

ALLIED CAPITAL CORP  
Form DEFA14A  
March 09, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Allied Capital Corporation**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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-

Dear Fellow Stockholder:

We are writing to ask you to vote to approve the merger between Allied Capital and Ares Capital. If approved, Allied Capital stockholders will become Ares Capital stockholders and will receive 0.325 shares of Ares Capital common stock for each share of Allied Capital stock owned immediately prior to the merger.

**On March 3, 2010, Allied Capital and Ares Capital announced Allied Capital's intention to declare a special dividend of \$0.20 per share to Allied Capital stockholders in connection with the merger.** On the date the merger is approved by the affirmative vote of the holders of two-thirds of the shares of Allied Capital common stock outstanding and entitled to vote thereon, Allied Capital's board of directors intends to declare a dividend to Allied Capital stockholders of record on such date. The dividend would be funded upon the closing of the merger. While there can be no assurance as to the exact timing, or that the merger will be completed at all, we are working to complete the merger around the end of the first quarter of 2010.

The expected benefits of the merger include:

Resumption of dividend payments;

Improved access to the debt capital markets;

Improved access to the equity capital markets;

Increased portfolio diversity;

Strategic and business considerations;

Increased liquidity and flexibility; and

Value creation.

On or about February 16, 2010, we mailed to you a detailed joint proxy statement/prospectus that contains a description of the proposed merger and other important information for you to consider in connection with the Allied Capital special meeting. The attached supplement contains information that supplements the joint proxy statement/prospectus. I urge you to read the enclosed materials carefully together with the joint proxy statement/prospectus.

**After careful consideration, the board of directors of Allied Capital, including its independent directors, unanimously recommends that its stockholders vote "FOR" approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.**

Your vote is extremely important. The majority of Allied Capital's approximately 180 million shares outstanding are held by individual investors. It is crucial that all of our stockholders participate in this vote, and we ask that you read the enclosed materials and vote your shares.

**Whether or not you expect to attend the Allied Capital special meeting in person, Allied Capital urges you to submit your proxy as promptly as possible.**

Sincerely,

William L. Walton

*Chairman of the Board of Directors*

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**SUPPLEMENT TO THE JOINT PROXY  
STATEMENT/PROSPECTUS  
FOR THE SPECIAL MEETINGS OF STOCKHOLDERS  
TO BE HELD ON MARCH 26, 2010**

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This document supplements the joint proxy statement/prospectus, dated February 11, 2010 (the "Proxy Statement"), provided to you in connection with the proposed merger (the "merger") of ARCC Odyssey Corp., a wholly owned subsidiary of Ares Capital Corporation ("Ares Capital"), with and into Allied Capital Corporation ("Allied Capital") pursuant to the Agreement and Plan of Merger, as such agreement may be amended from time to time (the "merger agreement"), dated as of October 26, 2009, among Ares Capital, Allied Capital and ARCC Odyssey Corp.

Except as described in this document, the information provided in the Proxy Statement continues to apply. To the extent that information in this document differs from, updates or conflicts with information contained in the Proxy Statement, the information in this document is more current. This is the case even if such section of the Proxy Statement is not specifically referenced in this document. Terms used but not defined in this document shall have the meanings given to such terms in the Proxy Statement.

This document is dated March 9, 2010 and is first being mailed to stockholders on or about March 11, 2010.

**SUPPLEMENTAL INFORMATION**

The following supplemental information should be read in conjunction with the Proxy Statement, which you are urged to read in its entirety.

**Special Dividend**

On March 3, 2010, Ares Capital and Allied Capital announced Allied Capital's intention to declare a special dividend of \$0.20 per share to Allied Capital stockholders in the circumstances described below (the "Distribution").

On the date the merger is approved by the affirmative vote of the holders of two-thirds of the shares of Allied Capital common stock outstanding and entitled to vote thereon, Allied Capital's board of directors intends to declare a dividend to Allied Capital stockholders of record on such date. The dividend would be funded to the dividend paying agent on the closing of the merger with instructions to disburse such amounts to Allied Capital stockholders as of the record date as promptly as practicable after the effective time. Allied Capital has received consent from Ares Capital pursuant to the merger agreement in order to declare and pay this dividend. Allied Capital has also received consent under the senior secured term loan (the "Term Loan") to declare and pay this dividend.

**Certain Material U.S. Federal Income Tax Consequences of the Distribution**

**The following information supplements the information provided in (1) the cover page of the Proxy Statement, (2) the third question on page 8 of "Question and Answers about the Special Meetings and the Merger" in the Proxy Statement, (3) "Summary The Merger Is Intended to Be Tax-Free to Allied Capital Common Stockholders as to the Shares of Ares Capital Common Stock They Receive" on page 17 of the Proxy Statement, (4) "Summary Reasons for the Merger Allied Capital Tax Free Treatment of Merger" on page 18 of the Proxy Statement, (5) "The Merger**

**Reasons for the Merger Allied Capital Tax Free Treatment of Merger" on page 131 of the Proxy Statement and (6) "Certain Material U.S. Federal Income Tax Consequences of the Merger" on pages 174 through 184 of the Proxy Statement:**

The treatment of the Distribution for U.S. federal income tax purposes is uncertain. If the Distribution is not viewed as part of the consideration received by the stockholders of Allied Capital in the merger, then such stockholders will be taxed on the Distribution pursuant to Section 301 of the Internal Revenue Code of 1986, as amended. In that event, because Allied Capital does not believe that it has any "accumulated earnings and profits" and the management of Allied Capital does not expect that Allied Capital will have any current year earnings and profits as of the effective time, the Distribution will be applied against and reduce the adjusted tax basis of each share of the stockholder's Allied Capital stock and, to the extent the amount of the Distribution exceeds such adjusted tax basis, generally will be treated as a capital gain from the sale or exchange of each such share. For a discussion of the taxation of capital gains, please see the discussion in the Proxy Statement under the heading "Certain Material U.S. Federal Income Tax Consequences of the Merger."

Alternatively, if the Distribution is viewed as part of the consideration received by the stockholders of Allied Capital in the merger, then each stockholder will be treated as if it exchanged Allied Capital shares for a combination of cash and Ares Capital shares. In that event, each stockholder of Allied Capital generally will recognize capital gain in an amount equal to the lesser of (a) the amount of cash received (excluding any cash received in lieu of a fractional Ares Capital share) or (b) the sum of the fair market value of the Ares Capital shares received plus the amount of cash received (including any cash received in lieu of a fractional Ares Capital share), less the stockholder's adjusted tax basis in the Allied Capital shares exchanged. However, if the receipt of the Distribution has the effect of a distribution of a dividend for U.S. federal income tax purposes, each stockholder of Allied Capital could be treated as having received ordinary dividend income.

In determining whether the exchange described above has the effect of a distribution of a dividend, each stockholder of Allied Capital will be treated as if Ares Capital shares having a fair market value equal to the amount of the Distribution had been distributed to the stockholder as part of the merger, with such Ares Capital shares then being redeemed by