loan	8.50% Cash, 5.50% PIK	12/21/2013		\$ 50,231
		Senior secured loan		12/21/2015		\$ 5,897
		Senior subordinated loan				\$
		Common stock			63.10%	
Cleveland East Equity, LLC 26300 Harvard Road Warrensville Heights, OH 44122	Hotel operator	Real estate equity interests				\$ 2,647
					50.00%	
Commercial Credit Group, Inc. 121 West Trade Street, Suite 2100 Charlotte, NC 28202	Commercial equipment finance and leasing company	Senior subordinated loan	15.00%	6/30/2015		\$ 19,500
Commons R-3, LLC 5555 Glenridge Connector, Suite 700 Atlanta, GA 30342	Real estate developer	Real estate equity interests				\$
					20.00%	
Community Education Centers, Inc. 35 Fairfield Place West Caldwell, NJ 07006	Offender re-entry and in-prison treatment services provider	Senior secured loan	6.25% (Libor + 5.25%/Q)	12/13/2014		\$ 19,231
		Senior secured loan	7.50% (Base Rate + 4.25%/Q)	12/13/2014		\$ 769
		Junior secured loan	15.28% (Libor + 11.00% Cash, 4.00% PIK/M)	12/13/2015		\$ 40,580
		Warrants				\$ 925(2)
					12.50%	
Compass Group Diversified Holdings, LLC 61 Wilton Road, 2nd Floor Westport, CT 06880	Middle market business manager	Senior secured revolving loan	2.69% (Libor + 2.50%/M)	12/7/2012		\$ 1,103(28)
Component Hardware Group, Inc. 1890 Swarthmore Avenue Lakewood, NJ 08701	Commercial equipment manufacturer	Junior secured loan	7.00% Cash, 3.00% PIK	12/31/2014		\$ 3,060
		Senior subordinated loan	7.50% Cash, 5.00% PIK	12/31/2014		\$ 10,333
		Warrants				\$ 2,360(2)
					20.00%	
Cook Inlet Alternative Risk, LLC 10 British American Blvd. Latham, NY 12110	Risk management services	Senior secured loan	8.50%	4/3/2013		\$ 37,500
		Member interest				\$
					3.17%	
Coverall North America, Inc.(4) 5201 Congress Avenue, Suite 275 Boca Raton, FL 33487	Commercial janitorial service provider	Subordinated notes	10.00% Cash, 2.00% PIK	2/22/2016		\$ 9,338
Covestia Capital Partners, LP 11111 Santa Monica Blvd , Suite 1620 Los Angeles, CA 90025	Investment partnership	Limited partnership interest				\$ 1,065
					47.00%	
Crescent Hotels & Resorts, LLC and affiliates(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Hotel operator	Senior secured loan	10.00%	6/30/2010	51.00%	\$ 444
		Senior subordinated loan		1/11/2012	12.83%	\$ 459
		Senior subordinated loan		6/1/2017	100.00%	\$ 801
		Senior subordinated loan		9/19/2012	93.35%	\$ 673
		Senior subordinated loan		3/25/2013	85.40%	\$ 29
		Senior subordinated loan		9/8/2011	90.00%	\$
		Senior subordinated loan			72.64%	\$ 18
		Senior subordinated loan			84.60%	\$ 16

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		loan			\$
		Senior subordinated loan			\$
		Preferred equity interest			
		Preferred equity interest			
		Common equity interest			
		Member interests			
		Member interests			
		Member interests			
		Member interests			
		Member interests			
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(3)	Healthcare analysis services	Senior secured loan	7.75% (Libor + 6.50%/Q)	3/15/2017	\$ 14,962
8901 Farrow Rd Columbia, SC 29203		Class A common stock			\$ 10,828
		Class C common stock			\$ 1,730
					4.49%
					20.00%
DI Safford, LLC	Hotel operator	Commercial mortgage loan		5/12/2032	\$ 2,400
420 East Hwy 70 Safford, AZ 85546					
Dialog Telecom LLC	Broadband communication services	Senior secured loan	8.50% (Libor + 4.00% Cash, 4.00% PIK/Q)	12/31/2012	\$ 16,018
756 Tyvola Road, Suite 100 Charlotte, NC 28217					
Digital Videostream, LLC	Media content supply chain services company	Senior secured loan	10.00% Cash, 1.00% PIK	2/9/2012	\$ 4,210
2600 West Olive Avenue, Suite 100 Burbank, CA 91505		Convertible subordinated loan	10.00% PIK	2/9/2016	\$ 5,818
Direct Buy Holdings, Inc. and Direct Buy Investors, LP(3)	Membership based buying club franchisor and operator	Junior secured note	12.00%	2/1/2017	\$ 13,120
8450 Broadway Merrillville, IN 46410		Partnership interests			\$
		Limited partnership interest			\$
					19.31%
					4.58%

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Company	Industry	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2011	Fair Value
Distant Lands Trading Co. 801 Houser Way North Renton, WA 98055	Coffee manufacturer	Class A common stock Class A-1 common stock			3.32% 8.27%	\$ 786 -
Diversified Collections Services, Inc. 333 North Canyons Pkwy. Livermore, CA 94551	Collections services	Senior secured loan Senior secured loan Preferred stock Common stock Common stock	7.50% (Libor + 5.50%/Q) 13.75% (Libor + 11.75%/Q)	3/31/2012 9/30/2012		\$ 6,175 \$ 36,000 \$ 299 \$ 1,980 \$ 555
Diversified Mercury Communications, LLC 520 Broadway, Suite 400 Santa Monica, CA 90401	Business media consulting services	Senior secured loan	10.00% (Base Rate + 6.50%/Q)	3/28/2013		\$ 1,407
Driven Brands, Inc.(3) 128 S. Tryon St., Ste 900 Charlotte, NC 28202	Automotive aftermarket car care franchisor	Senior secured loan Senior secured loan Common stock	6.50% (Libor + 5.00%/M) 7.00% (Base Rate + 3.75%/M)	10/20/2014 10/20/2014		\$ 3,480 \$ 164 \$ 7,377
DSI Renal Inc.(3) 511 Union Street Suite 1800 Nashville, TN 37219	Dialysis provider	Senior secured revolving loan Senior secured loan Senior subordinated loan Common units	8.50% (Libor + 6.50%/M) 16.00%	3/31/2013 3/31/2013 4/7/2014		\$ (11) \$ 9,307 \$ 69,009 \$ 43,125
Dynamic India Fund IV, LLC International Financial Services Limited IFS Court, Twenty Eight Cybercity, Ebene, Mauritius	Investment company	Member interest				\$ 4,728
EarthColor, Inc.(4) 249 Pomeroy Road Parsippany, NJ 07054	Printing management services	Common stock				\$
eInstruction Corporation 308 N. Carroll Blvd. Denton, TX 76201	Developer, manufacturer and retailer of educational products	Junior secured loan Senior subordinated loan Common stock	7.69% (Libor + 7.50%/Q) 16.00% PIK	7/2/2014 1/2/2015		\$ 13,260 \$ 18,893 \$ 72
ELC Acquisition Corporation 2 Lower Ragsdale Drive Monterey, CA 93940	Developer, manufacturer and retailer of educational products	Senior secured loan Junior secured loan	3.44% (Libor + 3.25%/M) 7.19% (Libor + 7.00%/M)	11/29/2012 11/29/2013		\$ 127 \$ 8,333
Emerald Performance Materials, LLC 2020 Front Street, Suite 100 Cuyahoga Falls, OH 44221	Polymers and performance materials manufacturer	Senior secured loan Senior secured loan Senior secured loan Senior secured loan Senior secured loan	8.25% (Libor + 4.25%/M) 8.50% (Base Rate + 1.75%/Q) 10.00% (Libor + 6.00%/M) 10.25% (Base Rate + 3.50%/Q) 13.00% Cash, 3.00% PIK	11/22/2013 11/22/2013 11/22/2013 11/22/2013 11/22/2013		\$ 8,557 \$ 422 \$ 7,249 \$ 10,882 \$ 8,722
Financial Pacific Company 3455 South 344th Way, Suite 300 Federal Way, WA 98001	Commercial finance leasing	Preferred stock Common stock	8.00% PIK			\$ 7,665 \$
					14.84% 14.84%	

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Firstlight Financial Corporation(3) 1700 E. Putnum Ave. Old Greenwich, CT 06870	Investment company	Senior subordinated	1.00% PIK	12/31/2016	\$ 57,377	
		loan			\$	
		Class A common stock			20.00%	\$
		Class B common stock			100.00%	
Fleischmann's Vinegar Company, Inc. 12604 Hiddencreek Way, Suite A Cerritos, CA 90703	Leading manufacturer, supplier, and distributor of industrial vinegar products	Senior secured loan	8.75% (Libor + 7.25%/Q)	5/31/2016	\$ 12,628	
Fulton Holdings Corp. 5950 Fulton Industrial Blvd Atlanta, GA 30336	Airport restaurant operator	Senior secured loan	12.50%	5/28/2016	\$ 40,000	
		Common stock			\$ 2,062	
					2.16%	
Geotrace Technologies, Inc. 1011 Highway 6 South, Suite 220 Houston, TX 77077	Reservoir processing and development	Warrants			\$ (2)	
		Warrants			\$ (2)	
					7.03%	
					7.82%	
GG Merger Sub I, Inc. 4130 Parklake Avenue, Suite 400 Raleigh, NC 27612	Drug testing services	Senior secured loan	4.25% (Libor + 4.00%/Q)	12/13/2014	\$ 22,863	
Gilchrist & Soames, Inc. 1535 E. Naomi Street PO Box 33806 Indianapolis, IN 46203	Personal care manufacturer	Senior secured	3.94% (Libor + 3.75%/S)	10/5/2013	\$ 1,250(29)	
		revolving loan	13.44%		\$ 22,902	
		Senior secured loan		10/5/2013		

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Company	Industry	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2011	Fair Value	
Growing Family, Inc. and GFH Holdings, LLC(3) 3613 Mueller Road Saint Charles, MO 63301	Photography services	Senior secured revolving loan	9.00% (Base Rate + 1.75% Cash, 4.00% PIK/M)	8/23/2011		\$ 2,005(13)	
		Senior secured loan	9.00% (Libor + 2.00% Cash, 4.00% PIK/M)	3/31/2013		\$ 5,782	
		Preferred stock				38.89%	\$
		Common stock				1.77%	\$ (2)
		Warrants				50.00%	
HB&G Building Products, Inc. P.O. Box 589 Troy, AL 36081	Synthetic and wood product manufacturer	Senior subordinated loan		3/31/2013		\$ 179	
		Common stock				5.76%	\$ (2)
		Warrants				3.89%	
HCI Equity, LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Member interest				\$ 972	
					100.00%		
HCP Acquisition Holdings, LLC c/o Hayland Capital Fund II, LP(4) 600 Fifth Avenue, 17th Floor New York, NY 10020	Healthcare compliance advisory services	Class A units				\$ 5,549	
					26.62%		
HOPPY Holdings Corp. 428 Peyton Street P.O. Box 1157 Emporia, KS 66801	Manufacturer of automotive and recreational vehicle aftermarket products	Senior secured loan	5.25% (Libor + 4.00%/Q)	6/2/2016		\$ 15,000	
Hot Light Brands, Inc.(4) 11780 Manchester Road, Suite 207 St. Louis, MO 63131	Real estate holding company	Senior secured loan Common stock		2/1/2011		\$ 3,663	
					100.00%	\$	
Huddle House, Inc.(4) 5901-B Peachtree-Dunwoody Road, Suite 450 Atlanta, GA 30328	Restaurant owner and operator	Senior subordinated loan Common stock	12.00% Cash, 3.00% PIK	12/21/2015		\$ 18,077	
					84.04%	\$	
Ideal Snacks Corporation 89 Mill Street Liberty, NY 12754	Snacks manufacturer	Senior secured revolving loan	8.50% (Base Rate + 4.00%/M)	9/30/2011		\$ 1,030(31)	
Impact Innovations Group, LLC 2500 Northwinds Parkway, Suite 200 Alpharetta, GA 30004	IT consulting and outsourcing services	Member interest				\$ 200	
					50.00%		
Imperial Capital Group, LLC(3) 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment services	Class A common units				\$ 14,347	
		Class B common units				5.00%	\$ 5,286
						5.00%	
Imperial Capital Private Opportunities, LP 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment partnership	Limited partnership interest				\$ 5,300	
					80.00%		
INC Research, Inc.	Pharmaceutical	Senior subordinated	13.50%	9/28/2017	18.18%	\$ 11,125	
						\$ 611	

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3201 Beechleaf Court, Suite 600  
Raleigh, NC 27604

and  
biotechnology  
consulting  
services

loan

Common stock

Industrial Air Tool, LP and Affiliates d/b/a Industrial Air Tool(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Industrial products	Class B common units Member units				\$ 15,312 \$ 155
					35.60% 50.00%	
Industrial Container Services, LLC(3) 1540 Greenwood Avenue Montebello, CA 90640	Industrial container manufacturer, reconditioner and servicer	Senior secured revolving loan Senior secured loan Common units	5.75% (Base Rate + 2.50%/Q) 5.75% (Base Rate + 2.50%/Q)	9/30/2011 9/30/2011		\$ 909(14) \$ 875 \$ 20,145
					8.88%	
Insight Pharmaceuticals Corporation(3) 1170 Wheeler Way, Suite 150 Langhorne, PA 19047	OTC drug products manufacturer	Senior subordinated loan Common stock	13.00% Cash, 2.00% PIK	12/31/2017		\$ 25,809 \$ 17,645
					21.07%	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc. Calle Santa Ana 1660 Santurce, PR 00909-2309	Private school operator	Series B preferred stock Series C preferred stock Common stock				\$ 5,707 \$ 1,918 \$
					19.59% 0.83% 0.83%	
Interactive Technology Solutions, LLC 8757 Georgia Avenue, Suite 500 Silver Spring, MD 20910	IT services provider	Senior secured loan	9.50% (Base Rate + 5.50%/Q)	6/30/2015		\$ 15,799

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Company	Industry	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2011	Fair Value
Investor Group Services, LLC(3) 2020 Front Street, Suite 100 Boston, MA 02116	Business consulting for private equity and corporate clients	Senior secured revolving loan Limited liability company membership interest		6/23/2013	10.00%	\$ (15) \$ 594
Ivy Hill Asset Management, L.P.(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Asset management services	Member interest			100.00%	\$ 177,452
Ivy Hill Middle Market Credit Fund, Ltd.(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Class B deferrable interest notes Subordinated notes	6.25% (Libor + 6.00%/Q) 15.00%	11/20/2018 11/20/2018		\$ 37,600 \$ 16,000
JTC Education Holdings, Inc. 100 Fillmore Place, Suite 300 Denver, CO 80206	Postsecondary school operator	Senior secured revolving loan Senior secured loan	12.50% (Libor + 9.50%/M)	12/23/2014 12/23/2014		\$ (26) \$ 28,299
Knightsbridge CLO 2007-1 Ltd.(4) 315 Holmwood Drive Newport Beach, CA 92663	Investment company	Class E notes	9.29% (Libor + 9.00%/Q)	1/11/2022		\$ 18,575
Knightsbridge CLO 2008-1 Ltd.(4) 315 Holmwood Drive Newport Beach, CA 92663	Investment company	Class C notes Class D notes Class E notes	7.75% (Libor + 7.50%/Q) 8.75% (Libor + 8.50%/Q) 5.25% (Libor + 5.00%/Q)	6/18/2018 6/18/2018 6/18/2018		\$ 14,400 \$ 9,000 \$ 13,844
Kodiak Funding, LP 2107 Wilson Blvd, Suite 400 Arlington, VA 22201	Investment partnership	Limited partnership interest			1.52%	\$ 817
LVCG Holdings LLC(4) c/o The Decatur Group LLC 600 Seventeenth Street, Suite 2800 Denver, CO 80202	Commercial printer	Membership interest			56.53%	\$
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC 825 East Gate Blvd. Garden City, NY 11530	Healthcare professional provider	Senior secured revolving loan Senior secured loan	9.75% (Libor + 8.75%/Q)	9/15/2016 9/15/2016		\$ (17) \$ 106,946
Making Memories Wholesale, Inc.(4) 1168 West 500 North Centerville, UT 84014	Scrapbooking branded products manufacturer	Senior secured revolving loan Senior secured loan Common stock		8/21/2014 8/21/2014	92.00%	\$ 2,045(16) \$ \$
Matrixx Initiatives, Inc. 8515 E. Anderson Dr. Scottsdale, AZ 85255	Developer and marketer of OTC healthcare products	Senior secured revolving loan Senior secured loan Warrants	13.00% (Libor + 12.00%/Q) 13.00% (Libor + 12.00%/Q)	6/30/2016 6/30/2016		\$ 1,000(18) \$ 42,500 \$ 157(2)
MGP Park Place Equity, LLC 6901 Rockledge Drive, Suite 230 Bethesda, MD 20817	Office building operator	Senior secured revolving loan Commercial mortgage loan		5/30/2011 5/30/2011		\$ (32) \$
Multi-Ad Services, Inc.(3)	Marketing	Preferred units			14.40%	\$ 1,827



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1720 W. Detweiller Drive Peoria, IL 61615	services and software provider	Common units			8.85%	\$
MVL Group, Inc.(4) 1061 E. Indiantown Road, Suite 300 Jupiter, FL 33477	Marketing research provider	Senior secured loan Senior subordinated loan Junior subordinated loan Common stock	12.00% 12.00% Cash, 2.50% PIK 10.00%	7/8/2012 7/8/2012 7/8/2012		\$ 22,772 \$ 35,395 \$ 144 \$ 1,225
					56.10%	
MW Dental Holding Corp. 680 Hehli Way Mondovi, WI 54755	Dental services	Senior secured revolving loan Senior secured loan	8.50% (Libor + 7.00%/M) 8.50% (Libor + 7.00%/M)	4/12/2017 4/12/2017		\$ 1,700(19) \$ 83,500
Napa Management Services Corporation 68 South Service Road, Suite 350 Melville, NY 11747	Anesthesia management services provider	Senior secured revolving loan Senior secured loan Common units	8.50% (Libor + 7.00%/Q)	4/13/2016 4/13/2016		\$ (20) \$ 48,695 \$ 5,000
					8.90%	
National Print Group, Inc. 2464 Amicola Highway Chattanooga, TN 37406	Printing management services	Senior secured revolving loan Senior secured revolving loan Senior secured loan Senior secured loan Preferred stock	9.00% (Libor + 6.00%/Q) 9.00% (Base Rate + 5.00%/Q) 14.00% (Libor + 6.00% Cash, 5.00% PIK/Q) 14.00% (Base Rate + 5.00% Cash, 5.00% PIK/Q)	10/31/2012 10/31/2012 10/31/2012 10/31/2012		\$ 982(21) \$ 1,262(21) \$ 7,171 \$ 121 \$
					5.17%	
NetShape Technologies, Inc. 8751 Old State Road 60 Sellersburg, IN 47172	Metal precision engineered components manufacturer	Senior secured revolving loan Common units	4.00% (Libor + 3.75%/M)	2/2/2013		\$ 564(33) \$
					66.67%	

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Novak Biddle Venture Partners III, L.P. 7501 Wisconsin Avenue East Tower, Suite 1380 Bethesda, MD 20814	Investment partnership	Limited partnership interest				\$ 216
					2.47%	
NPH, Inc. c/o Transportation Resources Partners, L.P. 13175 Gregg Street Poway, CA 92064	Hotel property	Real estate equity interests				\$ 7,960
					100.00%	
NS Merger Sub. Inc. and NS Holdings, Inc. 3500 Sunrise Highway, Suite D122 Great River, NY 11739	Healthcare technology provider	Senior subordinated loan Common stock	13.50%	6/21/2017		\$ 50,579 \$ 2,338
					1.70%	
OnCURE Medical Corp. 610 Newport Center Drive, Suite 650 Newport Beach, CA 92660	Radiation oncology care provider	Common stock				\$ 3,312
					3.26%	
Orion Foods, LLC (fka Hot Stuff Foods, LLC)(4) 2930 W. Maple Street Sioux Falls, SD 57118	Convenience food service retailer	Senior secured revolving loan Senior secured loan Junior secured loan Preferred units Class A common units Class B common units	10.75% (Base Rate + 7.50%/M) 10.00% (Libor + 8.50%/Q) 14.00%	9/30/2014 9/30/2014 9/30/2014		\$ 3,300(30) \$ 34,137 \$ 31,529 \$ \$ \$
					100.00% 25.00% 93.53%	
OTG Management, Inc. One International Plaza, Suite 130 Philadelphia, PA 19113	Airport restaurant operator	Junior secured loan Junior secured loan Common units Warrants	16.00% (Libor + 11.00% Cash, 2.00% PIK/M) 18.00% (Libor + 11.00% Cash, 4.00% PIK/M)	6/19/2013 6/19/2013		\$ 20,274 \$ 42,882 \$ 3,099 \$ 5,395(2)
					4.44% 7.73%	
Partnership Capital Growth Fund I, LP One Embarcadero, Suite 3810 San Francisco, CA 94111	Investment partnership	Limited partnership interest				\$ 4,558
					25.00%	
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp. 720 Cool Springs Blvd., Suite 450 Franklin, TN 37067	Healthcare technology provider	Senior secured loan Series A preferred stock Common stock	8.25% (Libor + 7.00%/Q)	5/9/2014		\$ 20,312 \$ 8,355 \$
					5.23% 5.23%	
Penn Detroit Diesel Allison, LLC(4) 8330 State Road Philadelphia, PA 19136	Diesel engine manufacturer	Member interest				\$ 19,340
					75.70%	
PG Mergersub, Inc. and PGA Holdings, Inc. c/o Vestar Capital Partners V, L.P. 245 Park Avenue, 41st Floor New York, NY 10167	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior secured loan Senior subordinated loan Preferred stock Common stock	6.75% (Libor + 5.00%/Q) 12.50%	11/3/2015 3/12/2016		\$ 10,249 \$ 4,000 \$ 14 \$ 693
					0.94% 0.94%	
Pillar Processing LLC and PHL Holding Co.(3) 220 Northpointe Parkway, Suite G Buffalo, NY 14228	Mortgage services	Senior secured revolving loan Senior secured loan Senior secured loan	14.50% 5.75% (Libor + 5.50%/Q)	11/20/2013 5/20/2014 11/20/2013	8.48%	\$ (24) \$ 7,375 \$ 15,495 \$ 3,814

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Common stock						
PMI Holdings, Inc. 8000 NE Parkway Dr. #350 Vancouver, WA 98662	Restaurant owner and operator	Senior secured		5/5/2015	\$	(22)
		revolving loan	10.00% (Libor + 8.00%/M)	5/5/2015	\$	18,234
		Senior secured loan	10.25% (Base Rate + 7.00%/M)	5/5/2015	\$	18
PODS Funding Corp. 5585 Rio Vista Drive Clearwater, FL 33760	Storage and warehousing	Senior subordinated loan	15.00%	6/23/2015	\$	25,125
		Senior subordinated loan	16.64% PIK	12/23/2015	\$	7,582
Primis Marketing Group, Inc. and Primis Holdings, LLC(3) c/o Pcap Managers, LLC 75 State Street, 26 <sup>th</sup> Floor Boston, MA 02109	Database marketing services	Senior subordinated loan		2/15/2013	\$	102
		Preferred units			\$	
		Common units			8.02%	\$
					7.38%	
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC 1544 Old Alabama Road Roswell, GA 30076	Bankruptcy and foreclosure processing services	Senior subordinated loan		2/8/2014	\$	25,575
		Preferred units			\$	
					3.17%	
Promo Works, LLC 300 Martingale Road Schaumburg, IL 60173	Marketing services	Senior secured loan		12/23/2013	\$	3,419

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Protective Industries, Inc. 2150 Elmwood Avenue Buffalo, NY 14207	Manufacturer of plastic protection products	Senior secured revolving loan	5.75% (Libor + 4.25%/M)	5/23/2017	\$	(23)
		Senior secured loan	15.25%	5/23/2017	\$	25,667
		Senior subordinated loan		5/23/2018	\$	693
		Preferred stock				\$
						2.50%
R2 Acquisition Corp. 207 NW Park Ave Portland, OR 97209	Marketing services	Common stock			\$	263
						0.33%
R3 Education, Inc. and EIC Acquisitions Corp. 1750 W. Broadway St. #222 Oviedo, FL 32765	Medical school operator	Senior secured revolving loan	9.00% (Libor + 6.00%/Q)	4/30/2013	\$	(12)
		Senior secured loan	13.00% PIK	4/30/2013	\$	30,613
		Senior secured loan		4/30/2013	\$	9,639
		Preferred stock			\$	1,100
		Common membership interest			\$	19,824
		Warrants			\$	(2)
						16.12%
						26.27%
						10.00%
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC. 809 West Hill Street Charlotte, NC 28208	Operator of municipal recycling facilities	Senior secured revolving loan	11.50% (Libor + 9.75%/M)	3/1/2016	\$	(10)
		Senior secured loan	11.50% (Libor + 9.75%/Q)	3/1/2016	\$	45,000
		Senior secured loan	12.50% PIK	3/1/2016	\$	5,000
		Preferred stock			\$	7,815
						21.42%
Reed Group, Ltd. 10155 Westmoor Drive, Suite 210 Westminster, CO 80021	Medical disability management services provider	Senior secured revolving loan		12/19/2013	\$	1,063(34)
		Senior secured loan		12/19/2013	\$	9,142
		Senior subordinated loan		12/19/2013	\$	11,387
		Equity interests			\$	
Reflexite Corporation (4) 120 Darling Drive Avon, CT 06001	Developer and manufacturer of high-visibility reflective products	Senior subordinated loan	18.00% (Libor + 13.50%/Q)	11/1/2014	\$	9,281
		Common stock			\$	64,826
S.B. Restaurant Company 14241 Firestone Blvd, Suite 315 La Mirada, CA 90638	Restaurant owner and operator	Senior secured loan	13.00% (Libor + 9.00%	7/16/2012	\$	34,884
		Preferred stock	Cash, 2.00% PIK/Q)		\$	117
		Warrants			\$	(2)
						2.15%
						11.30%
Savers, Inc. and SAI Acquisition Corporation 11400 SE 6th St. Suite 220 Bellevue, WA 98004	For-profit thrift retailer	Common stock			\$	10,713
						1.86%
Senior Secured Loan Fund LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Co-investment vehicle	Subordinated certificates	8.29% (Libor + 8.00%/Q)	12/20/2015	\$	740,623
						87.50%
Sigma International Group, Inc. 700 Goldman Drive Cream Ridge, NJ 08514	Water treatment parts manufacturer	Junior secured loan	16.00% (Base Rate + 6.50%/M)	10/10/2013	\$	12,467
Soteria Imaging Services, LLC(3) 9200 Leesgate Road, Suite 800 Fairfax, VA 22030	Outpatient medical imaging provider	Junior secured loan	14.50%	8/5/2011	\$	973
		Junior secured loan	12.50%	8/5/2011	\$	1,391
		Preferred member units			\$	
						6.31%
Stag-Parkway, Inc.(4) 7095 Tradewater Parkway	Automotive aftermarket	Senior secured loan	12.50%	12/1/2014	100.00%	\$ 34,500
		Preferred stock	(Libor + 11.00%/Q)		100.00%	\$ 4,200
						14,980

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Atlanta, GA 30336	components supplier	Common stock	16.50% PIK		\$
Startec Equity, LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Communication services	Member interest			\$ 100.00%
Summit Business Media Parent Holding Company LLC 375 Park Avenue New York, NY 10152-0002	Business media consulting services	Limited liability company membership interest		45.98%	\$ 563
Sunquest Information Systems, Inc. 250 South Williams Blvd Tucson, AZ 85711	Laboratory software solutions provider	Junior secured loan	9.75% (Libor + 8.50%/Q)	6/16/2017	\$ 125,000
The Dwyer Group(3) 7 Times Square, Suite 4307 New York, NY 10036	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan Series A preferred units	14.50% 8.00% PIK	12/23/2016	\$ 27,100 \$ 15,390
					18.26%

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The Step2 Company, LLC 10010 Aurora-Hudson Road Streetsboro, Ohio 44241	Toy manufacturer	Junior secured loan	10.00%	4/13/2015	\$ 27,000
		Junior secured loan	10.00% Cash, 5.00% PIK	4/13/2015	\$ 28,568
		Common units			\$ 79
		Warrants			\$ 225(2)
The Teaching Company, LLC and The Teaching Company Holdings, Inc. 4151 Lafayette Center Drive, No. 100 Chantilly, VA 20151	Education publications provider	Preferred stock			\$ 3,475
		Common stock			\$ 8
					3.64%
The Thymes, LLC(4) 629 9th Street SE Minneapolis, MN 55414	Cosmetic products manufacturer	Preferred units	8.00% PIK		\$ 6,907
		Common units			\$ 298
Things Remembered, Inc. and TRM Holdings Corporation 5500 Avion Park Drive Highland Heights, OH 44143	Personalized gifts retailer	Senior secured loan	9.00% (Libor + 7.00%/M)	3/1/2014	\$ 44,659
		Preferred stock			\$ 2,255
		Class B preferred stock			\$ 2,062
		Common stock			\$ 43
		Warrants			\$ 46(2)
Tradesmen International, Inc. 9760 Shepard Road Macedonia, OH 44056	Construction labor support	Junior secured loan	14.00%	5/25/2014	\$ 14,000
		Warrants			\$ 3,448(2)
Tripwire, Inc. 101 SW Main St., Ste. 1500 Portland, OR 97204	IT security software provider	Senior secured revolving loan	10.50% (Libor + 9.25%/Q)	5/23/2018	\$ (25)
		Senior secured loan		5/23/2018	\$ 80,000
		Class A common stock			\$ 2,970
		Class B common stock			\$ 30
					2.95%
U.S. Renal Care, Inc. 2400 Dallas Parkway, Suite 350 Plano, TX 75093	Dialysis provider	Senior secured loan	5.50% (Libor + 4.00%/Q)	12/14/2016	\$ 7,481
		Senior subordinated loan	11.25% Cash, 2.00% PIK	6/2/2017	\$ 50,058
UL Holding Co., LLC 2824 N Ohio Wichita, KS 67201	Petroleum product manufacturer	Junior secured loan	14.00%	12/24/2012	\$ 8,880
		Junior secured loan	9.14% (Libor + 8.88%/Q)	12/24/2012	\$ 15,688
		Junior secured loan	15.00%	12/24/2012	\$ 5,000
		Class A common units			\$ 47
		Class B common units			\$ 2,900
		Class C common units			\$ 2,903
United Road Towing, Inc. 9550 Bornet Drive, Suite 301 Mokena, IL 60448	Towing company	Warrants			\$ (2)
					3.00%
Vantage Oncology, Inc. 1500 Rosecrans Ave, Suite 400 Manhattan Beach, CA 90266	Radiation oncology care provider	Common stock			\$ 6,218
					3.24%
Venturehouse-Cibernet Investors, LLC 509 Seventh Street, N.W. Washington, DC 20004	Financial settlement services for intercarrier wireless roaming	Equity interest			\$
					3.30%
Vistar Corporation and Wellspring Distribution Corp. 12650 East Arapahoe Road Centennial, CO 80112	Food service distributor	Senior subordinated loan	13.50%	5/23/2015	\$ 61,625
		Class A non-voting common stock			\$ 7,431
VSC Investors LLC 401 Vance Street	Investment company	Membership interest			\$ 975
					1.95%

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Los Angeles, CA

VSS-Tranzact Holdings, LLC(3) 350 Park Avenue New York, NY 10022	Management consulting services	Common membership interest				\$ 1,991
					8.51%	
Wash Multifamily Laundry Systems, LLC (fka Web Services Company, LLC) 3690 Redondo Beach Ave. Redondo Beach, CA 90278	Laundry service and equipment provider	Senior secured loan Junior secured loan	7.00% (Base Rate + 3.75%/Q) 10.88% (Libor + 9.38%/Q)	8/28/2014 8/28/2015		\$ 4,863 \$ 105,000
Waste Pro USA, Inc 2101 West State Road 434, Suite 315 Longwood, FL 32779	Waste management services	Preferred Class A common equity				\$ 18,701
					2.61%	
Wastequip, Inc. 25800 Science Park Drive, Suite 140 Beachwood, OH 44122	Waste management equipment manufacturer	Senior subordinated loan Common stock		2/5/2015		\$ 443 \$
					5.34%	

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Woodstream Corporation 69 N. Locust Street Lititz, PA 17543-1714	Pet products manufacturer	Senior subordinated loan Common stock	12.00%	2/27/2015	\$ 43,650 \$ 2,081 2.20%
Wyle Laboratories, Inc. and Wyle Holdings, Inc. 1960 E. Grand Ave., Suite 900 El Segundo, CA 90245-5023	Provider of specialized engineering, scientific and technical services	Senior preferred stock Common stock	8.00% PIK		\$ 91 \$ 2,114 0.77% 0.93%

- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate loans to our portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which resets daily (D), monthly (M), bimonthly (B), quarterly (Q) or semiannually (S). For each such loan, we have provided the current interest rate in effect as of June 30, 2011.
- (2) Percentages shown for warrants or convertible preferred stock held represents the percentages of common stock we may own on a fully diluted basis, assuming we exercise our warrants or convert our preferred stock to common stock.
- (3) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities.
- (4) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). In addition, as defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement).
- (5) \$2,882 of total commitment of \$5,000 remains unfunded as of June 30, 2011.
- (6) \$3,400 of total commitment of \$4,400 remains unfunded as of June 30, 2011.
- (7) \$13,775 of total commitment of \$25,000 remains unfunded as of June 30, 2011.
- (8) Total commitment of \$10,000 remains unfunded as of June 30, 2011.
- (9) \$6,000 of total commitment of \$20,000 remains unfunded as of June 30, 2011.
- (10) Total commitment of \$7,500 remains unfunded as of June 30, 2011.
- (11) Total commitment of \$2,400 remains unfunded as of June 30, 2011.
- (12) Total commitment of \$9,000 remains unfunded as of June 30, 2011.
- (13) \$0 of total commitment of \$2,483 remains unfunded as of June 30, 2011.
- (14) \$3,194 of total commitment of \$5,783 remains unfunded as of June 30, 2011.
- (15) Total commitment of \$2,000 remains unfunded as of June 30, 2011.



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- (16) \$250 of total commitment of \$2,500 remains unfunded as of June 30, 2011.
- (17) Total commitment of \$10,000 remains unfunded as of June 30, 2011.
- (18) \$14,000 of total commitment of \$15,000 remains unfunded as of June 30, 2011.
- (19) \$8,300 of total commitment of \$10,000 remains unfunded as of June 30, 2011.
- (20) Total commitment of \$9,000 remains unfunded as of June 30, 2011.
- (21) \$1,499 of total commitment of \$4,109 remains unfunded as of June 30, 2011.
- (22) Total commitment of \$3,500 remains unfunded as of June 30, 2011.
- (23) Total commitment of \$4,667 remains unfunded as of June 30, 2011.
- (24) \$3,597 of total commitment of \$3,750 remains unfunded as of June 30, 2011.
- (25) Total commitment of \$10,000 remains unfunded as of June 30, 2011.
- (26) \$13,793 of total commitment of \$14,000 remains unfunded as of June 30, 2011.
- (27) \$0 of total commitment of \$3,200 remains unfunded as of June 30, 2011.
- (28) \$18,921 of total commitment of \$25,000 remains unfunded as of June 30, 2011.
- (29) \$3,750 of total commitment of \$5,000 remains unfunded as of June 30, 2011.
- (30) \$1,700 of total commitment of \$5,000 remains unfunded as of June 30, 2011.
- (31) \$0 of total commitment of \$1,084 remains unfunded as of June 30, 2011.
- (32) Total commitment of \$5,500 remains unfunded as of June 30, 2011.
- (33) \$65 of total commitment of \$972 remains unfunded as of June 30, 2011.
- (34) \$1,750 of total commitment of \$3,000 remains unfunded as of June 30, 2011.

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Set forth below is a brief description of each portfolio company in which we have made an investment that represents greater than 5% of our total assets as of June 30, 2011.

**Senior Secured Loan Fund LLC (the SSLP)**

The SSLP was formed in December 2007 and co-invests in "stretch senior" and "unitranche" loans of middle-market companies and currently has approximately \$5.1 billion of available capital, approximately \$3.5 billion in aggregate principal amount of which was funded as of June 30, 2011. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by both an affiliate of GE and the Company.

**Anthony, Inc.**

Founded in 1958 and headquartered in Sylmar, CA, Anthony, Inc. is one of the largest manufacturers of specialty glass, commercial glass refrigerator and freezer doors, case lighting, and display and merchandising systems.

Table of Contents**MANAGEMENT**

Our business and affairs are managed under the direction of our board of directors. The responsibilities of the board of directors include, among other things, the quarterly valuation of our assets. The board of directors currently consists of nine members, five of whom are not "interested persons" of Ares Capital as defined in Section 2(a)(19) of the Investment Company Act. We refer to these individuals as our "independent directors." We refer to our directors who are "interested persons" of Ares Capital as defined in Section 2(a)(19) of the Investment Company Act as our "interested directors." Our board of directors elects our officers, who serve at the discretion of the board of directors. The board of directors maintains an audit committee and nominating and governance committee, and may establish additional committees from time to time as necessary.

**EXECUTIVE OFFICERS AND BOARD OF DIRECTORS**

Under our charter and bylaws, our directors are divided into three classes. Directors are elected for staggered terms of three years each, with the term of office of only one of these three classes of directors expiring each year. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

**Directors**

Information regarding the board of directors is as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Director Since</b>	<b>Expiration of Term</b>
<b>Independent Directors</b>				
Ann Torre Bates	53	Director	2010	2014
Kenneth R. Heitz	64	Director	2011	2014
Frank E. O'Bryan	78	Director	2005	2013
Gregory W. Penske	49	Director	2009	2012
Eric B. Siegel	53	Director	2004	2013
<b>Interested Directors</b>				
Michael J. Arougheti	39	President and Director	2009	2014
Antony P. Ressler	51	Director	2010	2013
Robert L. Rosen	65	Director	2004	2012
Bennett Rosenthal	48	Chairman and Director	2004	2012

The address for Mr. Arougheti and Mr. Rosen is c/o Ares Capital Corporation, 245 Park Avenue, 44<sup>th</sup> Floor, New York, New York 10167. The address for each other director is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12<sup>th</sup> Floor, Los Angeles, California 90067.

**Executive Officers Who Are Not Directors**

Information regarding our executive officers who are not directors is as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Joshua M. Bloomstein	37	Vice President, General Counsel and Secretary
Richard S. Davis	52	Treasurer
Miriam Krieger	35	Chief Compliance Officer
Scott C. Lem	33	Assistant Treasurer
Daniel F. Nguyen	39	Vice President
Penni F. Roll	45	Chief Financial Officer
Michael D. Weiner	58	Vice President

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The address for Mr. Bloomstein and Ms. Roll is c/o Ares Capital Corporation, 245 Park Avenue, 44<sup>th</sup> Floor, New York, New York 10167. The address for each other executive officer is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

**Biographical Information and Discussion of Experience and Qualifications, etc.**

***Directors***

We divide our directors into two groups interested directors and independent directors. Interested directors are "interested persons" as defined in Section 2(a)(19) of the Investment Company Act and independent directors are not "interested persons" as defined in Section 2(a)(19) of the Investment Company Act.

As described below under "Committees of the Board of Directors Nominating and Governance Committee," the board of directors has identified certain desired attributes for director nominees. Each of our directors has demonstrated high character and integrity, superior credentials and recognition in his or her respective field and the relevant expertise and experience upon which to be able to offer advice and guidance to our management. Each of our directors also has sufficient time available to devote to the affairs of the Company, is able to work with the other members of the board of directors and contribute to the success of the Company and can represent the long-term interests of the Company's stockholders as a whole. Our directors have been selected such that the board of directors represents a range of backgrounds and experience. Set forth below is biographical information of each director and in the paragraph immediately following such director's biographical information, a paragraph discussing such director's particular experience, qualifications, attributes or skills that lead us to conclude, as of the date of this prospectus, that such individual should serve as a director, in light of the Company's business and structure.

**Independent Directors**

**Ann Torre Bates**, 53, has served as a director of the Company since 2010. Ms. Bates has been a strategic and financial consultant since 1997, principally with respect to corporate finance matters. From 1995 to 1997, Ms. Bates served as Executive Vice President, Chief Financial Officer and Treasurer of NHP, Inc., a national real estate services firm. From 1991 to 1995, Ms. Bates was Vice President and Treasurer of US Airways, and held various finance positions from 1988 to 1991. Ms. Bates holds a BBA in Accountancy from the University of Notre Dame and an MBA in Finance and Economics from Cornell University. She currently serves on the board of directors of the Franklin Mutual Series and Recovery Funds, the Franklin Templeton Funds and SLM Corporation (Sallie Mae). She served as a director of Allied Capital Corporation from 2003 to 2010.

Ms. Bates' experience as a previous director of Allied Capital Corporation provides the board of directors with important knowledge and continuity in dealing with matters related to the integration of Allied Capital Corporation's business into that of the Company. In addition, Ms. Bates' experience serving as a director of other public companies in the financial sector, as well as her past experience as a chief financial officer, provides the board of directors and, specifically, the audit committee of the board of directors with valuable knowledge and insight in the financial services sector as well as experience in financial and accounting matters.

**Kenneth R. Heitz**, 64, has been a Partner of the law firm of Irell & Manella, LLP since 1991. Mr. Heitz previously served as a Partner of Irell & Manella from 1979 to 1988. Mr. Heitz joined Irell & Manella in 1972. Prior to rejoining Irell & Manella in 1991, Mr. Heitz served as Acting President and Chief Executive Officer of Columbia Savings and Loan Association from January 1990 to March 1990 and served as its Executive Vice President and General Counsel from 1988 to 1990. Mr. Heitz has served as a director of El Paso Electric Company since 1996, and as Chairman of its

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board of directors since May 2008, where he also serves on its External Affairs and Energy Resources and Environmental Oversight Committees.

Mr. Heitz's experience as chairman of the board of directors of a highly regulated public company, his prior experience as a senior executive of a regulated financial company, and his substantial experience in providing advice and counsel on corporate governance and securities law matters to numerous public company clients in a wide variety of industries will provide the Board with unique insight on its duties and responsibilities.

**Frank E. O'Bryan**, 78, has served as a director of the Company since 2005. Mr. O'Bryan served as Chairman of the Board of WMC Mortgage Company from 1997 to 2003 and as a Vice Chairman until 2004, when the company was sold to General Electric Corporation. Mr. O'Bryan served as Vice Chairman of Shearson/American Express Mortgage Corp. (formerly Western Pacific Financial) and as a Director of Shearson American Express from 1981 to 1985 and prior to that served as a Director and senior executive of Shearson Hayden Stone from 1979 to 1981. Mr. O'Bryan holds a BS in Business from the University of Arizona. Mr. O'Bryan has been a Director of The First American Corporation since 1994. Mr. O'Bryan is a past member of the boards of directors of Damon Corporation, Grubb & Ellis, Standard Pacific Corporation and Farmers & Merchants Bank.

Mr. O'Bryan's long and varied business career, including his service as a director of numerous public and private companies, allows him to provide key experience and insight, especially with respect to issues specific to boards of directors of public companies and companies in the financial services industry. Mr. O'Bryan also provides valuable knowledge and expertise in financial and accounting matters to the board of directors from his service on the audit committees of The First American Corporation and Standard Pacific Corporation.

**Gregory W. Penske**, 49, has served as a director of the Company since 2009. Mr. Penske has served as President and CEO of Penske Motor Group, Inc., an automotive group that owns and operates Toyota, Lexus and Scion dealerships in California, since 1993. Mr. Penske was the former President and CEO of Penske Motorsports, Inc., which operated racetracks across the country. Penske Motorsports, Inc. was publicly traded on the NASDAQ exchange and was thereafter sold to International Speedway Corporation in 1999. Mr. Penske serves as a member of the boards of directors for Penske Corporation, the Los Angeles Sports Council and Friends of Golf, Inc. He is a member of the Toyota Parts and Service Advisory Council, the Toyota President's Cabinet and the Toyota Board of Governors. Mr. Penske is also a former member of the boards of directors of the Alltel Corporation, International Speedway Corporation and the Southern California Committee for the Olympic Games and the Board of Trustees of the John Thomas Dye School. Mr. Penske holds a BS in Business from Cornell University.

Because of Mr. Penske's experience as the chief executive officer of both public and private companies, as well as his previous service as director of several other publicly traded companies, he is able to provide the board of directors with the perspective of an experienced executive officer and is able to give insight related to the management and operations of a publicly traded company.

**Eric B. Siegel**, 53, has served as a director of the Company since 2004 and has been the lead independent director of the board of directors since 2010. Since 1995, Mr. Siegel has been an independent business consultant providing advice through a limited liability company owned by Mr. Siegel, principally with respect to acquisition strategy and structuring, and the subsequent management of acquired entities. Mr. Siegel is currently a member of the Advisory Board of and consultant to the Milwaukee Brewers Baseball Club and a Director and Chairman of the Executive Committee of El Paso Electric Company, a NYSE publicly traded utility company. Mr. Siegel is also a past member of the boards of directors of a number of public and private companies, including Kerzner International Ltd. until it went private in 2006. Mr. Siegel rejoined the board of Kerzner International Ltd., currently a private company, in 2008. Mr. Siegel is a retired limited partner of

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Apollo Advisors, L.P. and Lion Advisors, L.P., private investment management firms. Mr. Siegel is also a member of the Board of Trustees of the Marlborough School, a member of the board of directors of the Friends of the Los Angeles Saban Free Clinic and a board member of Reprise Theatre Company, a non-profit theatre organization. Mr. Siegel holds his BA *summa cum laude* and Phi Beta Kappa and JD Order of the Coif from the University of California at Los Angeles.

Mr. Siegel's experience practicing as a corporate lawyer provides valuable insight to the board of directors on regulatory and risk management issues. In addition, Mr. Siegel's experience as a partner in investment firms and approximately 20 years of experience serving as a director for both public and private companies provide industry-specific knowledge and expertise to the board of directors.

**Interested Directors**

**Michael J. Arougheti**, 39, has served as President of the Company since May 2004 and as a director of the Company since 2009. Mr. Arougheti joined Ares Management in May 2004 and is a founding member of Ares, where he serves as a member of the Executive Committee of Ares Partners Management Company LLC, which indirectly controls Ares Management LLC, and a Senior Partner in the Ares Private Debt Group. Mr. Arougheti also serves as a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Investment Committee and the Investment Committee of Ares Capital Europe, Ares' European Private Debt business, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From 2001 to 2004, Mr. Arougheti was employed by Royal Bank of Canada, where he was a Managing Partner of the Principal Finance Group of RBC Capital Partners and a member of the firm's Mezzanine Investment Committee. At RBC Capital Partners, Mr. Arougheti oversaw an investment team that originated, managed and monitored a diverse portfolio of middle market leveraged loans, senior and junior subordinated debt, preferred equity and common stock and warrants on behalf of RBC and other third-party institutional investors. Mr. Arougheti joined Royal Bank of Canada in October 2001 from Indosuez Capital, where he was a Principal, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. Mr. Arougheti sat on the firm's Investment Committee and was also active in the firm's private equity fund investment and its fund of funds program. Prior to joining Indosuez in 1994, Mr. Arougheti worked at Kidder, Peabody & Co., where he was a member of the firm's Mergers and Acquisitions Group. Mr. Arougheti also serves on the boards of directors of Reflexite Corporation, Investor Group Services and Riverspace Arts, a not-for-profit arts organization. Mr. Arougheti received a BA in Ethics, Politics and Economics, *cum laude*, from Yale University. Mr. Arougheti is an interested director because he is the President of the Company, is on the Investment Committee of Ares Capital Management, the Company's investment adviser, and is a member and serves on the Executive Committee of Ares Partners Management Company LLC, which indirectly controls Ares Management, the managing member of the investment adviser.

Mr. Arougheti's depth of experience in investment management, leveraged finance and financial services, as well as his intimate knowledge of the Company's business and operations, gives the board of directors valuable industry-specific knowledge and expertise on these and other matters.

**Antony P. Ressler**, 51, has served as a director of the Company since April 2010. Mr. Ressler co-founded Ares Management in 1997 and is a founding partner of Ares, where he serves on the Executive Committee of Ares Partners Management Company LLC and is a Senior Partner in the Ares Private Equity Group. Mr. Ressler is a Senior Advisor to the Ares Capital Markets Group and also serves on the Investment Committees of funds managed by the Ares Private Equity Group and certain funds managed by the Ares Capital Markets Group. Mr. Ressler may also from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Prior to Ares, Mr. Ressler was a co-founder of Apollo Management, L.P. in 1990 and was a member of the original six-member management team.

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Mr. Ressler oversaw and led the capital markets activities of Apollo Management, L.P. and Lion Advisors, L.P. from 1990 until 1997, particularly focusing on high yield bonds, leveraged loans and other fixed income assets. Prior to 1990, Mr. Ressler served as a Senior Vice President in the High Yield Bond Department of Drexel Burnham Lambert Inc., with responsibility for the New Issue/Syndicate Desk. Mr. Ressler currently serves on the board of directors of Air Lease Corporation. Mr. Ressler is also a member of the Executive Committee of the Board of Trustees of the Cedars-Sinai Medical Center, is Finance Chair and a member of the Executive Committee of the Los Angeles County Museum of Art (LACMA), and is Founder and Co-Chairman of the Alliance for College-Ready Public Schools, a high performing group of eighteen charter high schools and middle schools based in Los Angeles. Mr. Ressler is also one of the founding members of the board and Finance Chair of the Painted Turtle Camp, a southern California based organization (affiliated with Paul Newman's Hole in the Wall Association), which was created to serve children dealing with chronic and life threatening illnesses by creating memorable, old-fashioned camping experiences. Mr. Ressler is also a former member of the boards of directors of Allied Waste Industries, Inc. and WCA Waste Corporation. Mr. Ressler received his BSFS from Georgetown University's School of Foreign Service and received his MBA from Columbia University's Graduate School of Business. Mr. Ressler is an interested director because he is a member and serves on the Executive Committee of Ares Partners Management Company LLC.

Mr. Ressler's intimate knowledge of the business and operations of Ares Management and the Company, his extensive experience in the financial industry and as a partner in investment firms and his service as a director of other public companies provides industry-specific knowledge and expertise to the board of directors.

**Robert L. Rosen**, 65, has served as a director of the Company since 2004. Mr. Rosen is managing partner of RLR Capital Partners, which invests principally in the securities of publicly traded North American companies. From 1987 to present, Mr. Rosen has been CEO of RLR Partners, LLC, a private investment firm with interests in financial services, healthcare media and multi-industry companies. Mr. Rosen served from 2003 until 2005 as co-Managing Partner of Dolphin Domestic Fund II. In 1998, Mr. Rosen founded National Financial Partners ("NFP"), an independent distributor of financial services to high net worth individuals and small to medium-sized corporations. He served as NFP's CEO from 1998 to 2000 and as its Chairman until January 2002. From 1989 to 1993, Mr. Rosen was Chairman and CEO of Damon Corporation, a leading healthcare and laboratory testing company that was ultimately sold to Quest Diagnostics. From 1983 to 1987, Mr. Rosen was Vice Chairman of Maxxam Group. Prior to that, Mr. Rosen spent twelve years at Shearson American Express in positions in research, investment banking and senior management, and for two years was Assistant to Sanford Weill, the then Chairman and CEO of Shearson. Mr. Rosen holds an MBA in finance from NYU's Stern School. Mr. Rosen is an interested director because he has entered into a strategic advisory relationship with Ares.

Mr. Rosen's 31 years of experience as a senior executive of financial services, healthcare services and private equity funds brings broad financial industry and specific investment management insight and experience to the board of directors. Mr. Rosen's expertise in finance, which served as the basis for his appointment as an Adjunct Professor of Finance at Fordham University Graduate School of Business, provides valuable knowledge to the board of directors.

**Bennett Rosenthal**, 48, has served as Chairman of our board of directors since 2004. Mr. Rosenthal joined Ares Management in 1998 and is a founding member of Ares, where he serves on the Executive Committee of Ares Partners Management Company LLC and is a Senior Partner in and the co-head of the Ares Private Equity Group. Mr. Rosenthal also serves on the Investment Committee of Ares Capital Management, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Prior to joining Ares in 1998, Mr. Rosenthal was Managing Director in

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the Global Leveraged Finance Group of Merrill Lynch where he was a senior member of Merrill Lynch's Leveraged Transaction Commitment Committee. Mr. Rosenthal also serves on the board of directors of several other companies, including: AmeriQual Group, LLC, Aspen Dental Management, Inc., City Ventures, LLC, Hanger Orthopedic Group, Inc., Jacuzzi Brands Corporation, Nortek, Inc., Serta, Inc. and Simmons Bedding Company. Mr. Rosenthal is also a former member of the board of directors of Maidenform Brands, Inc. Mr. Rosenthal graduated *summa cum laude* with a BS in Economics from the University of Pennsylvania's Wharton School of Business where he also received his M.B.A. with distinction. Mr. Rosenthal is an interested director because he is on the Investment Committee of Ares Capital Management, the Company's investment adviser, and is a member and serves on the Executive Committee of Ares Partners Management Company LLC.

Mr. Rosenthal's intimate knowledge of the business and operations of Ares Management, extensive experience in the financial industry as well as the management of private equity and debt investments in particular and experience as a director of other public and private companies not only give the board of directors valuable insight but also position him well to continue to serve as the chairman of our board of directors.

**Executive Officers Who Are Not Directors**

**Joshua M. Bloomstein**, 37, serves as the General Counsel, Vice President and Secretary of the Company. He joined Ares Management in November 2006 and currently serves as the Deputy General Counsel of Ares Management. Mr. Bloomstein may also from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From January 2005 to October 2006, Mr. Bloomstein was an associate with Latham & Watkins LLP specializing in leveraged buyouts and private equity investments as well as general partnership and corporate matters. Mr. Bloomstein graduated *magna cum laude* with a BA in Political Science from the State University of New York at Albany and received a JD degree, *magna cum laude*, from the University of Miami School of Law.

**Richard S. Davis**, 52, serves as Treasurer of the Company. He joined Ares Management in June 2006 and currently serves as Chief Operating Officer of Ares Management, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From March 2007 to December 2010, Mr. Davis served as the Company's Chief Financial Officer. From December 1997 to May 2006, Mr. Davis was with Arden Realty, Inc., a real estate investment trust and formerly the largest publicly traded owner in Southern California, serving as its Executive Vice President and Chief Financial Officer since July 2000. From 1996 to 1997, Mr. Davis was with Catellus Development Corporation, where he was responsible for accounting and finance for the asset management and development divisions. From 1985 to 1996, Mr. Davis served as a member of the audit staff of both KPMG LLP and Price Waterhouse LLP. Mr. Davis is a Certified Public Accountant (Inactive). Mr. Davis received a BS in Accounting from the University of Missouri at Kansas City.

**Miriam Krieger**, 35, serves as Chief Compliance Officer of the Company. She joined Ares Management in April 2010 and currently serves as Ares Management's Deputy Chief Compliance Officer Private Debt, and may from time to time, service as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From August 2008 until joining Ares, Ms. Krieger was Executive Vice President, Chief Compliance Officer and Corporate Secretary of Allied Capital Corporation, a business development company. From March 2008 to August 2008, Ms. Krieger was Senior Vice President of Allied Capital Corporation. Ms. Krieger also served as Senior Vice President and Chief Compliance Officer at MCG Capital Corporation, a business development company, from 2006 to 2008 and Vice President and Assistant General Counsel from 2004 to 2006. From 2001 to 2004, Ms. Krieger was an associate in the Financial Services Group of the law firm of Sutherland Asbill & Brennan LLP. Ms. Krieger graduated



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with a BA in Economics and Political Science from Wellesley College and received a JD and an MA in Economics from Duke University.

**Scott C. Lem**, 33, serves as Assistant Treasurer of the Company. He joined Ares Management in July 2003 and currently serves as Chief Accounting Officer of Ares Capital Management, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From July 2003 to December 2008, Mr. Lem served as Controller of Ares Management. Previously, Mr. Lem was with Ernst & Young LLP and Arthur Andersen LLP, most recently as a Senior Associate conducting audits for clients across several industries including entertainment, hospitality and real estate. Mr. Lem graduated *summa cum laude* with a BS in Accounting from the University of Southern California's Leventhal School of Accounting and *summa cum laude* with a BS in Business Administration from the University of Southern California's Marshall School of Business. Mr. Lem has also received an MBA in Finance from UCLA's Anderson School of Management. Mr. Lem is a Certified Public Accountant (Inactive).

**Daniel F. Nguyen**, 39, serves as a Vice President of the Company. He joined Ares Management in August 2000 and currently serves as an Executive Vice President and the Chief Financial Officer of Ares Management. Mr. Nguyen may also from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From March 2007 to December 2010, Mr. Nguyen served as Treasurer of the Company and from August 2004 to March 2007, as Chief Financial Officer of the Company. From 1996 to 2000, Mr. Nguyen was with Arthur Andersen LLP, where he was in charge of conducting business audits on numerous financial clients, performing due diligence investigation of potential mergers and acquisitions, and analyzing changes in accounting guidelines for derivatives. At Arthur Andersen LLP, Mr. Nguyen also focused on treasury risk management and on mortgage backed securities and other types of structured financing. Mr. Nguyen graduated with a BS in Accounting from the University of Southern California's Leventhal School of Accounting and received an MBA in Global Business from Pepperdine University's Graziadio School of Business and Management. Mr. Nguyen also studied European Business at Oxford University as part of the MBA curriculum. Mr. Nguyen is a Chartered Financial Analyst and a Certified Public Accountant.

**Penni F. Roll**, 45, serves as the Chief Financial Officer of the Company. She joined Ares Management in April 2010 as Executive Vice President-Finance of Ares Capital Management LLC and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Ms. Roll served as Chief Financial Officer of Allied Capital Corporation from 1998 until April 2010, when Allied Capital Corporation was acquired by the Company. Ms. Roll joined Allied Capital Corporation in 1995 as its Controller after serving as a Manager in KPMG's financial services practice. Ms. Roll graduated *magna cum laude* with a BSBA in Accounting from West Virginia University.

**Michael D. Weiner**, 58, serves as Vice President of the Company. Mr. Weiner is also Vice President, General Counsel and Secretary of Ares Management, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From September 2006 to January 2010, Mr. Weiner served as General Counsel of the Company and from April 2011 to July 2011 Mr. Weiner served as the Company's Chief Compliance Officer on an interim basis. Mr. Weiner joined Ares Management in September 2006. Previously, Mr. Weiner served as General Counsel to Apollo Management L.P. and had been an officer of the corporate general partners of Apollo since 1992. Prior to joining Apollo, Mr. Weiner was a partner in the law firm of Morgan, Lewis & Bockius specializing in corporate and alternative financing transactions, securities law as well as general partnership, corporate and regulatory matters. Mr. Weiner has served and continues to serve on the boards of directors of several corporations, including Hughes Communications, Inc. Mr. Weiner also serves on the Board of

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Governors of the Cedars Sinai Medical Center in Los Angeles. Mr. Weiner graduated with a BS in Business and Finance from the University of California at Berkeley and a JD from the University of Santa Clara.

**INVESTMENT COMMITTEE**

Information regarding the members of Ares Capital Management's investment committee is as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael J. Arougheti	39	President and Director of the Company, Member of Investment Committee
Eric B. Beckman	45	Member of Investment Committee, Portfolio Manager
R. Kipp deVeer	38	Member of Investment Committee, Portfolio Manager
Mitchell Goldstein	44	Member of Investment Committee, Portfolio Manager
John Kissick	69	Member of Investment Committee
Bennett Rosenthal	48	Chairman and Director of the Company, Member of Investment Committee
David Sachs	52	Member of Investment Committee, Portfolio Manager
Michael L. Smith	40	Member of Investment Committee, Portfolio Manager
Kenneth Gordon Watters	48	Member of Investment Committee

The principal business address for Messrs. Arougheti, de Veer, Goldstein and Smith is c/o Ares Management LLC, 245 Park Avenue, 44<sup>th</sup> Floor, New York, New York 10167. The principal business address for Messrs. Beckman, Kissick, Rosenthal and Sachs is c/o Ares Management LLC, 2000 Avenue of the Stars, 12<sup>th</sup> Floor, Los Angeles, California 90067. The principal business address for Mr. Watters is c/o Ares Management LLC, 1 Finsbury Square, 7<sup>th</sup> Floor, London EC2A 1AE.

**Members of Ares Capital Management's Investment Committee Who Are Not Directors or Officers of the Company**

**Eric B. Beckman** Mr. Beckman joined Ares Management in 1998 and serves as a Senior Partner in the Ares Private Debt Group of Ares Management LLC. He is a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Before joining the Ares Private Debt Group, he served as a Partner in the Ares Private Equity Group and a Principal in Ares' mezzanine and special situations effort. While at Ares Management, he has been responsible for originating, structuring and managing investments in senior loans, mezzanine debt, private equity and distressed securities across a number of industries. Mr. Beckman joined Ares from Goldman, Sachs & Co. where he specialized in leveraged loan and high yield bond financings. While at Goldman Sachs, he was also involved in raising and managing the West Street Bridge Loan Fund, and in certain restructuring advisory and distressed lending activities. Earlier in his career he worked in the Office of the Mayor and for the City Council of New York. Mr. Beckman is the chair of the Los Angeles Advisory Committee and a member of the national board of directors of the Posse Foundation, a college access program for inner city youth. He graduated *summa cum laude* with a BA in Political Theory and Economics from Cornell University, and received his JD from the Yale Law School where he was a senior editor of the *Yale Law Journal*.

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**R. Kipp deVeer** Mr. deVeer joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group of Ares Management LLC. He is a member of the Investment Committee of Ares Capital Management and the Ares Private Debt Group and is a director and member of the Investment Committee of ACE, Ares' European Private Debt business. Prior to joining Ares Management, Mr. deVeer was a partner at RBC Capital Partners, a division of Royal Bank of Canada, which led the firm's middle-market financing and principal investment business. Mr. deVeer joined RBC in October 2001 from Indosuez Capital, where he was Vice President in the Merchant Banking Group. Mr. deVeer has also worked at J.P. Morgan and Co., both in the Special Investment Group of J.P. Morgan Investment Management, Inc. and the Investment Banking Division of J.P. Morgan Securities Inc. Mr. deVeer received a BA from Yale University and an MBA from Stanford University's Graduate School of Business.

**Mitchell Goldstein** Mr. Goldstein joined Ares Management in May 2005 and serves as a Senior Partner in the Ares Private Debt Group. He is a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Prior to joining Ares Management, Mr. Goldstein worked at Credit Suisse First Boston, where he was a Managing Director in the Financial Sponsors Group. At CSFB, Mr. Goldstein was responsible for providing investment banking services to private equity funds and hedge funds with a focus on M&A and restructurings as well as capital raisings, including high yield, bank debt, mezzanine debt, and IPOs. Mr. Goldstein joined CSFB in 2000 at the completion of the merger with Donaldson, Lufkin & Jenrette. From 1998 to 2000, Mr. Goldstein was at Indosuez Capital, where he was a member of the Investment Committee and a Principal, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. From 1993 to 1998, Mr. Goldstein worked at Bankers Trust. Mr. Goldstein graduated *summa cum laude* from the State University of New York at Binghamton with a BS in Accounting, received an MBA from Columbia University's Graduate School of Business and is a Certified Public Accountant.

**John Kissick** Mr. Kissick is a Senior Partner in the Ares Private Equity Group. Mr. Kissick is a Senior Advisor to the Ares Capital Markets Group and also serves on the Investment Committee for all Ares funds. Prior to Ares, Mr. Kissick was a co-founder of Apollo Management, L.P. in 1990 and a member of the original six-member management team. Together with Mr. Ressler, Mr. Kissick oversaw and led the capital markets activities of Apollo Management, L.P. and Lion Advisors, L.P. from 1990 until 1997, particularly focusing on high yield bonds, leveraged loans and other fixed income assets. Prior to 1990, Mr. Kissick served as a Senior Executive Vice President of Drexel Burnham Lambert Inc., where he began in 1975, eventually heading its Corporate Finance Department. Mr. Kissick serves on the boards of the Cedars-Sinai Medical Center in Los Angeles, the Stanford University Athletic Department and its Initiative for Improving K-12 Education, and MLA Partner Schools, which helps economically disadvantaged children graduate from high school through a variety of mentoring and other programs. Mr. Kissick graduated from Yale University with a BA in Economics and with highest honors from the Stanford Business School with an MBA in Finance.

**David Sachs** Mr. Sachs is a Senior Advisor in the Ares Capital Markets Group. Mr. Sachs serves as an Investment Committee member on all Ares Management funds. From 1994 to 1997, Mr. Sachs was a principal of Onyx Partners, Inc. specializing in merchant banking and related capital raising activities in the private equity and mezzanine debt markets. From 1990 to 1994, Mr. Sachs was employed by Taylor & Co., an investment manager providing investment advisory and consulting services to members of the Bass Family of Fort Worth, Texas. From 1984 to 1990, Mr. Sachs was with Columbia Savings and Loan Association, most recently as Executive Vice President, responsible for all asset-liability management as well as running the Investment Management Department. Mr. Sachs serves on the Board of Directors of Terex Corporation. Mr. Sachs serves on the McCormick Advisory

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Council at Northwestern University. Mr. Sachs graduated from Northwestern University with a BS in Industrial Engineering and Management Science.

**Michael L. Smith** Mr. Smith joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group of Ares Management LLC. He is a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Prior to joining Ares Management, Mr. Smith was a Partner at RBC Capital Partners, a division of Royal Bank of Canada, which led the firm's middle-market financing and principal investment business. Mr. Smith joined RBC in October 2001 from Indosuez Capital, where he was a Vice President in the Merchant Banking Group. Previously, Mr. Smith worked at Kenter, Glastris & Company, and at Salomon Brothers Inc., in their Debt Capital Markets Group and Financial Institutions Group. Mr. Smith received a BS in Business Administration, *cum laude*, from the University of Notre Dame and a Masters in Management from Northwestern University's Kellogg Graduate School of Management.

**Kenneth Gordon Watters** Mr. Watters joined Ares in June 2007 to establish Ares Capital Europe and presently leads the European operations of the Ares Private Debt Group. In 2008, Mr. Watters assumed responsibility for Ares Management Limited, the European arm of the Ares Capital Markets Group with a focus on the broadly syndicated loan market. In addition, Mr. Watters serves as an Investment Committee member on all Ares European Credit Funds. From 1999 to 2007, Mr. Watters served as the Head of the middle-market Financial Sponsors Group at Barclays. During this period Mr. Watters created a full UK and European office network with a diversified product portfolio growing from an initial team of 5 to culminate in a team with more than 100 members. Mr. Watters also oversaw the bank's regional investment programme and was Director of a number of Barclays' investee companies. Prior to joining Barclays in 1999, Mr. Watters was a Director at Credit Lyonnais investment banking division with a specific focus on UK and Iberia. Mr. Watters joined Credit Lyonnais from Bank of Scotland, where he commenced his career in Corporate Banking and Structured Finance. Mr. Watters has extensive corporate banking experience with over 25 years in the industry. A Chartered Banker and Fellow of the Institute Bankers, he is also a Fellow of the Institute of Directors, and graduated with a B.A. (Hons) in Financial Management at Edinburgh Napier University.

#### **BOARD LEADERSHIP STRUCTURE**

Our board of directors monitors and performs an oversight role with respect to the business and affairs of the Company, including with respect to investment practices and performance, compliance with regulatory requirements and the services, expenses and performance of service providers to the Company. Among other things, our board of directors approves the appointment of our investment adviser, administrator and officers, reviews and monitors the services and activities performed by our investment adviser, administrator and officers and approves the engagement, and reviews the performance of, our independent registered public accounting firm.

Under the Company's bylaws, our board of directors may designate a chairman to preside over the meetings of the board of directors and meetings of the stockholders and to perform such other duties as may be assigned to him by the board of directors. We do not have a fixed policy as to whether the chairman of the board of directors should be an independent director and believe that our flexibility to select our chairman and reorganize our leadership structure from time to time is in the best interests of the Company and its stockholders.

Presently, Mr. Rosenthal serves as the chairman of our board of directors. Mr. Rosenthal is an interested director because he is on the investment committee of our investment adviser and is a member of and serves on the Executive Committee of Ares Partners Management Company LLC ("APMC"), the indirect parent of Ares Management, the managing member of our investment adviser. We believe that Mr. Rosenthal's history with the Company, familiarity with the Ares investment

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platform and extensive experience in the management of private equity and debt investments qualifies him to serve as the chairman of our board of directors. Moreover, we believe that we are best served through our existing leadership structure with Mr. Rosenthal as chairman of our board of directors, as Mr. Rosenthal's relationship with our investment adviser provides an effective bridge between our board of directors and our investment adviser, thus ensuring an open dialogue between our board of directors and our investment adviser and that both groups act with a common purpose.

The independent directors have designated a lead independent director whose duties include, among other things, chairing executive sessions of the independent directors, acting as a liaison between the independent directors and the chairman of the board of directors and between the independent directors and management, facilitating communication among the independent directors and the Company's counsel, reviewing and commenting on board and committee meeting agendas and calling additional meetings of the independent directors as appropriate. In August 2010, the board of directors designated and appointed Mr. Siegel as the lead independent director and Mr. Siegel has served as lead independent director since that time.

We believe that board leadership structures must be evaluated on a case by case basis and that our existing board leadership structure is appropriate. However, we re-examine our corporate governance policies on an ongoing basis to ensure that they continue to meet the Company's needs.

**BOARD'S ROLE IN RISK OVERSIGHT**

Our board of directors performs its risk oversight function primarily through (a) its two standing committees, which report to the entire board of directors and are comprised solely of independent directors and (b) monitoring by our Chief Compliance Officer in accordance with our compliance policies and procedures.

As described below in more detail under "Committees of the Board of Directors," the audit committee and the nominating and governance committee assist the board of directors in fulfilling its risk oversight responsibilities. The audit committee's risk oversight responsibilities include overseeing the Company's accounting and financial reporting processes, the Company's systems of internal controls regarding finance and accounting and audits of the Company's financial statements and discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The nominating and governance committee's risk oversight responsibilities include selecting, researching and nominating directors for election by our stockholders, developing and recommending to our board of directors a set of corporate governance principles and overseeing the evaluation of our board of directors and its committees. Both the audit committee and the nominating and governance committee consist solely of independent directors.

Our board of directors also performs its risk oversight responsibilities with the assistance of the Chief Compliance Officer. Our Chief Compliance Officer prepares a written report annually discussing the adequacy and effectiveness of the compliance policies and procedures of the Company and certain of its service providers. The Chief Compliance Officer's report, which is reviewed by our board of directors, addresses at a minimum (a) the operation of the compliance policies and procedures of the Company and certain of its service providers since the last report; (b) any material changes to such policies and procedures since the last report; (c) any recommendations for material changes to such policies and procedures as a result of the Chief Compliance Officer's annual review; and (d) any compliance matter that has occurred since the date of the last report about which our board of directors would reasonably need to know to oversee the Company's compliance activities and risks. In addition, the Chief Compliance Officer meets separately in executive session with the independent directors periodically, but in no event less than once each year.

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We believe that our board of directors' role in risk oversight is effective and appropriate given the extensive regulation to which we are already subject as a BDC. Specifically, as a BDC we must comply with certain regulatory requirements that control the levels of risk in our business and operations. For example, our ability to incur indebtedness is limited such that our asset coverage must equal at least 200% immediately after each time we incur indebtedness, we generally have to invest at least 70% of our total assets in "qualifying assets" and, subject to certain exceptions, we are not generally permitted to invest in any portfolio company in which Ares or any of its affiliates currently has an investment. See "Regulation." In addition, we have elected to be treated as a RIC under Subchapter M of the Code. As a RIC we must, among other things, meet certain income source and asset diversification requirements. See "Certain Material U.S. Federal Income Tax Considerations."

We believe that the extent of our board of directors' (and its committees') role in risk oversight complements our board of directors' leadership structure because it allows our independent directors, through the two fully independent board committees, a lead independent director, executive sessions with the Chief Compliance Officer, auditor and independent valuation providers and otherwise, to exercise oversight of risk without any conflict that might discourage critical review.

We believe that our board of directors' role in risk oversight must be evaluated on a case by case basis and that our existing board of directors' role in risk oversight is appropriate. However, we re-examine the manner in which the board of directors administers its oversight function on an ongoing basis to ensure that it continues to meet the Company's needs.

## **COMMITTEES OF THE BOARD OF DIRECTORS**

Our board of directors has established an audit committee and a nominating and governance committee. We do not have a compensation committee because our executive officers do not receive any direct compensation from us. During 2010, the board of directors held 18 formal meetings, the audit committee held six formal meetings and the nominating and governance committee held three formal meetings. We encourage, but do not require, the directors to attend our annual meeting of stockholders.

### **Audit Committee**

The members of the audit committee are Ms. Bates and Messrs. O'Bryan and Siegel, each of whom is independent for purposes of the Investment Company Act and The NASDAQ Global Select Market's corporate governance regulations. Ms. Bates currently serves as chairperson of the audit committee. The board of directors has adopted a charter for the audit committee, which is available on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). The contents of our website are not intended to be incorporated by reference into this prospectus or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

The audit committee is responsible for approving our independent accountants and recommending them to our board of directors (including a majority of the independent directors) for approval and submission to our stockholders for ratification, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls.

The audit committee is also responsible for aiding our board of directors in determining the fair value of debt and equity securities that are not publicly traded or for which current market values are not readily available. The audit committee also currently receives input from third parties, including independent third-party valuation firms, that have been engaged at the direction of the board of directors to value certain portfolio investments. In addition, the audit committee is responsible for discussing with management the Company's major financial risk exposures and the steps management

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has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Our board of directors has determined that Ms. Bates and Mr. O'Bryan are each an "audit committee financial expert" within the meaning of the rules of the SEC.

**Nominating and Governance Committee**

The members of the nominating and governance committee are Messrs. O'Bryan, Penske and Siegel, each of whom is independent for purposes of the Investment Company Act and The NASDAQ Global Select Market's corporate governance regulations. Mr. Penske currently serves as chairman of the nominating and governance committee. Mr. Siegel served as chairman of the nominating and governance committee until August 2010. Our board of directors has adopted a charter for the nominating and governance committee, which is available on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). The nominating and governance committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the board or a committee of the board, developing and recommending to the board a set of corporate governance principles and overseeing the evaluation of the board and its committees.

In considering possible candidates for election as a director, the nominating and governance committee takes into account, in addition to such other factors as it deems relevant, the desirability of selecting directors who:

are of high character and integrity;

are accomplished in their respective fields, with superior credentials and recognition;

have relevant expertise and experience upon which to be able to offer advice and guidance to management;

have sufficient time available to devote to the affairs of the Company;

are able to work with the other members of the board of directors and contribute to the success of the Company;

can represent the long-term interests of the Company's stockholders as a whole; and

are selected such that the board of directors represents a range of backgrounds and experience.

The nominating and governance committee may consider recommendations for nomination of directors from our stockholders. Nominations made by stockholders must be delivered to or mailed (setting forth the information required by our bylaws) and received at our principal executive offices not earlier than 150 days nor fewer than 120 days in advance of the first anniversary of the date on which we first mailed our proxy materials for the previous year's annual meeting of stockholders; *provided, however*, that if the date of the annual meeting has changed by more than 30 days from the prior year, the nomination must be received not earlier than the 150th day prior to the date of such annual meeting nor later than the later of (1) the 120th day prior to the date of such annual meeting or (2) the 10th day following the day on which public announcement of such meeting date is first made.

**Compensation Committee**

We do not have a compensation committee because our executive officers do not receive any direct compensation from us. However, the compensation payable to our investment adviser pursuant to the investment advisory and management agreement is separately approved by a majority of our independent directors in accordance with NASDAQ Marketplace Rule 5605(d).





Table of Contents**BENEFICIAL OWNERSHIP OF OUR DIRECTORS**

The following table sets forth the dollar range of our equity securities based on the closing price of our common stock on October 13, 2011 and the number of shares beneficially owned by each of our directors as of December 31, 2010. We are not part of a "family of investment companies," as that term is defined in the Investment Company Act.

Name of Director	Aggregate Dollar Range of Equity Securities in Ares Capital(1)(2)
<b>Independent Directors(3)</b>	
Ann Torre Bates	\$50,001-\$100,000
Kenneth R. Heitz	None
Frank E. O'Bryan	Over \$100,000
Gregory W. Penske	None
Eric B. Siegel	Over \$100,000
<b>Interested Directors</b>	
Michael J. Arougheti(4)	Over \$100,000
Antony P. Ressler(4)	Over \$100,000
Robert L. Rosen	Over \$100,000
Bennett Rosenthal(4)	None

- (1) The dollar ranges are as follows: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000 or over \$100,000. The dollar range of our equity securities beneficially owned is calculated based on the closing sales price of our common stock as reported on The NASDAQ Global Select Market as of October 13, 2011.
- (2) Beneficial ownership determined in accordance with Rule 16a-1(a)(2) under the Exchange Act.
- (3) As of December 31, 2010, to the best of our knowledge, except as listed above, none of the independent directors, nor any of their immediate family members, had any interest in us, our investment adviser or any person or entity directly or indirectly controlling, controlled by or under common control with us or our investment adviser.
- (4) Ares Investments Holding LLC ("Ares Investments"), whose indirect parent is APMC, owned 2,859,882 shares of our common stock as of December 31, 2010. APMC is managed by an executive committee comprised of Messrs. Arougheti, David Kaplan, Gregory Margolies, Ressler and Rosenthal. Each of the members of the executive committee disclaims beneficial ownership of all shares of our common stock owned by Ares Investments, except to the extent of any indirect pecuniary interest therein. The shares of our common stock held by Ares Investments have been pledged in the ordinary course to secure indebtedness under a credit facility under which Ares Investments is a co-borrower with Ares Management.

Table of Contents**COMPENSATION TABLE**

The following table shows information regarding the compensation received by our directors, none of whom is our employee, for the fiscal year ended December 31, 2010. No compensation is paid by us to interested directors. No information has been provided with respect to our executive officers who are not directors, since our executive officers do not receive any direct compensation from us.

<b>Name</b>	<b>Fees Earned or Paid in Cash(1)</b>	<b>Total</b>
<b>Independent Directors</b>		
Ann Torre Bates	\$ 72,000	\$ 72,000
Frank E. O'Bryan	\$ 135,000	\$ 135,000
Kenneth R. Heitz(2)	None	None
Gregory W. Penske	\$ 130,000	\$ 130,000
Eric B. Siegel	\$ 145,000	\$ 145,000
<b>Interested Directors</b>		
Michael J. Arougheti	None	None
Antony P. Ressler	None	None
Robert L. Rosen(3)	None	None
Bennett Rosenthal	None	None

(1) For a discussion of the independent directors' compensation, see below.

(2) Mr. Heitz became a director in June 2011.

(3) While Mr. Rosen did not receive any compensation from us for the fiscal year ended December 31, 2010, he did receive \$126,000 from Ares Management for such period in connection with his service as our director.

The independent directors receive an annual fee of \$100,000. They also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairperson of the audit committee receives an additional annual fee of \$5,000, the lead independent director receives an additional annual fee of \$10,000, and each chairperson of any other committee receives an additional annual fee of \$2,000 for his or her additional services in these capacities. In addition, we purchase directors' and officers' liability insurance on behalf of our directors and officers.

Table of Contents**PORTFOLIO MANAGERS**

The following individuals function as portfolio managers primarily responsible for the day-to-day management of our portfolio. The portfolio managers are comprised of (a) the underwriting committee, whose primary responsibility is to recommend investments for approval to the Investment Committee of Ares Capital Management and (b) members of the Investment Committee of Ares Capital Management who are not otherwise on the underwriting committee.

<b>Name</b>	<b>Position</b>	<b>Length of Service with Ares (years)</b>	<b>Principal Occupation(s) During Past 5 Years</b>
Michael J. Arougheti	President and Director of the Company	7	Mr. Arougheti has served as President of the Company since May 2004 and a director of the Company since February 2009. He is a founding member of Ares, where he serves as a member of the Executive Committee of APMC, and a Senior Partner in the Ares Private Debt Group. Mr. Arougheti also serves as a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business.
Eric B. Beckman	Senior Partner in Ares Global Private Debt Group	13	Mr. Beckman joined Ares Management in 1998 and serves as a Senior Partner in the Ares Private Debt Group. He is a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE. Before joining the Ares Private Debt Group, Mr. Beckman served as a Senior Partner of the Ares Private Equity Group and Principal in Ares' mezzanine and special situations efforts.
R. Kipp deVeer	Senior Partner in Ares Global Private Debt Group	7	Mr. deVeer joined Ares Management in May 2004 and serves as a Senior Partner in the Ares Private Debt Group. He is a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE.

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<b>Name</b>	<b>Position</b>	<b>Length of Service with Ares (years)</b>	<b>Principal Occupation(s) During Past 5 Years</b>
Mitchell Goldstein	Senior Partner in Ares Global Private Debt Group	6	Mr. Goldstein joined Ares Management in May 2005 and serves as a Senior Partner in the Ares Private Debt Group. He is a member of the Investment Committee of Ares Capital Management and the Ares Private Debt Group and is a director and member of the Investment Committee of ACE. Prior to joining Ares Management, Mr. Goldstein worked at Credit Suisse ("CS"), where he was a Managing Director in the Financial Sponsors Group. Mr. Goldstein joined CS in 2000 at the completion of the merger with Donaldson, Lufkin & Jenrette.
John Kissick	Senior Partner in Ares Private Equity Group	14	Mr. Kissick serves as a Senior Partner in the Ares Private Equity Group of Ares Management. Mr. Kissick is a Senior Advisor to the Ares Capital Markets Group of Ares Management and serves on the Investment Committee for all Ares funds.
Bennett Rosenthal	Chairman of the board of directors of the Company; Senior Partner in Ares Private Equity Group	14	Mr. Rosenthal has served as Chairman of the Company's board of directors since 2004. He joined Ares in 1998 and is a founding member of Ares, where he serves on the Executive Committee of APMC, and is a Senior Partner in and the co-head of the Ares Private Equity Group. Mr. Rosenthal also serves on the Investment Committee of Ares Capital Management.
David Sachs	Senior Advisor to Ares Capital Markets Group	14	Mr. Sachs serves as a Senior Advisor to the Ares Capital Markets Group of Ares. Mr. Sachs serves on the Investment Committee of Ares Capital Management and all Ares funds.
Michael L. Smith	Senior Partner in Ares Global Private Debt Group	7	Mr. Smith joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE.

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Name	Position	Length of Service with Ares (years)	Principal Occupation(s) During Past 5 Years
Kenneth Gordon Watters	Senior Partner in Ares Global Private Debt Group	4	Mr. Watters joined Ares Management in 2007 and serves as a Senior Partner in the Ares Private Debt Group and a member of the Investment Committee of all Ares European Credit Funds. Mr. Watters is also a member of the Investment Committee of Ares Capital Management, the Ares Private Debt Group Investment Committee and the Investment Committee of ACE. Previously, Mr. Watters was with Barclays where he served as the Head of the middle-market Financial Sponsors Group over which he had responsibility for a one hundred person staff across various teams within the U.K. and Europe.

None of the individuals listed above is primarily responsible for the day-to-day management of the portfolio of any other account, except that:

Messrs. Kissick and Rosenthal are each Senior Partners of Ares with significant responsibilities for other Ares managed funds, which as of June 30, 2011 had approximately \$41 billion (including the Company) of committed capital under management, a portion of which is used to calculate Ares' advisory fees related to such funds; and

Messrs. Arougheti, Beckman, deVeer, Goldstein, Smith and Watters are each Senior Partners of Ares Private Debt Group. Mr. Watters has primary responsibility for management of ACE and all such individuals have responsibilities with respect to certain managed accounts, which as of June 30, 2011 had approximately \$15 billion (including the Company) of committed capital under management, a portion of which is used to calculate advisory fees related to the investment services provided by the group.

See "Risk Factors Risks Relating to Our Business There are significant potential conflicts of interest that could impact our investment returns."

Each of Messrs. Arougheti, Beckman, deVeer, Goldstein and Smith is equally responsible for deal origination, execution and portfolio management. Mr. Arougheti, as our President, however, spends a greater amount of his time on corporate and administrative activities in his role as an officer. Each of Messrs. Arougheti, Beckman, deVeer, Goldstein and Smith is a senior partner in Ares Private Debt Group and receives a compensation package that includes some combination of fixed draw and variable incentive compensation based primarily on our performance for services provided. None of the portfolio managers receives any direct compensation from us.

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The following table sets forth the dollar range of our equity securities based on the closing price of our common stock on October 13, 2011 and the number of shares beneficially owned by each of the portfolio managers described above as of December 31, 2010 unless otherwise indicated below.

Name	Aggregate Dollar Range of Equity Securities in Ares Capital(1)
Michael J. Arougheti	Over \$1,000,000(2)
Eric B. Beckman	Over \$1,000,000
R. Kipp deVeer	\$100,001-\$500,000
Mitchell Goldstein	\$500,001-\$1,000,000
John Kissick	None
Bennett Rosenthal	None(2)
David Sachs	\$100,001-\$500,000
Michael L. Smith	Over \$1,000,000
Kenneth Gordon Watters	None

(1) Dollar ranges are as follows: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, \$100,001-\$500,000, \$500,001-\$1,000,000 or over \$1,000,000.

(2) Ares Investments, whose indirect parent is APMC, owned 2,859,882 shares of our common stock as of December 31, 2010. APMC is managed by an executive committee comprised of Messrs. Arougheti, Kaplan, Margolies, Ressler and Rosenthal. Each of the members of the executive committee disclaims beneficial ownership of all shares of our common stock owned by Ares Investments, except to the extent of any indirect pecuniary interest therein. The shares of our common stock held by Ares Investments have been pledged in the ordinary course to secure indebtedness under a credit facility under which Ares Investments is a co-borrower with Ares Management.

### **INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT**

#### **Management Services**

Ares Capital Management serves as our investment adviser and is registered as an investment adviser under the Advisers Act. Subject to the overall supervision of our board of directors, our investment adviser manages the day-to-day operations of, and provides investment advisory and management services to, Ares Capital. Under the terms of the investment advisory and management agreement, Ares Capital Management:

determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;

identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);

closes and monitors the investments we make;

determines the investments and other assets that we purchase, retain or sell; and

provides us with such other investment advisory and research and related services as we may from time to time reasonably require.

Our investment adviser's services to us under the investment advisory and management agreement are not exclusive, and it is free to furnish similar services to other entities. Similarly, affiliates of our investment adviser may directly or indirectly manage funds or other

investment vehicles with investment objectives similar to ours. Accordingly, we may compete with these Ares funds or other investment vehicles managed by our investment adviser and its affiliates for capital and investment

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opportunities. Ares Capital Management endeavors to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to Ares Capital. Nevertheless, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds or other investment vehicles managed by Ares Capital Management or its affiliates.

The sole member of Ares Capital Management is Ares Management, a global alternative asset manager and SEC registered investment adviser. Ares funds, including funds managed by Ares, had, as of June 30, 2011, approximately \$41 billion of total committed capital under management.

**Management Fee**

Pursuant to the investment advisory and management agreement and subject to the overall supervision of our board of directors, our investment adviser provides investment advisory and management services to us. For providing these services, our investment adviser receives a fee from us consisting of two components a base management fee and an incentive fee. Ares Capital Management has committed to defer up to \$15 million in base management and incentive fees for each of the fiscal years ending December 31, 2010 and 2011 if certain earnings targets are not met.

The base management fee is calculated at an annual rate of 1.5% based on the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

**Incentive Fee**

The incentive fee has two parts. The first part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the administration agreement, and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities, accrued income that we have not yet received in cash. Our investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued interest that we never actually receive. See "Risk Factors Risks Relating to Our Business There are significant potential conflicts of interest that could impact our investment returns" and "Risk Factors Risks Relating to Our Business We may be obligated to pay our investment adviser incentive compensation even if we incur a loss."

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and/or unrealized capital losses.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 1.75% per quarter. If market credit spreads rise, we may be able to invest our



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funds in debt instruments that provide for a higher return, which may increase our pre-incentive fee net investment income and make it easier for our investment adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. To the extent we have retained pre-incentive fee net investment income that has been used to calculate this part of the incentive fee, it is also included in the amount of our total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

We pay our investment adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.1875%) as the "catch-up" provision. The catch-up is meant to provide our investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeded 2.1875% in any calendar quarter; and

20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

These calculations are adjusted for any share issuances or repurchases during the quarter.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:

**Quarterly Incentive Fee Based on Net Investment Income**

**Pre-incentive fee net investment income  
(expressed as a percentage of the value of net assets)**

**Percentage of pre-incentive fee net investment income  
allocated to income-related portion of incentive fee**

These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The Capital Gains Fee is determined and payable in arrears as of the end of each calendar year (or, upon termination of our investment advisory and management agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (a) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) our cumulative aggregate realized capital gains, in each case calculated from October 8, 2004. Realized capital gains and losses include gains and losses on investments and foreign currencies, as well as gains and losses on extinguishment of debt and other assets. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to 20% of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee for such year.

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The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in our portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gains Fee calculation date and (b) the accreted or amortized cost basis of such investment.

Notwithstanding the foregoing, as a result of an amendment to the capital gains portion of the incentive fee under the investment advisory and management agreement that was adopted on June 6, 2011, if we are required by GAAP to record an investment at its fair value as of the time of acquisition instead of at the actual amount paid for such investment by us (including, for example, as a result of the application of the acquisition method of accounting), then solely for the purposes of calculating the Capital Gains Fee, the "accreted or amortized cost basis" of an investment shall be an amount (the "Contractual Cost Basis") equal to (1)(x) the actual amount paid by us for such investment plus (y) any amounts recorded in our financial statements as required by GAAP that are attributable to the accretion of such investment plus (z) any other adjustments made to the cost basis included in our financial statements, including payment-in-kind interest or additional amounts funded (net of repayments) minus (2) any amounts recorded in our financial statements as required by GAAP that are attributable to the amortization of such investment, whether such calculated Contractual Cost Basis is higher or lower than the fair value of such investment (as determined in accordance with GAAP) at the time of acquisition.

We defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) the aggregate distributions to our stockholders and (b) the change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period. These calculations are adjusted for any share issuances or repurchases. Any deferred incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under our investment advisory and management agreement.

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**Examples of Quarterly Incentive Fee Calculation**

**Example 1 Income Related Portion of Incentive Fee(1):**

*Assumptions*

Hurdle rate(2) = 1.75%

Management fee(3) = 0.375%

Other expenses (legal, accounting, custodian, transfer agent, etc.)(4) = 0.20%

**Alternative 1**

*Additional Assumptions*

Investment income (including interest, dividends, fees, etc.) = 1.25%

Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = 0.675%

Pre-incentive fee net investment income does not exceed the hurdle rate, therefore there is no incentive fee.

- (1) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets. In addition, the example assumes that during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is at least 7% of our net assets (defined as total assets less indebtedness) at the beginning of such period (as adjusted for any share issuances or repurchases).
- (2) Represents a quarter of the 7.0% annualized hurdle rate.
- (3) Represents a quarter of the 1.5% annualized management fee.
- (4) Excludes offering expenses.

**Alternative 2**

*Additional Assumptions*

Investment income (including interest, dividends, fees, etc.) = 2.70%

Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = 2.125%  
Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

Incentive Fee =  $100\% \times \text{"Catch-Up"} + \text{the greater of } 0\% \text{ AND } (20\% \times (\text{pre-incentive fee net investment income} - 2.1875\%))$

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$$\begin{aligned} &= (100\% \times (2.125\% - 1.75\%)) + 0\% \\ &= 100\% \times 0.375\% \\ &= 0.375\% \end{aligned}$$

**Alternative 3**

*Additional Assumptions*

Investment income (including interest, dividends, fees, etc.) = 3.50%

Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = 2.925%

Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

$$\begin{aligned} \text{Incentive Fee} &= 100\% \times \text{"Catch-Up"} + \text{the greater of } 0\% \text{ AND } (20\% \times (\text{pre-incentive fee net investment income} \\ &\quad - 2.1875\%)) \\ &= (100\% \times (2.1875\% - 1.75\%)) + (20\% \times (2.925\% - 2.1875\%)) \\ &= 0.4375\% + (20\% \times 0.7375\%) \\ &= 0.4375\% + 0.1475\% \\ &= 0.585\% \end{aligned}$$

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**Example 2 Capital Gains Portion of Incentive Fee:**

**Alternative 1:**

*Assumptions*

Year 1: \$20 million investment made in Company A ("Investment A"), and \$30 million investment made in Company B ("Investment B")

Year 2: Investment A is sold for \$50 million and fair value ("FV") of Investment B determined to be \$32 million

Year 3: FV of Investment B determined to be \$25 million

Year 4: Investment B sold for \$31 million

The capital gains portion of the incentive fee, if any, would be:

Year 1: None (No sales transactions)

Year 2: \$6 million (20% multiplied by \$30 million realized capital gains on sale of Investment A)

Year 3: None; \$5 million (20% multiplied by (\$30 million realized cumulative capital gains less \$5 million cumulative capital depreciation)) less \$6 million (previous Capital Gains Fee paid in Year 2)

Year 4: \$200,000; \$6.2 million (20% multiplied by \$31 million cumulative realized capital gains) less \$6 million (Capital Gains Fee paid in Year 2)

**Alternative 2**

*Assumptions*

Year 1: \$20 million investment made in Company A ("Investment A"), \$30 million investment made in Company B ("Investment B") and \$25 million investment made in Company C ("Investment C")

Year 2: Investment A sold for \$50 million, FV of Investment B determined to be \$25 million and FV of Investment C determined to be \$25 million

Year 3: FV of Investment B determined to be \$27 million and Investment C sold for \$30 million

Year 4: FV of Investment B determined to be \$35 million

Year 5: Investment B sold for \$20 million

The capital gains portion of the incentive fee, if any, would be:

Year 1: None (No sales transactions)

Year 2: \$5 million (20% multiplied by \$25 million (\$30 million realized capital gains on Investment A less \$5 million unrealized capital depreciation on Investment B))

Year 3: \$1.4 million (\$6.4 million (20% multiplied by \$32 million (\$35 million cumulative realized capital gains less \$3 million unrealized capital depreciation)) less \$5 million (Capital Gains Fee paid in Year 2))

Year 4: None (No sales transactions)

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Year 5: None (\$5 million (20% multiplied by \$25 million (cumulative realized capital gains of \$35 million less realized capital losses of \$10 million)) less \$6.4 million (cumulative Capital Gains Fee paid in Year 2 and Year 3))

For the three and six months ended June 30, 2011, we incurred \$17.4 million and \$34.1 million, respectively, in base management fees and \$17.1 million and \$32.9 million, respectively, in incentive management fees related to pre-incentive fee net investment income. The incentive management fees related to the capital gains incentive fee as calculated under the investment advisory and management agreement for the three and six months ended June 30, 2011 was \$0. However, in accordance with GAAP, the Company accrued a capital gains incentive fee of \$24.6 million and \$39.8 million, including \$26.0 million recognized in the second quarter of 2011 as a result of the application of the Capital Gains Amendment described above with respect to the assets purchased in the Allied Acquisition, for the three and six months ended June 30, 2011, respectively, bringing the total GAAP accrual related to the capital gains incentive fee to \$55.4 million as of June 30, 2011. GAAP requires that the capital

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gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the Capital Gains Fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual Capital Gains Fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future.

For the year ended December 31, 2010, we incurred \$52.0 million in base management fees, \$61.3 million in incentive management fees related to pre-incentive fee net investment income and no incentive management fees related to realized capital gains under the investment advisory and management agreement. In accordance with GAAP, the Company accrued a capital gains incentive fee of \$15.6 million for the year ended December 31, 2010.

For the year ended December 31, 2009, we incurred \$30.4 million in base management fees, \$33.3 million in incentive management fees related to pre-incentive fee net investment income and no incentive management fees related to realized capital gains under the investment advisory and management agreement.

For the year ended December 31, 2008, we incurred \$30.5 million in base management fees, \$31.7 million in incentive management fees related to pre-incentive fee net investment income and no incentive management fees related to realized capital gains under the investment advisory and management agreement.

**Payment of Our Expenses**

The services of all investment professionals and staff of our investment adviser, when and to the extent engaged in providing investment advisory and management services to us and routine overhead expenses of such personnel allocable to such services, are provided and paid for by our investment adviser. We bear all other costs and expenses of our operations and transactions, including, but not limited to, those relating to: rent; organization; calculation of our net asset value (including, but not limited to, the cost and expenses of any independent valuation firm); expenses incurred by our investment adviser payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies; interest payable on indebtedness, if any, incurred to finance our investments; offerings of our common stock and other securities; investment advisory and management fees; administration fees; fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; registration fees; listing fees; taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents with the SEC; the costs of any reports, proxy statements or other notices to stockholders, including printing costs; to the extent we are covered by any joint insurance policies, our allocable portion of the insurance premiums for such policies; direct costs and expenses of administration, including auditor and legal costs; and all other expenses incurred by us or our administrator in connection with administering our business as described in more detail under "Administration Agreement" below.

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**Duration, Termination and Amendment**

***General***

At an in-person meeting of our board of directors on February 24, 2006, an investment advisory and management agreement was approved by our board of directors with the recommendation that stockholders of the Company vote to approve the agreement. A discussion regarding the basis for our board of directors' approval is available in our proxy statement for our 2006 annual meeting of stockholders. Our stockholders approved such investment advisory and management agreement on May 30, 2006, which was entered into on June 1, 2006. On March 16, 2011 our board of directors, including a majority of the independent directors, approved (i) the continuation of the investment advisory and management agreement through June 1, 2012 and (ii) certain amendments to the investment advisory and management agreement with the recommendation that the stockholders of the Company vote to approve the amendments. In reaching a decision to approve the continuation of the investment advisory and management agreement and the amendments thereto, our board of directors reviewed a wide variety of factors including the nature, extent and quality of services, investment performance, costs of services and our investment adviser's estimated pro forma profitability and concluded that the terms of the investment advisory and management agreement, including the fee rates thereunder, are fair and reasonable in relation to the services provided and as being in the best interests of the Company and its stockholders. A discussion regarding the basis for our board of directors' approval of the continuation of the investment advisory and management agreement through June 2012 and the amendments thereto is available in our Definitive Proxy filed with the SEC on April 28, 2011. Our stockholders approved the amendments to the investment advisory and management agreement on June 6, 2011 and we entered into a restated investment advisory and management agreement reflecting such amendments on June 6, 2011.

Unless terminated earlier, the investment advisory and management agreement will automatically renew for successive annual periods if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our independent directors. The investment advisory and management agreement will automatically terminate in the event of its assignment. The investment advisory and management agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Material amendments to our investment advisory and management agreement must be approved by the affirmative vote of the holders of a majority of our outstanding voting securities and by a majority of our independent directors.

Conflicts of interest may arise if our investment adviser seeks to change the terms of our investment advisory and management agreement, including, for example, the amount of the management fee, the incentive fee or other compensation terms. Any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act and we may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement. See "Risk Factors Risks Relating to Our Business We are dependent upon certain key personnel of Ares for our future success and upon their access to other Ares investment professionals."

**Indemnification**

The investment advisory and management agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, our investment adviser, its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of



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our investment adviser's services under the investment advisory and management agreement or otherwise as our investment adviser.

**Organization of the Investment Adviser**

Our investment adviser is a Delaware limited liability company that is registered as an investment adviser under the Advisers Act. The principal executive offices of Ares Capital Management are located at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

**Administration Agreement**

We are also party to an amended and restated administration agreement, referred to herein as our "administration agreement," with Ares Operations, an affiliate of our investment adviser and a wholly owned subsidiary of Ares Management. Our board of directors approved the continuation of our administration agreement on March 16, 2011, which extended the term of the agreement until June 1, 2012. Pursuant to the administration agreement, Ares Operations furnishes us with office equipment and clerical, bookkeeping and record keeping services at our office facilities. Under the administration agreement, Ares Operations also performs, or oversees the performance of, our required administrative services, which include, among other things, providing assistance in accounting, legal, compliance, operations, technology, and investor relations, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Ares Operations assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the administration agreement are equal to an amount based upon our allocable portion of Ares Operations' overhead and other expenses (including travel expenses) incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the compensation of certain of our officers (including our chief compliance officer, chief financial officer, general counsel, treasurer and assistant treasurer) and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three and six months ended June 30, 2011, we incurred \$2.5 million and \$4.9 million, respectively, in fees under the administration agreement. As of June 30, 2011, \$2.4 million was unpaid and included in "accounts payable and accrued expenses" in the accompanying consolidated balance sheet. For the years ended December 31, 2010, 2009 and 2008, we incurred fees under the administration agreement of \$8.7 million, \$4.0 million and \$2.7 million, respectively.

**Indemnification**

The administration agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Ares Operations, its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Ares Operations' services under the administration agreement or otherwise as our administrator.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We are party to an investment advisory and management agreement with Ares Capital Management, whose sole member is Ares Management, an entity in which certain of our directors, officers and members of the investment committee of our investment adviser have indirect ownership and financial interests. Certain of our directors, officers and members of the investment committee of our investment adviser also serve as principals of other investment managers affiliated with Ares Management that currently, and may in the future, manage investment funds with investment objectives similar to our investment objective. In addition, certain of our officers and directors and the members of the investment committee of our investment adviser serve or may serve as officers, directors or principals of entities that operate in the same or related line of business as we do or of investment funds managed by our affiliates. Accordingly, we may not be given the opportunity to participate in certain investments made by investment funds managed by advisers affiliated with Ares Management. However, our investment adviser and other members of Ares intend to allocate investment opportunities in a fair and equitable manner that meets our investment objective and strategies so that we are not disadvantaged in relation to any other client. See "Risk Factors Risks Relating to Our Business There are significant potential conflicts of interest that could impact our investment returns."

Ares Capital Management has committed to defer up to \$15 million in base management and incentive fees under the investment advisory and management agreement for each of the fiscal years ending December 31, 2010 and 2011 if certain earnings targets are not met.

Pursuant to the terms of the administration agreement Ares Operations currently provides us with the administrative services necessary to conduct our day-to-day operations, and we pay Ares Operations at cost our allocable portion of overhead and other expenses (including travel expenses) incurred by Ares Operations in performing its obligations under our administration agreement, including our allocable portion of the cost of certain of our officers (including our chief compliance officer, chief financial officer, general counsel, secretary and treasurer) and their respective staffs.

Our portfolio company IHAM, is party to the IHAM administration agreement with Ares Operations, pursuant to which Ares Operations provides IHAM with the facilities and administrative services necessary for the operations of IHAM. Under the IHAM administration agreement, IHAM reimburses Ares Operations for the costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the IHAM administration agreement. Prior to entering into the IHAM administration agreement, IHAM was party to a services agreement with Ares Capital Management, pursuant to which Ares Capital Management provided similar services.

We rent office space directly from a third party pursuant to a lease that expires in February 2026. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM sublease approximately 15% and 20%, respectively, of the office space, for a fixed rent equal to 15% and 20%, respectively, of this basic annual rent payable by us under the office lease, plus certain additional costs and expenses. Under our previous lease, which expired on February 27, 2011, we were party to a sublease agreement with Ares Management whereby Ares Management subleased approximately 25% of certain office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. For the years ended December 31, 2010, 2009 and 2008, such amounts payable to us totaled \$0.3 million, \$0.7 million and \$0.3 million, respectively.

We have also entered into a license agreement with Ares Management pursuant to which Ares Management has agreed to grant us a non-exclusive, royalty-free license to use the name "Ares." Under this agreement, we will have a right to use the Ares name for so long as Ares Capital Management remains our investment adviser. Other than with respect to this limited license, we have no legal right to the "Ares" name. This license agreement will remain in effect for so long as the investment advisory and management agreement with Ares Capital Management is in effect and Ares Capital Management remains our investment adviser. Like the investment advisory and management agreement, the license agreement may also be terminated by either party without penalty upon 60 days' written notice to the other.

Table of Contents**CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS**

To our knowledge, as of October 13, 2011, there were no persons that owned 25% or more of our outstanding voting securities and no person would be deemed to control us, as such term is defined in the Investment Company Act.

The following table sets forth, as of October 13, 2011 (unless otherwise noted), the number of shares of our common stock beneficially owned by each of our current directors and executive officers, all directors and executive officers as a group and certain beneficial owners, according to information furnished to us by such persons or publicly available filings.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Ownership information for those persons who beneficially own 5% or more of our shares of common stock is based upon Schedule 13D, Schedule 13G, Form 13F or other filings by such persons with the SEC and other information obtained from such persons. To our knowledge, as of October 13, 2011, there were no persons that owned 5% or more of our shares of common stock. Except as otherwise noted below, each person named in the following table has sole voting and investment power with respect to all shares of our common stock that he or she beneficially owns.

The address for Mr. Arougheti, Mr. Rosen and Ms. Roll is c/o Ares Capital Corporation, 245 Park Avenue, 44<sup>th</sup> Floor, New York, New York 10167. The address for each of the other directors and executive officers is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12<sup>th</sup> Floor, Los Angeles, California 90067.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
<i>Directors and Executive Officers:</i>		
<b>Interested Directors</b>		
Michael J. Arougheti	253,679(2)	*
Antony P. Ressler	1,150,707(2)(3)	*
Robert L. Rosen	12,500	*
Bennett Rosenthal	75,000(2)(4)	
<b>Independent Directors</b>		
Ann Torre Bates	6,617(5)	*
Kenneth R. Heitz	None	*
Frank E. O'Bryan	12,400(6)	*
Gregory W. Penske	None	
Eric B. Siegel	24,149(7)	*
<b>Named Executive Officers Who Are Not Directors</b>		
Penni F. Roll	49,452	*
Richard S. Davis	None	
All Directors and Executive Officers as a Group (16 persons)	1,606,353(2)(8)	*

\* Represents less than 1%.

(1) Based on 205,129,966 shares of common stock outstanding as of October 13, 2011.

(2) Ares Investments, whose indirect parent is APMC, owned 2,859,882 shares of our common stock as of October 13, 2011. APMC is managed by an executive committee comprised of Messrs. Arougheti, Kaplan, Margolies, Ressler and Rosenthal. Each of the members of the executive committee disclaims beneficial ownership of all shares of our common stock owned by Ares Investments, except to the extent of any indirect pecuniary interest therein. The shares of our common stock held by Ares Investments have been pledged in the ordinary course to secure

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indebtedness under a credit facility under which Ares Investments is a co-borrower with Ares Management.

- (3) Consists of (i) 650,000 shares of common stock indirectly beneficially owned by Mr. Ressler through Greek Associates of which Mr. Ressler is the general partner and (ii) 500,707 shares of common stock indirectly beneficially owned by Mr. Ressler through a family foundation of which Mr. Ressler is the trustee.
- (4) Consists of 75,000 shares of common stock indirectly beneficially owned by Mr. Rosenthal through BAR Holdings, LLC of which Mr. Rosenthal is the manager.
- (5) Consists of (i) 2,874 shares of common stock owned individually; (ii) 2,275 shares of common stock indirectly beneficially owned by Ms. Bates through her spouse; (iii) 487 shares of common stock indirectly beneficially owned by Ms. Bates as trustee of her father's estate and (iv) 981 shares of common stock indirectly beneficially owned by Ms. Bates as trustee of a trust left by her mother.
- (6) Consists of (i) 400 shares of common stock owned individually and (ii) 12,000 shares of common stock indirectly beneficially owned by Mr. O'Bryan through a family trust of which Mr. O'Bryan is the trustee and beneficiary.
- (7) Consists of (i) 13,528 shares of common stock owned individually; (ii) 8,166 shares of common stock indirectly beneficially owned by Mr. Siegel through his spouse and (iii) 2,161 shares of common stock indirectly beneficially owned by Mr. Siegel as a custodian for the accounts of his children. Mr. Siegel has shared voting and investment authority with respect to shares held by his spouse.
- (8) Includes shares owned by officers of the Company that are not "Named Executive Officers" as defined in Item 402 of Regulation S-K, as promulgated under the Securities Act.

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**DETERMINATION OF NET ASSET VALUE**

The net asset value per share of our outstanding shares of common stock is determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market price is not readily available (*i.e.*, substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on, among other things, the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period. Effective January 1, 2008, the Company adopted ASC 820-10, which expands the application of fair value accounting for investments (see Note 8 to the consolidated financial statements for the period ended December 31, 2010 and Note 2 to the consolidated financial statements for the period ended March 31, 2011). ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date.

The valuation process is conducted at the end of each fiscal quarter, with a minimum of 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. In addition, our independent accountants review our valuation process as part of their overall integrated audit.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation.

Because there is not a readily available market value for most of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our board of directors, based on, among other things, the input of our management and audit committee and independent valuation firms under a valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize significantly less than the value at which we have previously recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than would be realized based on the valuations currently assigned. For example, during 2008 and much of 2009, the state of the economy in the U.S. and abroad had deteriorated. See "Risk

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Factors Risks Relating to Our Investments Declines in market prices and liquidity in the corporate debt markets can result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value."

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with our portfolio management team.

Preliminary valuations are reviewed and discussed with the entire investment professional and management team, and then valuation recommendations are presented to the board of directors.

The audit committee of our board of directors reviews these preliminary valuations, as well as the input of third parties, including independent third-party valuation firms, with respect to the valuations of a minimum of 50% (based on value) of our portfolio companies without readily available market quotations.

The board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on, among other things, the input of our management and audit committee and independent valuation firms.

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**DIVIDEND REINVESTMENT PLAN**

We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends.

No action is required on the part of a registered stockholder to have their cash dividend reinvested in shares of our common stock. A registered stockholder may elect to receive an entire cash dividend in cash by notifying The Bank of New York Mellon ("BNY Mellon"), the plan administrator and an affiliate of our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date fixed by the board of directors for dividends to stockholders. The plan administrator will set up an account for shares acquired through the dividend reinvestment plan for each stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the dividend reinvestment plan, received in writing no later than 10 days prior to the record date, the plan administrator will, instead of crediting fractional shares to the participant's account, issue a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

While we generally use primarily newly issued shares to implement the dividend reinvestment plan (especially if our shares are trading at a premium to net asset value), we may purchase shares in the open market in connection with our obligations under the dividend reinvestment plan. In particular, if our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Select Market on the valuation date fixed by the board of directors for such dividend. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There are no brokerage charges or other charges to stockholders who participate in the dividend reinvestment plan. The plan administrator's fees under the plan are paid by us. If a participant elects by notice to the plan administrator in advance of termination to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a transaction fee of up to \$15 plus a \$0.12 per share fee from the proceeds.

Stockholders whose cash dividends are reinvested in shares of our common stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's initial basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received on reinvestment of a cash dividend will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account. Please see "Certain Material U.S. Federal Income Tax Considerations."

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Participants may terminate their accounts under the dividend reinvestment plan by notifying the plan administrator via its website at [www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess), by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator at P.O. Box 358035, Pittsburgh, PA 15252-8035 or by calling the plan administrator's hotline at 1-866-365-2497.

The dividend reinvestment plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the dividend reinvestment plan should be directed to the plan administrator via the Internet at [www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess), by mail at P.O. Box 358035, Pittsburgh, PA 15252-8035 or by telephone at 1-866-365-2497.

Additional information about the dividend reinvestment plan may be obtained by contacting the plan administrator via the Internet at [www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess), by mail at P.O. Box 358035, Pittsburgh, PA 15252-8035 or by telephone at 1-866-365-2497.



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**CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a general summary of certain material U.S. federal income tax considerations applicable to us and to an investment in shares of our preferred stock or our common stock. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, persons who hold our preferred stock and our common stock as part of an integrated financial transaction and persons with a functional currency that is not the U.S. dollar. This summary assumes that investors hold our preferred stock or common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, temporary and final U.S. Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing accuracy of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service (the "IRS") regarding the offerings pursuant to this prospectus or pursuant to any accompanying prospectus supplement unless expressly stated therein. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets. It also does not discuss the tax aspects of common or preferred stock sold in units with the other securities being registered.

This summary does not discuss the consequences of an investment in our subscription rights, debt securities or warrants representing rights to purchase shares of our preferred stock, common stock or debt securities or as units in combination with such securities. The U.S. federal income tax consequences of such an investment will be discussed in the relevant prospectus supplement. In addition, we may issue preferred stock with terms resulting in U.S. federal income taxation of holders with respect to such preferred stock in a manner different from as set forth in this summary. In such instances, such differences will be discussed in a relevant prospectus supplement.

A "U.S. stockholder" is a beneficial owner of shares of our preferred stock or common stock that is for U.S. federal income tax purposes:

a citizen or individual resident of the United States;

a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

a trust, if a court within the United States has primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "non-U.S. stockholder" is a beneficial owner of shares of our preferred stock or common stock that is not a U.S. stockholder, nor an entity treated as a partnership for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our preferred stock or common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A

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prospective stockholder that is a partnership holding shares of our preferred stock or common stock or a partner of such a partnership should consult his, her or its tax advisers with respect to the purchase, ownership and disposition of shares of our preferred stock or common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisers regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

**ELECTION TO BE TAXED AS A RIC**

As a BDC, we have elected to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain income source and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, generally an amount equal to at least 90% of our "investment company taxable income," as defined by the Code (the "Annual Distribution Requirement"). See "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC."

**TAXATION AS A RIC**

If we:

qualify as a RIC; and

satisfy the Annual Distribution Requirement;

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (generally, net long-term capital gain in excess of net short-term capital loss) we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (collectively, the "Excise Tax Requirement"). We have paid in the past, and can be expected to pay in the future, such excise tax on a portion of our income.

Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and (2) other requirements relating to our status as a RIC, including the Diversification Tests (as defined below). If we dispose of assets to meet the Annual Distribution Requirement, the Diversification Tests, or the Excise Tax Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

To qualify as a RIC for U.S. federal income tax purposes, we generally must, among other things:

qualify to be treated as a BDC at all times during each taxable year;

derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities or other income derived with respect to our business of investing in such stock or



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securities or (b) net income derived from an interest in a "qualified publicly traded partnership, or "QPTP" (collectively, the "90% Income Test"); and

diversify our holdings so that at the end of each quarter of the taxable year:

at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs and other securities that, with respect to any issuer, do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of that issuer; and

no more than 25% of the value of our assets is invested in the securities, other than U.S. Government securities or securities of other RICs, of (i) one issuer, (ii) two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) securities of one or more QPTPs (collectively, the "Diversification Tests").

We may be required to recognize taxable income in circumstances in which we do not receive cash, such as income from hedging or foreign currency transactions. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, that have increasing interest rates or that are issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and/or the Excise Tax Requirement, even though we will not have received any corresponding cash amount.

Furthermore, a portfolio company in which we invest may face financial difficulty that requires us to work-out, modify or otherwise restructure our investment in the portfolio company. Any such restructuring could, depending on the specific terms of the restructuring, result in unusable capital losses and future non-cash income. Any such restructuring may also result in our recognition of non-qualifying income for purposes of the 90% Income Test or receiving assets that would not count toward satisfying the Diversification Requirements.

In addition, certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (a) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (b) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income, (c) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (d) adversely affect the time when a purchase or sale of stock or securities is deemed to occur or (e) adversely alter the characterization of certain complex financial transactions. We will monitor our transactions and may make certain tax elections in order to mitigate the effects of these provisions; however, no assurance can be given that we will be eligible for any such tax elections or that any elections we make will fully mitigate the effects of these provisions.

Gain or loss recognized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Our investment in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes. In that case, our yield on those securities would be decreased. Stockholders will generally not be entitled to claim a U.S. foreign tax credit or deduction with respect to non-U.S. taxes paid by us.

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If we purchase shares in a "passive foreign investment company" (a "PFIC"), we may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares, even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we may elect to mark-to-market at the end of each taxable year our shares in such PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Our ability to make either election will depend on factors beyond our control, and are subject to limitations which may limit the availability of benefit of these elections. Under either election, we may be required to recognize in any year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of determining whether we satisfy the Excise Tax Requirement.

Our functional currency is the U.S. dollar for U.S. federal income tax purposes. Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time we accrue income, expenses or other liabilities denominated in a foreign currency and the time we actually collect such income or pay such expenses or liabilities may be treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts, the disposition of debt denominated in a foreign currency and other financial transactions denominated in foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, may also be treated as ordinary income or loss.

If we borrow money, we may be prevented by loan covenants from declaring and paying dividends in certain circumstances. Even if we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements, under the Investment Company Act, we are generally not permitted to make distributions to our stockholders while our debt obligations and senior securities are outstanding unless certain "asset coverage" tests or other financial covenants are met. Limits on our payment of dividends may prevent us from meeting the Annual Distribution Requirement, and may, therefore, jeopardize our qualification for taxation as a RIC, or subject us to the 4% excise tax on undistributed income.

Some of the income and fees that we recognize, such as management fees or income recognized in a work-out or restructuring of a portfolio investment, may not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees through one or more entities treated as U.S. corporations for U.S. federal income tax purposes. While we expect that recognizing such income through such corporations will assist us in satisfying the 90% Income Test, no assurance can be given that this structure will be respected for U.S. federal income tax purposes, which could result in such income not being counted towards satisfying the 90% Income Test. If the amount of such income were too great and we were otherwise unable to mitigate this effect, it could result in our disqualification as a RIC. If, as we expect, the structure is respected, such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce the yield on such income and fees.

If we fail to satisfy the 90% Income Test or the Diversification Tests in any taxable year, we may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. Additionally, relief is provided for certain *de minimis* failures of the diversification requirements where we correct the failure within a specified period. If the applicable relief provisions are not available or

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cannot be met, all of our income would be subject to corporate-level U.S. federal income tax as described below. We cannot provide assurance that we would qualify for any such relief should we fail the 90% Income Test or the Diversification Test.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, and are not eligible for relief as described above, we will be subject to tax in that year on all of our taxable income, regardless of whether we make any distributions to our stockholders. In that case, all of our income will be subject to corporate-level U.S. federal income tax, reducing the amount available to be distributed to our stockholders. In contrast, assuming we qualify as a RIC, our corporate-level U.S. federal income tax should be substantially reduced or eliminated. See "Election to Be Taxed as a RIC" above and "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC."

**Capital Loss Carryforwards and Unrealized Losses**

As a RIC, we are permitted to carry forward a net capital loss realized in a taxable year beginning on or before January 1, 2011 to offset our capital gain, if any, realized during the eight years following the year of the loss. A capital loss carryforward realized in a taxable year beginning before January 1, 2011 is treated as a short-term capital loss in the year to which it is carried. We are permitted to carry forward a net capital loss realized in taxable years beginning on or after January 1, 2011 to offset capital gain indefinitely. For net capital losses realized in taxable years beginning on or after January 1, 2011, the excess of our net short-term capital loss over our net long-term capital gain is treated as a short-term capital loss arising on the first day of our next taxable year and the excess of our net long-term capital loss over our net short-term capital gain is treated as a long-term capital loss arising on the first day of our next taxable year. If future capital gain is offset by carried-forward capital losses, such future capital gain is not subject to fund-level U.S. federal income tax, regardless of whether distributed to stockholders. A RIC cannot carry back or carry forward any net operating losses.

It is believed that transactions we have undertaken, including the Allied Acquisition, have resulted in a limitation on our ability to use both our own and Allied Capital's capital loss carryforwards and, potentially, to use unrealized capital losses inherent in the tax basis of our own pre-acquisition assets and Allied Capital's assets we acquired. These limitations, imposed by Section 382 of the Code, are imposed on an annual basis. Losses in excess of the limitation may be carried forward, subject to the overall eight-year limitation. The Section 382 limitation applied to our and Allied Capital's losses generally will equal the product of the net asset value of each corporation immediately prior to the Allied Acquisition, respectively, and the "long-term tax-exempt rate," published by the IRS, in effect at such time. As of April 2010, the month during which the Allied Acquisition was consummated, the long-term tax-exempt rate was 4.03%. Additionally, under Section 384 of the Code, we may also be prohibited from using Allied Capital's loss carryforwards and unrealized losses against any of our unrealized gains at the time of the Allied Acquisition, to the extent such gains are realized within five years following the Allied Acquisition. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, because capital loss carryforwards realized in taxable years beginning before January 1, 2011 generally expire eight taxable years following recognition, substantially all of our and Allied Capital's losses may become permanently unavailable. Future transactions we enter into may further limit our ability to utilize losses.

As of December 31, 2010, for U.S. federal income tax purposes, we had capital loss carryforwards of approximately \$148.0 million and net unrealized losses of approximately \$1.4 billion.

Finally, in addition to the other limitations on the use of losses, pursuant to Section 381 of the Code, only a portion of our capital gain net income for the taxable year of the Allied Acquisition (disregarding capital loss carryforwards) can be reduced by Allied Capital's capital loss carryforwards (as otherwise limited under Sections 382 and 384 of the Code, as described above), with such portion

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equal to the total capital gain net income for such taxable year multiplied by the fraction of the taxable year that remains following the Allied Acquisition.

**TAXATION OF U.S. STOCKHOLDERS**

Whether an investment in the shares of our preferred stock or common stock is appropriate for a U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares of our preferred stock or common stock by a U.S. stockholder may have adverse tax consequences. The following summary generally describes certain U.S. federal income tax consequences of an investment in shares of our preferred stock and common stock by taxable U.S. stockholders and not by U.S. stockholders that are generally exempt from U.S. federal income taxation. U.S. stockholders should consult their own tax advisors before investing in shares of our preferred stock or common stock.

*Distributions on Our Preferred Stock and Common Stock*

Distributions by us generally are taxable to U.S. stockholders as ordinary income or long-term capital gain. Distributions of our investment company taxable income (which is, generally, our ordinary income excluding net capital gain) will be taxable as ordinary income to U.S. stockholders to the extent of our current and accumulated earnings and profits, whether paid in cash or reinvested in additional shares of our common stock. Distributions of our net capital gain (which is generally the excess of our net long-term capital gain over our net short-term capital loss) properly reported by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains (which, under current law, are taxed at preferential rates for taxable years beginning before January 1, 2013) in the case of individuals, trusts or estates. This is true regardless of the U.S. stockholder's holding period for his, her or its preferred stock or common stock and regardless of whether the dividend is paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's preferred stock or common stock and, after the adjusted basis is reduced to zero, will constitute capital gain to such U.S. stockholder. We have made distributions in excess of our earnings and profits and expect to continue to do so in the future. As a result, a U.S. stockholder will need to consider the effect of our distributions on such U.S. stockholder's adjusted tax basis in our preferred stock or common stock in their individual circumstances.

A portion of our ordinary income dividends, but not capital gain dividends, paid to corporate U.S. stockholders may, if certain conditions are met, qualify for the 70% dividends-received deduction to the extent that we have received dividends from certain corporations during the taxable year, but only to the extent such ordinary income dividends are treated as paid out of our earnings and profits. We expect only a small portion of our dividends to qualify for this deduction.

In general, for taxable years beginning before January 1, 2013, "qualified dividend income" realized by non-corporate U.S. stockholders is taxable at the same rate as net capital gain. Generally, qualified dividend income is dividend income attributable to certain U.S. and foreign corporations, as long as certain holding period requirements are met. As long as certain requirements are met, our dividends paid to non-corporate U.S. stockholders attributable to qualified dividend income may be treated by such U.S. stockholders as qualified dividend income, but only to the extent such ordinary income dividends are treated as paid out of our earnings and profits. We expect only a small portion of our dividends to qualify as qualified dividend income.

Although we currently intend to distribute any of our net capital gain at least annually, we may in the future decide to retain some or all of our net capital gain, but designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed

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distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's tax basis for his, her or its preferred stock or common stock.

Because we expect to pay tax on any retained net capital gain at our regular corporate tax rate, and because that rate currently is in excess of the maximum rate currently payable by individuals on net capital gain, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit would exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other U.S. federal income tax obligations or may be refunded to the extent it exceeds the stockholder's liability for U.S. federal income tax. A U.S. stockholder that is not subject to U.S. federal income tax or otherwise is not required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide a written statement to our stockholders reporting the deemed distribution after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

We will be subject to the alternative minimum tax, also referred to as the "AMT," but any items that are treated differently for AMT purposes must be apportioned between us and our stockholders and this may affect U.S. stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for a particular item is warranted under the circumstances.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash (which portion, under current law, can be as low as 10% for our taxable years ending on or before December 31, 2011) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, our stockholders will be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our stock. In general, any dividend on shares of our preferred stock will be taxable as a dividend, regardless of whether any portion is paid in stock.

If an investor purchases shares of our preferred stock or common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of his, her or its investment. We have built-up or have the potential to build up large amounts of unrealized gain which, when realized and distributed, could have the effect of a taxable return of capital to stockholders.

*Sale or Other Disposition of Our Preferred Stock or Common Stock*

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our preferred stock or common stock. The amount of



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gain or loss will be measured by the difference between such stockholder's adjusted tax basis in the stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our preferred stock or common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our preferred stock or common stock may be disallowed if substantially identical stock or securities are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

For taxable years beginning before January 1, 2013, in general, U.S. stockholders that are individuals, trusts or estates are taxed at preferential rates on their net capital gain (generally, the excess of net long-term capital gain over net short-term capital loss for a taxable year, including long-term capital gain derived from an investment in our shares). Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum rate that also applies to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital loss in excess of capital gain) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

*Information Reporting and Backup Withholding*

We will send to each of our U.S. stockholders, after the end of each calendar year, a notice providing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each year's distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

We may be required to withhold U.S. federal income tax ("backup withholding") from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Backup withholding is not an additional tax. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's U.S. federal income tax liability and may entitle such stockholder to a refund, provided that proper information is timely provided to the IRS.

*Medicare Tax on Net Investment Income*

For taxable years beginning after December 31, 2012, non-corporate U.S. stockholders generally will be subject to a Medicare tax on their "net investment income," which ordinarily includes taxable distributions or deemed distributions on stock, such as our preferred stock and our common stock, as well as taxable gain on the disposition of stock, including our preferred stock or common stock. It is also very likely that "net investment income" would include, for this purpose any taxable income or gain on any other securities we may offer.

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*Withholding and Information Reporting on Foreign Financial Accounts*

For taxable years beginning after December 31, 2012, U.S. withholding tax will be imposed on dividends and proceeds of sale in respect of our preferred stock and common stock received by U.S. stockholders who own their stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. We will not pay any additional amounts in respect to any amounts withheld.

Under U.S. Treasury regulations, if a stockholder recognizes a loss with respect to shares of \$2 million or more for a non-corporate stockholder or \$10 million or more for a corporate stockholder in any single taxable year (or a greater loss over a combination of years), the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities in many cases are excepted from this reporting requirement, but under current guidance, stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. Stockholders should consult their own tax advisors to determine the applicability of these regulations in light of their individual circumstances.

**TAXATION OF NON-U.S. STOCKHOLDERS**

Whether an investment in shares of our preferred stock or common stock is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in shares of our preferred stock or common stock by a non-U.S. stockholder may have adverse tax consequences and, accordingly, may not be appropriate for a non-U.S. stockholder. Non-U.S. stockholders should consult their own tax advisors before investing in our preferred stock or common stock.

*Distributions on our Preferred Stock or Common Stock*

Distributions of our investment company taxable income to non-U.S. stockholders will be subject to U.S. withholding tax (unless lowered or eliminated by an applicable income tax treaty) to the extent payable from our current and accumulated earnings and profits unless an exception applies. However, with respect to certain distributions made to non-U.S. stockholders in taxable years beginning before January 1, 2013, no withholding will be required and the distributions generally will not be subject to U.S. federal income tax if (i) the distributions are reported as "interest-related dividends" or "short term capital gain dividends" in a written statement furnished to stockholders, (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain other requirements are satisfied. No assurance can be given that we would designate any of our distributions as interest-related dividends or short term capital gain dividends, even if we are permitted to do so. In the case of preferred or common stock held through an intermediary, even if we make a designation with respect to a payment, no assurance can be made that the intermediary will respect such a designation.

If a non-U.S. stockholder receives distributions and such distributions are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if an income tax treaty applies, attributable to a permanent establishment in the United States of such non-U.S. stockholder, such distributions generally will be subject to U.S. federal income tax at the rates applicable to U.S. persons. In that case, we will not be required to withhold U.S. federal income tax if the non-U.S. stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a non-U.S. stockholder that is a foreign trust and such entities are urged to consult their own tax advisors.

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Actual or deemed distributions of our net capital gain (which is generally the excess of our net long-term capital gain over our net short-term capital loss) to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale of our preferred stock or common stock, will not be subject to withholding of U.S. federal income tax and generally will not be subject to U.S. federal income tax unless (a) the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. stockholder in the United States or (b) the non-U.S. stockholder is an individual, has been present in the United States for 183 days or more during the taxable year, and certain other conditions are satisfied. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains recognized upon the sale of our preferred stock or common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" (unless lowered or eliminated by an applicable income tax treaty).

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the non-U.S. stockholder's allocable share of the tax we pay on the capital gain deemed to have been distributed. In order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number (if one has not been previously obtained) and file a U.S. federal income tax return even if the non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash (which portion can be as low as 10% for our taxable years ending on or before December 31, 2011) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, our non-U.S. stockholders will be taxed on 100% of the dividend in the same manner as a cash dividend (including the application of withholding tax rules described above), even though most of the dividend was paid in shares of our stock. In such a circumstance, we may be required to withhold all or substantially all of the cash we would otherwise distribute to a non-U.S. stockholder. In general, any dividend on shares of our preferred stock will be taxable as a dividend, regardless of whether any portion is paid in stock.

A non-U.S. stockholder who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Recent legislation generally imposes a withholding tax on payments to certain foreign entities (including financial intermediaries), after December 31, 2012, of dividends on and the gross proceeds of dispositions of preferred or common stock, unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied. Non-U.S. stockholders are encouraged to consult their tax advisors regarding the implications of this legislation on their investment in our preferred or common stock.

**FAILURE TO QUALIFY AS A RIC**

If we were unable to qualify for treatment as a RIC, and relief were not available as discussed above, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders and would not be required to make distributions for tax purposes. Distributions would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under

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the Code, corporate U.S. stockholders would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. If we were to fail to meet the RIC requirements for more than two consecutive years and then sought to requalify as a RIC, we would be required to recognize gain to the extent of any unrealized appreciation in our assets unless we made a special election to pay corporate-level tax on any such unrealized appreciation recognized during the succeeding 10-year period.

**POSSIBLE LEGISLATIVE OR OTHER ACTIONS AFFECTING TAX CONSIDERATIONS**

Prospective investors should recognize that the present U.S. federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time, and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the tax consequences of an investment in us.

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**DESCRIPTION OF SECURITIES**

This prospectus contains a summary of the common stock, preferred stock, subscription rights, debt securities, warrants and units. These summaries are not meant to be a complete description of each security. However, this prospectus and the accompanying prospectus supplement will contain the material terms and conditions for each security.

**DESCRIPTION OF OUR CAPITAL STOCK**

*The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.*

**STOCK**

Our authorized stock consists of 400,000,000 shares of stock, par value \$0.001 per share, all of which are currently designated as common stock. Our common stock trades on The NASDAQ Global Select Market under the symbol "ARCC." On October 13, 2011, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$14.26 per share. There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our indebtedness or obligations.

Under our charter, our board of directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

**Common Stock**

All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract.

In the event of a liquidation, dissolution or winding up of the Company, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay off all indebtedness and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time.

Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

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The following are our outstanding classes of capital stock as of October 13, 2011:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by Registrant or for its Account	(4) Amount Outstanding Exclusive of Amount Shown Under Column (3)
Common Stock	400,000,000		205,129,966
<b>Preferred Stock</b>			

Our charter authorizes our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, our board of directors could authorize the issuance of shares of our preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest.

You should note, however, that any issuance of preferred stock must comply with the requirements of the Investment Company Act. The Investment Company Act requires, among other things, that (a) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other indebtedness and senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be and (b) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Certain matters under the Investment Company Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a BDC. We believe that the availability for issuance of preferred stock may provide us with increased flexibility in structuring future financings and acquisitions.

#### **LIMITATION ON LIABILITY OF DIRECTORS AND OFFICERS; INDEMNIFICATION AND ADVANCE OF EXPENSES**

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision, which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act.

Our charter authorizes us to obligate ourselves, and our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the Investment Company Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in that capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to

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indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the Investment Company Act, we will not indemnify any person for any liability to that such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

In addition to the indemnification provided for in our bylaws, we have entered into indemnification agreements with each of our current directors and certain of our officers and with members of our investment adviser's investment committee and we intend to enter into indemnification agreements with each of our future directors, members of our investment committee and certain of our officers. The indemnification agreements attempt to provide these directors, officers and other persons the maximum indemnification permitted under Maryland law and the Investment Company Act. The agreements provide, among other things, for the advancement of expenses and indemnification for liabilities which such person may incur by reason of his or her status as a present or former director or officer or member of our investment adviser's investment committee in any action or proceeding arising out of the performance of such person's services as a present or former director or officer or member of our investment adviser's investment committee.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (x) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (y) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

**PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND OUR CHARTER AND BYLAWS**

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

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**Classified Board of Directors**

Our board of directors is divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors helps to ensure the continuity and stability of our management and policies.

**Election of Directors**

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Pursuant to the charter, our board of directors may amend the bylaws to alter the vote required to elect directors.

**Number of Directors; Vacancies; Removal**

Our charter provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than four or more than eleven. Our charter sets forth our election, subject to certain requirements, to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the board of directors. Accordingly, except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the Investment Company Act.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors.

**Action by Stockholders**

Under the Maryland General Corporation Law and our charter, stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous written or electronically transmitted consent instead of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

**Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals**

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (a) pursuant to our notice of the meeting, (b) by or at the direction of the board of directors or (c) by a stockholder who is a stockholder of record both at the time of giving the advance notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (a) by or at the direction of the board of directors or (b) provided that the special meeting



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has been called in accordance with the bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving the advance notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

**Calling of Special Meetings of Stockholders**

Our bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

**Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws**

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock." However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least two-thirds of our continuing directors (as defined below) (in addition to approval by our board of directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The "continuing directors" are defined in our charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the board of directors.

Our charter and bylaws provide that the board of directors will have the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

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**No Appraisal Rights**

Except with respect to appraisal rights arising in connection with the Control Share Acquisition Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights unless a majority of our board of directors determines that such rights will apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise appraisal rights.

**Control Share Acquisitions**

The Control Share Acquisition Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by employees who are directors of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the Investment Company Act, which will prohibit any such repurchase other than in limited circumstances. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

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The Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of our shares of stock and, as a result, any control shares of the Company will have the same voting rights as all of the other shares of the Company common stock. Such provision could be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if the board of directors determines that it would be in our best interests and we determine (after consultation with the SEC staff) that our being subject to the Control Share Acquisition Act does not conflict with the Investment Company Act.

**Business Combinations**

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10% or more of the voting power of the corporation's outstanding voting stock; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which such person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, provided that the business combination is first approved by the board of directors, including a majority of the independent directors. This resolution, however, may be altered or repealed in whole or in part

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at any time. If this resolution is repealed, or the board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

**Conflict with the Investment Company Act**

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Acquisition Act (if we amend our bylaws to be subject to such act) and the Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the Investment Company Act, the applicable provision of the Investment Company Act will control.

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**DESCRIPTION OF OUR PREFERRED STOCK**

In addition to shares of common stock, our charter authorizes the issuance of preferred stock. If we offer preferred stock under this prospectus, we will issue an appropriate prospectus supplement. We may issue preferred stock from time to time in one or more classes or series, without stockholder approval. Prior to issuance of shares of each class or series, our board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Any such an issuance must adhere to the requirements of the Investment Company Act, Maryland law and any other limitations imposed by law.

The Investment Company Act currently requires, among other things, that (a) immediately after issuance and before any distribution is made with respect to common stock, the liquidation preference of the preferred stock, together with all other senior securities, must not exceed an amount equal to 50% of our total assets (taking into account such distribution), (b) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on the preferred stock are in arrears by two years or more and (c) such class of stock have complete priority over any other class of stock as to distribution of assets and payment of dividends, which dividends shall be cumulative.

For any series of preferred stock that we may issue, our board of directors will determine and the articles supplementary and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, as well as whether such dividends are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series, including adjustments to the conversion price of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

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any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our board of directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which dividends, if any, thereon will be cumulative.

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**DESCRIPTION OF OUR SUBSCRIPTION RIGHTS**

**GENERAL**

We may issue subscription rights to our stockholders to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);

the title of such subscription rights;

the exercise price for such subscription rights (or method of calculation thereof);

the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);

the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;

if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;

the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);

the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;

any termination right we may have in connection with such subscription rights offering; and

any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

**EXERCISE OF SUBSCRIPTION RIGHTS**

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Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. To the extent permissible under applicable law, we may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, as set forth in the applicable prospectus supplement.



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**DESCRIPTION OF OUR WARRANTS**

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common stock, preferred stock or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire;

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

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the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that

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are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the Investment Company Act, we may generally only offer warrants provided that (a) the warrants expire by their terms within ten years, (b) the exercise or conversion price is not less than the current market value at the date of issuance, (c) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in the best interests of Ares Capital and its stockholders and (d) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The Investment Company Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, as well as options and rights, at the time of issuance may not exceed 25% of our outstanding voting securities.

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**DESCRIPTION OF OUR DEBT SECURITIES**

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture." An indenture is a contract between us and U.S. Bank National Association, a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "Events of Default Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. For example, in this section, we use capitalized words to signify terms that are specifically defined in the indenture. Some of the definitions are repeated in this prospectus, but for the rest you will need to read the indenture. We have filed the form of the indenture with the SEC. See "Available Information" for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered, including, among other things:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;

whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

the place or places, if any, other than or in addition to the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued;

the provision for any sinking fund;

any restrictive covenants;

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any Events of Default;

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

if applicable, U.S. federal income tax considerations relating to original issue discount;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

We are permitted, under specified conditions, to issue multiple classes of indebtedness if our asset coverage, as defined in the Investment Company Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and senior securities remain outstanding, we must make provisions to prohibit the distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. Specifically, we may be precluded from declaring dividends or repurchasing shares of our common stock unless our asset coverage is at least 200%. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors Risks Relating to Our Business Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital."

**GENERAL**

The indenture provides that any debt securities proposed to be sold under this prospectus and the attached prospectus supplement ("offered debt securities") and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities ("underlying debt securities"), may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities." The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations



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of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

We expect that we will usually issue debt securities in book entry only form represented by global securities.

## **CONVERSION AND EXCHANGE**

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

## **PAYMENT AND PAYING AGENTS**

We will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

### **Payments on Global Securities**

We will make payments on a global security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will make payments directly to the depository, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depository and its participants.



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**Payments on Certificated Securities**

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, NY and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the applicable trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

**Payment When Offices Are Closed**

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

**Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.**

**EVENTS OF DEFAULT**

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following (unless the prospectus supplement relating to such debt securities states otherwise):

We do not pay the principal of, or any premium on, a debt security of the series on its due date, and do not cure this default within 5 days.

We do not pay interest on a debt security of the series when due, and such default is not cured within 30 days.

We do not deposit any sinking fund payment in respect of debt securities of the series on its due date, and do not cure this default within 5 days.

We remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series.

We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days.

On the last business day of each of twenty-four consecutive calendar months, we have an asset coverage of less than 100%.



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Any other Event of Default in respect of debt securities of the series described in the applicable prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium or interest, if it considers the withholding of notice to be in the best interests of the holders.

**Remedies if an Event of Default Occurs**

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an "indemnity") (Section 315 of the Trust Indenture Act of 1939). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give your trustee written notice that an Event of Default has occurred and remains uncured.

The holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.

The holders of a majority in principal amount of the debt securities must not have given the trustee a direction inconsistent with the above notice during that 60 day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

the payment of principal, any premium or interest; or

in respect of a covenant that cannot be modified or amended without the consent of each holder.

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**Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.**

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default.

**MERGER OR CONSOLIDATION**

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, unless the prospectus supplement relating to certain debt securities states otherwise, we may not take any of these actions unless all the following conditions are met:

Where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities.

Immediately after giving effect to such transaction, no Default or Event of Default shall have happened and be continuing.

Under the indenture, no merger or sale of assets may be made if as a result any of our property or assets or any property or assets of one of our subsidiaries, if any, would become subject to any mortgage, lien or other encumbrance unless either (a) the mortgage, lien or other encumbrance could be created pursuant to the limitation on liens covenant in the indenture without equally and ratably securing the indenture securities or (b) the indenture securities are secured equally and ratably with or prior to the debt secured by the mortgage, lien or other encumbrance.

We must deliver certain certificates and documents to the trustee.

We must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

**MODIFICATION OR WAIVER**

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

**Changes Requiring Your Approval**

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

change the stated maturity of the principal of or interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a security following a default;

adversely affect any right of repayment at the holder's option;

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change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;

impair your right to sue for payment;

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adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;

modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and

change any obligation we have to pay additional amounts.

**Changes Not Requiring Approval**

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

**Changes Requiring Majority Approval**

Any other change to the indenture and the debt securities would require the following approval:

If the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series.

If the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under " Changes Requiring Your Approval."

**Further Details Concerning Voting**

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default.

For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement.



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For debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under "Defeasance Full Defeasance."

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

**Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.**

**DEFEASANCE**

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

**Covenant Defeasance**

Under current United States federal tax law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called "covenant defeasance." In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If applicable, you also would be released from the subordination provisions described under "Indenture Provisions Subordination" below. In order to achieve covenant defeasance, we must do the following:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity.

We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the Investment Company Act and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.



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**Full Defeasance**

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit.

We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the Investment Company Act and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If applicable, you would also be released from the subordination provisions described later under "Indenture Provisions Subordination."

**FORM, EXCHANGE AND TRANSFER OF CERTIFICATED REGISTERED SECURITIES**

Holders may exchange their certificated securities, if any, for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities, if any, at the office of their trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, if any, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during

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the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

**RESIGNATION OF TRUSTEE**

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

**INDENTURE PROVISIONS SUBORDINATION**

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

"Senior Indebtedness" is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities, and

renewals, extensions, modifications and refinancings of any of this indebtedness.

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If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Senior Indebtedness outstanding as of a recent date.

**THE TRUSTEE UNDER THE INDENTURE**

U.S. Bank National Association will serve as the trustee under the indenture.

**CERTAIN CONSIDERATIONS RELATING TO FOREIGN CURRENCIES**

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

**BOOK-ENTRY DEBT SECURITIES**

The Depository Trust Company ("DTC") will act as securities depository for the debt securities. The debt securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the debt securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC").

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's Ratings Services' highest rating: AAA. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the debt securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of

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ownership interests in the debt securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the debt securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such debt securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the debt securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the debt securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the debt securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the debt securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the trustee, but disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the debt securities at any time by giving reasonable notice to us or to the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

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**DESCRIPTION OF OUR UNITS**

The following is a general description of the terms of the units we may issue from time to time. Particular terms of any units we offer will be described in the prospectus supplement relating to such units. For a complete description of the terms of particular units, you should read both this prospectus and the prospectus supplement relating to those particular units.

We may issue units comprised of one or more of the other securities described in this prospectus in any combination. Each unit may also include debt obligations of third parties, such as U.S. Treasury securities. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security.

A prospectus supplement will describe the particular terms of any series of units we may issue, including the following:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances the securities comprising the units may be held or transferred separately;

a description of the terms of any unit agreement governing the units;

a description of the provisions for the payment, settlement, transfer or exchange of the units; and

whether the units will be issued in fully registered or global form.

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**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

At our 2011 annual stockholders meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 6, 2011 and expiring on the earlier of June 6, 2012 and the date of our 2012 annual stockholders meeting.

In order to sell shares of common stock pursuant to this authorization, no further authorization from our stockholders has to be solicited, but a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (a) find that the sale is in our best interests and in the best interests of our stockholders and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

Any offering of common stock below its net asset value per share will be designed to raise capital for investment in accordance with our investment objective.

In making a determination that an offering of common stock below its net asset value per share is in our and our stockholders' best interests, our board of directors will consider a variety of factors including:

the effect that an offering below net asset value per share would have on our stockholders, including the potential dilution to the net asset value per share of our common stock our stockholders would experience as a result of the offering;

the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined net asset value per share;

the relationship of recent market prices of par common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;

whether the estimated offering price would closely approximate the market value of shares of our common stock;

the potential market impact of being able to raise capital during the current financial market difficulties;

the nature of any new investors anticipated to acquire shares of our common stock in the offering;

the anticipated rate of return on and quality, type and availability of investments; and

the leverage available to us.

Our board of directors will also consider the fact that sales of shares of common stock at a discount will benefit our investment adviser as the investment adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other of our securities or from the offering of common stock at premium to net asset value per share.

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We will not sell shares of our common stock pursuant to stockholder approval (or any rights, warrants or units to purchase shares of our common stock) under this prospectus or an accompanying prospectus supplement without first filing a new post-effective amendment to the registration statement if the cumulative dilution to our net asset value per share from offerings under the registration

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statement, as amended by such post-effective amendment, exceeds 15%. This would be measured separately for each offering pursuant to the registration statement, as amended by this post-effective amendment, by calculating the percentage dilution or accretion to aggregate net asset value from that offering and then summing the percentage from each offering. For example, if our most recently determined net asset value per share at the time of the first offering is \$15.00 and we have 30 million shares of common stock outstanding, the sale of 6 million shares of common stock at net proceeds to us of \$7.50 per share (a 50% discount) would produce dilution of 8.33%. If we subsequently determined that our net asset value per share increased to \$15.75 on the then 36 million shares of common stock outstanding and then made an additional offering, we could, for example, sell approximately an additional 7.2 million shares of common stock at net proceeds to us of \$9.45 per share, which would produce dilution of 6.67%, before we would reach the aggregate 15% limit.

Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock."

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than net asset value per share on three different types of investors:

existing stockholders who do not purchase any shares in the offering;

existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

**Impact On Existing Stockholders Who Do Not Participate in the Offering**

Our existing stockholders who do not participate in an offering below net asset value per share or who do not buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the net asset value of the shares of common stock they hold and their net asset value per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value, their voting power will be diluted.

The following chart illustrates the level of net asset value dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from net asset value per share. It is not possible to predict the level of market price decline that may occur.

The examples assume that the issuer has 30 million shares outstanding, \$600 million in total assets and \$150 million in total liabilities. The current net asset value and net asset value per share are



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thus \$450 million and \$15.00. The chart illustrates the dilutive effect on Stockholder A of (a) an offering of 1.5 million shares of common stock (5% of the outstanding shares) at \$14.25 per share after offering expenses and commissions (a 5% discount from net asset value), (b) an offering of 3 million shares of common stock (10% of the outstanding shares) at \$13.50 per share after offering expenses and commissions (a 10% discount from net asset value) and (c) an offering of 6 million shares of common stock (20% of the outstanding shares) at \$12.00 per share after offering expenses and commissions (a 20% discount from net asset value). The prospectus supplement pursuant to which any discounted offering is made will include a chart based on the actual number of shares of common stock in such offering and the actual discount to the most recently determined net asset value. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount Following Sale	% Change	Example 2 10% Offering at 10% Discount Following Sale	% Change	Example 3 20% Offering at 20% Discount Following Sale	% Change
<b>Offering Price</b>							
Price per Share to Public		\$15.00		\$14.21		\$12.63	
Net Proceeds per Share to Issuer		\$14.25		\$13.50		\$12.00	
<b>Decrease to Net Asset Value</b>							
Total Shares Outstanding	30,000,000	31,500,000	5.00%	33,000,000	10.00%	36,000,000	20.00%
Net Asset Value per Share	\$15.00	\$14.96	(0.24)%	\$14.86	(0.91)%	\$14.50	(3.33)%
<b>Dilution to Nonparticipating Stockholder</b>							
Shares Held by Stockholder A	30,000	30,000	0.00%	30,000	0.00%	30,000	0.00%
Percentage Held by Stockholder A	0.10%	0.10%(1)	(4.76)%	0.09%	(9.09)%	0.08%	(16.67)%
Total Net Asset Value Held by Stockholder A	\$450,000	\$448,929	(0.24)%	\$445,909	(0.91)%	\$435,000	(3.33)%
Total Investment by Stockholder A (Assumed to Be \$15.00 per Share)	\$450,000	\$450,000		\$450,000		\$450,000	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		\$(1,071)		\$(4,091)		\$(15,000)	
Investment per Share Held by Stockholder A (Assumed to be \$15.00 per Share on Shares Held Prior to Sale)	\$15.00	\$15.00	0.00%	\$15.00	0.00%	\$15.00	0.00%
Net Asset Value per Share Held by Stockholder A		\$14.96		\$14.86		\$14.50	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		\$(0.04)		\$(0.14)		\$(0.50)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(0.24)%		(0.91)%		(3.33)%

(1) To be carried out to the third decimal place.

**Impact On Existing Stockholders Who Do Participate in the Offering**

Our existing stockholders who participate in an offering below net asset value per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of net asset value dilution as the nonparticipating stockholders, although at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in shares of our common stock immediately prior to the offering. The level of net asset value dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience net asset value dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience accretion in net asset value per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power

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and voting interests due to such offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience net asset value dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart (Example 3) for a stockholder that acquires shares equal to (a) 50% of its proportionate share of the offering (*i.e.*, 3,000 shares, which is 0.05% of an offering of 6 million shares) rather than its 0.10% proportionate share and (b) 150% of such percentage (*i.e.* 9,000 shares, which is 0.15% of an offering of 6 million shares rather than its 0.10% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined net asset value per share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	50% Participation Following Sale	% Change	150% Participation Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public		\$12.63		\$12.63	
Net Proceeds per Share to Issuer		\$12.00		\$12.00	
<b>Decrease/Increase to Net Asset Value</b>					
Total Shares Outstanding	30,000,000	36,000,000	20%	36,000,000	20%
Net Asset Value per Share	\$15.00	\$14.50	(3.33)%	\$14.50	(3.33)%
<b>Dilution/Accretion to Participating Stockholder Shares Held by Stockholder A</b>					
Percentage Held by Stockholder A	0.10%	0.09%	(8.33)%	0.11%	8.33%
Total Net Asset Value Held by Stockholder A	\$450,000	\$478,500	6.33%	\$565,500	25.67%
Total Investment by Stockholder A (Assumed to be \$15.00 per Share on Shares Held Prior to Sale)		\$487,895		\$563,684	
Total Dilution/Accretion to Stockholder A (Total Net Asset Value Less Total Investment)		\$(9,395)		\$1,816	
Investment per Share Held by Stockholder A (Assumed to Be \$15.00 on Shares Held Prior to Sale)	\$15.00	\$14.78	(1.44)%	\$14.45	(3.64)%
Net Asset Value per Share Held by Stockholder A		\$14.50		\$14.50	
Dilution/Accretion per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		\$(0.28)		\$0.05	0.40%
Percentage Dilution/Accretion to Stockholder A (Dilution per Share Divided by Investment per Share)			(1.96)%		0.32%
<b>Impact On New Investors</b>					

Investors who are not currently stockholders and who participate in an offering of shares of our common stock below net asset value, but whose investment per share is greater than the resulting net asset value per share due to selling compensation and expenses paid by the Company, will experience an immediate decrease, although small, in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering of shares of our common stock below net asset value per share and whose investment per share is also less than the resulting net asset value per share due to selling compensation and expenses paid by the Company being significantly less than the discount per share, will experience an immediate increase in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. These investors will experience a

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disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical 5%, 10% and 20% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (0.10%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined net asset value per share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 20% Offering at 20% Discount	
		Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
<b>Offering Price</b>							
Price per Share to Public		\$15.00		\$14.21		\$12.63	
Net Proceeds per Share to Issuer		\$14.25		\$13.50		\$12.00	
<b>Decrease/Increase to Net Asset Value</b>							
Total Shares Outstanding	30,000,000	31,500,000	5%	33,000,000	10%	36,000,000	20%
Net Asset Value per Share	\$15.00	\$14.96	(0.24)%	\$14.86	(0.91)%	\$14.50	(3.33)%
<b>Dilution/Accretion to New Investor A</b>							
Shares Held by Investor A	0	1,500		3,000		6,000	
Percentage Held by Investor A	0.00%	0.00%		0.01%		0.02%	
Total Net Asset Value Held by Investor A	\$0	\$22,446		\$44,591		\$87,000	
Total Investment by Investor A (At Price to Public)		\$22,500		\$42,632		\$75,789	
Total Dilution/Accretion to Investor A (Total Net Asset Value Less Total Investment)		\$(54)		\$1,959		\$11,211	
Investment per Share Held by Investor A	\$0	\$15.00		\$14.21		\$12.63	
Net Asset Value per Share Held by Investor A		\$14.96		\$14.86		\$14.50	
Dilution/Accretion per Share Held by Investor A (Net Asset Value per Share Less Investment per Share)		\$(0.04)		\$0.65		\$1.87	
Percentage Dilution/Accretion to Investor A (Dilution per Share Divided by Investment per Share)			(0.24)%		4.60%		14.79%
		200					

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**ISSUANCE OF WARRANTS OR SECURITIES TO SUBSCRIBE  
FOR OR CONVERTIBLE INTO SHARES OF OUR COMMON STOCK**

At our 2008 annual stockholders meeting, our stockholders approved our ability to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of our common stock, not exceeding 25% of our then outstanding common stock, at an exercise or conversion price that, at the date of issuance, will not be less than the greater of the market value per share of our common stock and the net asset value per share of our common stock. The authorization granted to sell or authorize issue warrants or securities to subscribe for or convertible into shares of our common stock has no expiration. Any exercise of warrants or securities to subscribe for or convertible into shares of our common stock at an exercise or conversion price that is below net asset value at the time of such exercise or conversion would result in an immediate dilution to existing common stockholders. This dilution would include reduction in net asset value as a result of the proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest than the increase in our assets resulting from such offering.

As a result of obtaining this authorization, in order to sell or otherwise issue such securities, (a) the exercise, conversion or subscription rights in such securities must expire by their terms within 10 years, (b) with respect to any warrants, options or rights to subscribe or convert to our common stock that are issued along with other securities, such warrants, options or rights must not be separately transferable, (c) the exercise or conversion price of such securities must not be less than the greater of the market value per share of our common stock and the net asset value per share of our common stock at the date of issuance of such securities, (d) the issuance of such securities must be approved by a majority of the board of directors who have no financial interest in the transaction and a majority of the independent directors on the basis that such issuance is in the best interests of the Company and its stockholders and (e) the number of shares of our common stock that would result from the exercise or conversion of such securities and all other securities convertible, exercisable or exchangeable into shares of our common stock outstanding at the time of issuance of such securities must not exceed 25% of our outstanding common stock at such time.

We could also sell shares of common stock below net asset value per share in certain other circumstances, including through subscription rights issued in rights offerings. See "Description of Our Subscription Rights" and "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares."

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**REGULATION**

We have elected to be regulated as a BDC under the Investment Company Act and have elected to be treated as a RIC under Subchapter M of the Code. As with other companies regulated by the Investment Company Act, a BDC must adhere to certain substantive regulatory requirements. The Investment Company Act contains prohibitions and restrictions relating to transactions between BDCs and certain affiliates (including any investment advisers or sub-advisers), principal underwriters and certain affiliates of those affiliates or underwriters. Among other things, we generally cannot invest in any portfolio company in which funds managed by Ares or any of its downstream affiliates (including Ares Capital Management) (other than Ares Capital and its downstream affiliates) currently has an investment (although we may co-invest on a concurrent basis with other funds managed by Ares or any of its downstream affiliates (including Ares Capital Management), subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures). Some of these co-investments would only be permitted pursuant to an exemptive order from the SEC. We have applied for an exemptive order from the SEC that would permit us to co-invest with funds managed by Ares or its downstream affiliates (including Ares Capital Management). Any such order will be subject to certain terms and conditions. There is no assurance that the application for exemptive relief will be granted by the SEC. Accordingly, we cannot assure you that we will be permitted to co-invest with funds managed by Ares or any of its downstream affiliates (including Ares Capital Management). See "Risk Factors Risks Relating to Our Business We may not replicate Ares' historical success and our ability to enter into transactions with Ares and our other affiliates is restricted."

The Investment Company Act also requires that a majority of our directors be persons other than "interested persons," as that term is defined in Section 2(a)(19) of the Investment Company Act, referred to herein as "independent directors." In addition, the Investment Company Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless that change is approved by holders of at least a majority of our outstanding voting securities. Under the Investment Company Act, the vote of holders of at least a "majority of the outstanding voting securities" means the vote of the holders of the lesser of: (a) 67% or more of the outstanding shares of our common stock present at a meeting or represented by proxy if holders of more than 50% of the shares of our common stock are present or represented by proxy or (b) more than 50% of the outstanding shares of our common stock.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies. We may enter into hedging transactions to manage the risks associated with interest rate and currency fluctuations. We may purchase or otherwise receive warrants or options to purchase the common stock of our portfolio companies in connection with acquisition financings or other investments. In connection with such an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the Investment Company Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any investment company (as defined in the Investment Company Act), invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses.

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**QUALIFYING ASSETS**

A BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) below. Thus, under the Investment Company Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the Investment Company Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions):
  - (a) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the Investment Company Act as any issuer that:
    - (i) is organized under the laws of, and has its principal place of business in, the United States;
    - (ii) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the Investment Company Act; and
    - (iii) does not have any class of securities listed on a national securities exchange;
  - (b) is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if:
    - (i) at the time of the purchase, we own at least 50% of the (x) greatest number of equity securities of such issuer and securities convertible into or exchangeable for such securities; and (y) the greatest amount of debt securities of such issuer, held by us at any point in time during the period when such issuer was an eligible portfolio company; and
    - (ii) we are one of the 20 largest holders of record of such issuer's outstanding voting securities; or
  - (c) is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if the aggregate market value of such company's outstanding voting and non-voting common equity is less than \$250.0 million.
- (2) Securities of any eligible portfolio company that we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.



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- (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- (6) Cash, cash items, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

**MANAGERIAL ASSISTANCE TO PORTFOLIO COMPANIES**

In order to count portfolio securities as qualifying assets for the purpose of the 70% test discussed above under "Qualifying Assets," the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance (as long as the BDC itself does not make available significant managerial assistance solely in this fashion). Making available managerial assistance means, among other things, exercising control over the management or policies of the portfolio company or any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if the offer is accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

**TEMPORARY INVESTMENTS**

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash items, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as "temporary investments," so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we may not meet the Diversification Tests in order to qualify as a RIC. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

**INDEBTEDNESS AND SENIOR SECURITIES**

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the Investment Company Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. Specifically, we may be precluded from declaring dividends or repurchasing shares of our common stock unless our asset coverage is at least 200%. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors Risks Relating to Our Business Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital."



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**CODE OF ETHICS**

We and Ares Capital Management have each adopted a code of ethics pursuant to Rule 17j-1 under the Investment Company Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Our code of ethics is filed as an exhibit to our registration statement of which this prospectus is a part. For information on how to obtain a copy of the code of ethics, see "Available Information."

**PROXY VOTING POLICIES AND PROCEDURES**

SEC-registered advisers that have the authority to vote (client) proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of its clients. Registered advisers also must maintain certain records on proxy voting. In most cases, we invest in securities that do not generally entitle it to voting rights in its portfolio companies. When we do have voting rights, we delegate the exercise of such rights to Ares Capital Management. Ares Capital Management's proxy voting policies and procedures are summarized below:

In determining how to vote, officers of our investment adviser consult with each other and other investment professionals of Ares, taking into account our and our investors' interests as well as any potential conflicts of interest. Our investment adviser consults with legal counsel to identify potential conflicts of interest. Where a potential conflict of interest exists, our investment adviser may, if it so elects, resolve it by following the recommendation of a disinterested third party, by seeking the direction of the independent directors of the Company or, in extreme cases, by abstaining from voting. While our investment adviser may retain an outside service to provide voting recommendations and to assist in analyzing votes, our investment adviser will not delegate its voting authority to any third party.

An officer of Ares Capital Management keeps a written record of how all such proxies are voted. Our investment adviser retains records of (a) proxy voting policies and procedures, (b) all proxy statements received (or it may rely on proxy statements filed on the SEC's EDGAR system in lieu thereof), (c) all votes cast, (d) investor requests for voting information and (e) any specific documents prepared or received in connection with a decision on a proxy vote. If it uses an outside service, our investment adviser may rely on such service to maintain copies of proxy statements and records, so long as such service will provide a copy of such documents promptly upon request.

Our investment adviser's proxy voting policies are not exhaustive and are designed to be responsive to the wide range of issues that may be subject to a proxy vote. In general, our investment adviser votes our proxies in accordance with these guidelines unless: (a) it has determined otherwise due to the specific and unusual facts and circumstances with respect to a particular vote, (b) the subject matter of the vote is not covered by these guidelines, (c) a material conflict of interest is present or (d) we find it necessary to vote contrary to our general guidelines to maximize stockholder value or the best interests of Ares Capital. In reviewing proxy issues, our investment adviser generally uses the following guidelines:

**Elections of Directors:** In general, our investment adviser will vote in favor of the management-proposed slate of directors. If there is a proxy fight for seats on a portfolio company's board of directors, or our investment adviser determines that there are other compelling reasons for withholding our vote, it will determine the appropriate vote on the matter. Our investment adviser may withhold votes for directors when it (a) believes a direct conflict of interest exists between the interests of the director and the stockholders, (b) concludes that the actions of the director are unlawful, unethical or negligent or (c) believes the board is entrenched in or dealing inadequately with performance problems, and/or acting with insufficient independence between the board and

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management. Finally, our investment adviser may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

**Appointment of Auditors:** We believe that a portfolio company remains in the best position to choose its independent auditors and our investment adviser will generally support management's recommendation in this regard.

**Changes in Capital Structure:** Changes in a portfolio company's charter or bylaws may be required by state or federal regulation. In general, our investment adviser will cast our votes in accordance with the management on such proposals. However, our investment adviser will consider carefully any proposal regarding a change in corporate structure that is not required by state or federal regulation.

**Corporate Restructurings, Mergers and Acquisitions:** We believe proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, our investment adviser will analyze such proposals on a case-by-case basis and vote in accordance with its perception of our interests.

**Proposals Affecting Stockholder Rights:** We will generally vote in favor of proposals that give stockholders a greater voice in the affairs of a portfolio company and oppose any measure that seeks to limit such rights. However, when analyzing such proposals, our investment adviser will balance the financial impact of the proposal against any impairment of stockholder rights as well as of our investment in the portfolio company.

**Corporate Governance:** We recognize the importance of good corporate governance. Accordingly, our investment adviser will generally favor proposals that promote transparency and accountability within a portfolio company.

**Anti-Takeover Measures:** Our investment adviser will evaluate, on a case-by-case basis, any proposals regarding anti-takeover measures to determine the measure's likely effect on stockholder value dilution.

**Stock Splits:** Our investment adviser will generally vote with management on stock split matters.

**Limited Liability of Directors:** Our investment adviser will generally vote with management on matters that could adversely affect the limited liability of directors.

**Social and Corporate Responsibility:** Our investment adviser will review proposals related to social, political and environmental issues to determine whether they may adversely affect stockholder value. Our investment adviser may abstain from voting on such proposals where they do not have a readily determinable financial impact on stockholder value.

Stockholders may obtain information regarding how we voted proxies with respect to our portfolio securities during the twelve-month period ended June 30, 2011 free of charge by making a written request for proxy voting information to: Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067 or by calling us collect at (310) 401-4200.

**PRIVACY PRINCIPLES**

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

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Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. The non-public personal information that we may receive falls into the following categories:

information we receive from stockholders, whether we receive it orally, in writing or electronically. This includes stockholders' communications to us concerning their investment;

information about stockholders' transactions and history with us; or

other general information that we may obtain about stockholders, such as demographic and contact information such as a person's address.

We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except:

to our affiliates (such as our investment adviser and administrator) and their employees that have a legitimate business need for the information;

to our service providers (such as our accountants, attorneys, custodians, transfer agent, underwriters and proxy solicitors) and their employees, as is necessary to service recordholder accounts or otherwise provide the applicable services;

to comply with court orders, subpoenas, lawful discovery requests or other legal or regulatory requirements; or

as allowed or required by applicable law or regulation.

When the Company shares non-public stockholder personal information referred to above, the information is made available for limited business purposes and under controlled circumstances designed to protect our stockholders' privacy. The Company does not permit use of stockholder information for any non-business or marketing purpose, nor does the Company permit third parties to rent, sell, trade or otherwise release or disclose information to any other party.

The Company's service providers, such as its investment adviser, administrator and transfer agent, are required to maintain physical, electronic, and procedural safeguards to protect stockholder non-public personal information to prevent unauthorized access or use and to dispose of such information when it is no longer required.

Personnel of our affiliates may access stockholder information only for business purposes. The degree of access is based on the sensitivity of the information and on personnel need for the information to service a stockholder's account or comply with legal requirements.

If a stockholder ceases to be a stockholder, we will adhere to the privacy policies and practices as described above. We may choose to modify our privacy policies at any time. Before we do so, we will notify stockholders and provide a description of our privacy policy.

In the event of a corporate change in control resulting from, for example, a sale to, or merger with, another entity, or in the event of a sale of assets, we reserve the right to transfer stockholders' non-public personal information to the new party in control or the party acquiring assets.

**OTHER**

We have designated a chief compliance officer and established a compliance program pursuant to the requirements of the Investment Company Act. We are periodically examined by the SEC for compliance with the Investment Company Act.



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We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to the Company or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

**Compliance with the Sarbanes-Oxley Act of 2002 and The NASDAQ Global Select Market Corporate Governance Regulations**

The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. The Sarbanes-Oxley Act has required us to review our policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

In addition, The NASDAQ Global Select Market has adopted various corporate governance requirements as part of its listing standards. We believe we are in compliance with such corporate governance listing standards. We will continue to monitor our compliance with all future listing standards and will take actions necessary to ensure that we are in compliance therewith.

**CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR**

Our securities are held under a custody agreement by U.S. Bank National Association. The address of the custodian is Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110. BNY Mellon acts as the transfer agent, dividend paying agent and registrar for our common stock. The principal business address of BNY Mellon is 480 Washington Boulevard, Jersey City, NJ 07310.

**BROKERAGE ALLOCATION AND OTHER PRACTICES**

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use brokers in the normal course of business.

Subject to policies established by our board of directors, the investment adviser, Ares Capital Management, is primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. The investment adviser does not expect to execute transactions through any particular broker or dealer, but seeks to obtain the best net results for the Company, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities.

While the investment adviser generally seeks reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the investment adviser may select a broker based partly upon brokerage or research services provided to the investment adviser and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if the investment adviser determines in good faith that such commission is reasonable in relation to the services provided.

We have not paid any brokerage commissions during the three most recent fiscal years.

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**PLAN OF DISTRIBUTION**

We may offer, from time to time, in one or more offerings or series, up to \$2,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. We may sell the securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, through agents or through a combination of any such methods of sale. In the case of a rights offering, the applicable prospectus supplement will set forth the number of shares of our common stock issuable upon the exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of our common stock, less any underwriting commissions or discounts, must equal or exceed the net asset value per share of our common stock at the time of the offering except (a) in connection with a rights offering to our existing stockholders, (b) with the consent of the majority of our common stockholders or (c) under such circumstances as the SEC may permit. The price at which securities may be distributed may represent a discount from prevailing market prices.

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum aggregate commission or discount to be received by any member of FINRA or independent broker-dealer will not be greater than 8% of the gross proceeds of the sale of securities offered pursuant to this prospectus and any applicable prospectus supplement. We may also reimburse the underwriter or agent for certain fees and legal expenses incurred by it.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are

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purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on the NASDAQ Global Market may engage in passive market making transactions in our common stock on the NASDAQ Global Market in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on The NASDAQ Global Select Market. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of shares of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

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In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

**LEGAL MATTERS**

The legality of the securities offered hereby will be passed upon for the Company by Proskauer Rose LLP, Los Angeles, California and Venable LLP, Baltimore, Maryland. Certain legal matters in connection with the offering will be passed upon for the underwriters, if any, by the counsel named in the prospectus supplement.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

KPMG LLP, located at 355 South Grand Avenue, Los Angeles, California 90071, is the independent registered public accounting firm of the Company.

**AVAILABLE INFORMATION**

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the securities offered by this prospectus. The registration statement contains additional information about us and the securities being offered by this prospectus.

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). Information contained on our website is not incorporated into this document and you should not consider such information to be part of this document. You also may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, the SEC's Northeast Regional Office at 3 World Financial Center, Suite 400, New York, NY 10281 and the SEC's Midwest Regional Office at 175 W. Jackson Blvd., Suite 900, Chicago, IL 60604. Such information is also available from the EDGAR database on the SEC's web site at <http://www.sec.gov>. You also can obtain copies of such information, after paying a duplicating fee, by sending a request by e-mail to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the SEC's Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at (202) 551-8090 or (800) SEC-0330.



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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Ares Capital Corporation

We have audited the accompanying consolidated balance sheets of Ares Capital Corporation (and subsidiaries) (the Company) as of December 31, 2010 and 2009, including the consolidated schedule of investments as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows, and the financial highlights (included in Note 15), for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ares Capital Corporation (and subsidiaries) as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ares Capital Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of Treadway Commission (COSO), and our report dated February 28, 2011 expressed an unqualified opinion on the effectiveness of Ares Capital Corporation's internal control over financial reporting.

As explained in Note 8 to the consolidated financial statements, the accompanying consolidated financial statements include investments valued at \$4.3 billion (142% of net assets), whose fair values have been estimated by the Board of Directors and management in the absence of readily determinable fair values. Such estimates are based on financial and other information provided by management of its portfolio companies, pertinent market and industry data, as well as input from independent valuation firms. These investments are valued in accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, (SFAS 157) (included in FASB ASC 820, *Fair Value Measurements and Disclosures*), which requires the Company to assume that the portfolio investments are sold in a principal market to market participants. The Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. \$4.3 billion of investments at December 31, 2010 are valued based on unobservable inputs. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate significantly over short periods of time. These determinations of fair value could differ materially from the values that would have been utilized had a ready market for these investments existed.

Los Angeles, California  
February 28, 2011

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)

	As of December 31,	
	2010	2009
<b>ASSETS</b>		
Investments at fair value		
Non-controlled/non-affiliate investments	\$ 2,482,642	\$ 1,568,423
Non-controlled affiliate company investments	380,396	276,351
Controlled affiliate company investments	1,454,952	327,040
Total investments at fair value (amortized cost of \$4,291,955 and \$2,376,384, respectively)	4,317,990	2,171,814
Cash and cash equivalents	100,752	99,227
Receivable for open trades	8,876	
Interest receivable	72,548	28,019
Other assets	62,380	14,455
<b>Total assets</b>	<b>\$ 4,562,546</b>	<b>\$ 2,313,515</b>
<b>LIABILITIES</b>		
Debt	\$ 1,378,509	\$ 969,465
Management and incentive fees payable	52,397	66,495
Accounts payable and other liabilities	34,742	16,533
Interest and facility fees payable	21,763	2,645
Payable for open trades	24,602	489
<b>Total liabilities</b>	<b>1,512,013</b>	<b>1,055,627</b>
Commitments and contingencies (Note 7)		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$.001 per share, 300,000 common shares authorized, 204,419 and 109,945 common shares issued and outstanding, respectively	204	110
Capital in excess of par value	3,205,326	1,490,458
Accumulated (overdistributed) undistributed net investment income	(11,336)	3,143
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt, other assets and acquisitions	(169,696)	(31,115)
Net unrealized gain (loss) on investments and foreign currency transactions	26,035	(204,708)
<b>Total stockholders' equity</b>	<b>3,050,533</b>	<b>1,257,888</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,562,546</b>	<b>\$ 2,313,515</b>
<b>NET ASSETS PER SHARE</b>	<b>\$ 14.92</b>	<b>\$ 11.44</b>

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS****(in thousands, except per share data)**

	<b>For the Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>INVESTMENT INCOME:</b>			
From non-controlled/non-affiliate company investments:			
Interest from investments	\$ 238,278	\$ 188,126	\$ 169,519
Capital structuring service fees	23,921	5,429	16,421
Management fees	4,797	113	
Dividend income	4,340	1,162	1,621
Interest from cash & cash equivalents	112	265	1,625
Other income	5,310	6,484	3,244
<b>Total investment income from non-controlled/non-affiliate company investments</b>	<b>276,758</b>	<b>201,579</b>	<b>192,430</b>
From non-controlled affiliate company investments:			
Interest from investments	51,386	21,866	28,532
Capital structuring service fees	813		1,821
Management fees	813	1,443	750
Dividend income	2,125	285	825
Other income	569	377	847
<b>Total investment income from non-controlled affiliate company investments</b>	<b>55,706</b>	<b>23,971</b>	<b>32,775</b>
From controlled affiliate company investments:			
Interest from investments	103,853	15,074	10,420
Capital structuring service fees	29,946	194	3,000
Management fees	8,762	1,942	1,628
Dividend income	7,903	2,391	133
Other income	468	121	75
<b>Total investment income from controlled affiliate company investments</b>	<b>150,932</b>	<b>19,722</b>	<b>15,256</b>
<b>Total investment income</b>	<b>483,396</b>	<b>245,272</b>	<b>240,461</b>
<b>EXPENSES:</b>			
Interest and credit facility fees	79,347	24,262	36,515
Incentive management fees	76,895	33,332	31,748
Base management fees	51,998	30,409	30,463
Professional fees and other costs related to the acquisition of Allied Capital Corporation	19,833	4,939	
Professional fees	12,320	7,820	5,990
Administrative fees	8,721	4,009	2,701
Other general and administrative	13,074	6,519	5,804
<b>Total expenses</b>	<b>262,188</b>	<b>111,290</b>	<b>113,221</b>
<b>NET INVESTMENT INCOME BEFORE INCOME TAXES</b>	<b>221,208</b>	<b>133,982</b>	<b>127,240</b>
Income tax expense, including excise tax	5,392	576	248
<b>NET INVESTMENT INCOME</b>	<b>215,816</b>	<b>133,406</b>	<b>126,992</b>
<b>REALIZED AND UNREALIZED NET GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCIES:</b>			
Net realized gains (losses):			

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Non-controlled/non-affiliate company investments	26,865	(17,010)	5,200
Non-controlled affiliate company investments	11,965	(15,478)	1,357
Controlled affiliate company investments	6,563	(13,680)	
Foreign currency transactions	85	205	(186)
Net realized gains (losses)	45,478	(45,963)	6,371
Net unrealized gains (losses):			
Non-controlled/non-affiliate company investments	138,619	60,339	(168,570)
Non-controlled affiliate company investments	40,595	21,361	(82,457)
Controlled affiliate company investments	51,681	7,194	(21,797)
Foreign currency transactions	(152)	(187)	6
Net unrealized gains (losses)	230,743	88,707	(272,818)
Net realized and unrealized gains (losses) from investments and foreign currencies	276,221	42,744	(266,447)
GAIN ON THE ACQUISITION OF ALLIED CAPITAL CORPORATION	195,876		
REALIZED GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	(1,961)	26,543	
REALIZED GAIN ON SALE OF OTHER ASSETS	5,882		
NET INCREASE (DECREASE) IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	\$ 691,834	\$ 202,693	\$ (139,455)
BASIC AND DILUTED EARNINGS PER COMMON SHARE (see Note 10)	\$ 3.91	\$ 1.99	\$ (1.56)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (see Note 10)	176,732	101,720	89,666

See accompanying notes to consolidated financial statements.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**As of December 31, 2010**  
**(dollar amounts in thousands)**

Company(1)	Industry	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Investment Funds and Vehicles</b>							
AGILE Fund I, LLC(7)(9)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 264	\$ 217(16)	
BB&T Capital Partners/Windsor Mezzanine Fund, LLC(6)(9)	Investment company	Member interest (32.59% interest)		4/1/2010	11,900	15,704	
Callidus Debt Partners CDO Fund I, Ltd.(8)(9)	Investment company	Class C notes (\$18,800 par due 12/2013) Class D notes (\$9,400 par due 12/2013)		4/1/2010 4/1/2010	2,669	1,239	(13)
					2,669	1,239	
Callidus Debt Partners CLO Fund III, Ltd.(8)(9)	Investment company	Preferred shares (23,600,000 shares)	7.18%	4/1/2010	4,343	7,324(16)	
Callidus Debt Partners CLO Fund IV, Ltd.(8)(9)	Investment company	Class D notes (\$3,000 par due 4/2020) Subordinated notes (\$17,500 par due 4/2020)	4.84% (Libor + 4.55%/Q) 14.92%	4/1/2010 4/1/2010	1,824 6,935	1,817(16) 11,720(16)	
					8,759	13,537	
Callidus Debt Partners CLO Fund V, Ltd.(8)(9)	Investment company	Subordinated notes (\$14,150 par due 11/2020)	23.49%	4/1/2010	8,586	11,995(16)	
Callidus Debt Partners CLO Fund VI, Ltd.(8)(9)	Investment company	Class D notes (\$9,000 par due 10/2021) Subordinated notes (\$25,500 par due 10/2021)	6.29% (Libor + 6.00%/Q) 20.14%	4/1/2010 4/1/2010	4,039 11,572	5,538(16) 22,711(16)	
					15,611	28,249	
Callidus Debt Partners CLO Fund VII, Ltd.(8)(9)	Investment company	Subordinated notes (\$28,000 par due 1/2021)	11.94%	4/1/2010	10,216	17,197(16)	
Callidus MAPS CLO Fund I LLC	Investment company	Class E notes (\$17,000 par due 12/2017) Subordinated notes (\$47,900 par due 12/2017)	5.79% (Libor + 5.5%/Q) 8.62%	4/1/2010 4/1/2010	11,863 12,652	11,535(16) 19,156(16)	
					24,515	30,691	
	Investment company			4/1/2010	3,428	4,364(16)	

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Callidus MAPS CLO Fund II, Ltd.(8)(9)		Class D notes (\$7,700 par due 7/2022) Subordinated notes (\$17,900 par due 7/2022)	4.54% (Libor + 4.25%/Q) 18.41%	4/1/2010	8,857	13,624(16)
					12,285	17,988
Carador PLC(6)(8)(9)(17)	Investment company	Ordinary shares (7,110,525 shares)		12/15/2006	9,033	5,333(16)
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,553	2,500(16)
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	1,041(16)
Dryden XVIII Leveraged Loan 2007 Limited(8)(9)	Investment company	Class B notes (\$9,000 par due 10/2019) Subordinated notes (\$21,164 par due 10/2019)	4.79% (Libor + 4.50%/Q) 23.01%	4/1/2010 4/1/2010	3,816 12,266	4,823(16) 19,436(16)
Dynamic India Fund IV, LLC(9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	4,822(16)

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Company(1)	Industry	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Fidus Mezzanine Capital, L.P.(9)	Investment partnership	Limited partnership interest (29.12% interest)		4/1/2010	9,206	7,499	
Firstflight Financial Corporation(6)(9)	Investment company	Senior subordinated loan (\$73,811 par due 12/2016) Common stock (10,000 shares) Common stock (30,000 shares)	1.00% PIK	12/31/2006 12/31/2006 12/31/2006	73,569 10,000 30,000	54,050(4)(16) (16) (16)	
					113,569	54,050	
HCI Equity, LLC(7)(8)(9)	Investment company	Member interest (100% interest)		4/1/2010	808	993(16)	
Imperial Capital Private Opportunities, LP(6)(9)	Investment partnership	Limited partnership interest (80% interest)		5/10/2007	6,643	5,300(16)	
Ivy Hill Middle Market Credit Fund, Ltd.(7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018) Subordinated notes (\$15,351 par due 11/2018)	6.25% (Libor + 6.00%/Q) 15.50%	11/20/2007 11/20/2007	40,000 15,351	37,200(16) 14,737(16)	
					55,351	51,937	
Knightsbridge CLO 2007-1 Ltd.(7)(8)(9)	Investment company	Class E notes (\$20,350 par due 1/2022)	9.29% (Libor + 9.00%/Q)	3/24/2010	14,852	14,545(16)	
Knightsbridge CLO 2008-1 Ltd.(7)(8)(9)	Investment company	Class C notes (\$14,400 par due 6/2018) Class D notes (\$9,000 par due 6/2018) Class E notes (\$14,850 par due 6/2018)	7.80% (Libor + 7.50%/Q) 8.79% (Libor + 8.50%/Q) 5.29% (Libor + 5.00%/Q)	3/24/2010 3/24/2010 3/24/2010	14,400 9,000 13,596	14,400(16) 9,000(16) 10,488(16)	
					36,996	33,888	
Kodiak Funding, LP(9)	Investment partnership	Limited partnership interest (1.52% interest)		4/1/2010	918	788	
Novak Biddle Venture Partners III, L.P.(9)	Investment partnership	Limited partnership interest (2.47% interest)		4/1/2010	221	254(16)	
Pangaea CLO 2007-1 Ltd.(8)(9)	Investment company	Class D notes (\$15,000 par due 1/2021)	5.04% (Libor + 4.75%/Q)	4/1/2010	9,061	8,307(16)	
Partnership Capital Growth Fund I, LP(9)	Investment partnership	Limited partnership interest (25% interest)		6/16/2006	2,370	2,393(16)	
Senior Secured Loan Fund LLC(7)(15)	Investment company	Subordinated certificates (\$548,161 par due 12/2015)	(Libor + 8.00%/Q)	10/30/2009	537,439	561,674(16)	
Trivergance Capital Partners, LP(9)	Investment partnership	Limited partnership interest (100% interest)		6/5/2008	3,162	(16)	
VSC Investors LLC(9)				1/24/2008	994	699(16)	



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Investment company	Membership interest (4.63% interest)				924,287	924,423	30.30%
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**Healthcare-Services**

Axium Healthcare Pharmacy, Inc.	Specialty pharmacy provider	Senior subordinated loan (\$3,160 par due 3/2015)	8.00%	4/1/2010	2,915	3,002(4)	
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (1,000,000 units)		8/19/2010	1,000	1,000(16)	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(6)	Healthcare analysis services	Preferred stock (7,427 shares)		6/15/2007	8,763	8,325(16)	
		Common stock (9,679 shares)		6/15/2007	4,000	9,656(16)	
		Common stock (1,546 shares)		6/15/2007		1,542(16)	
					12,763	19,523	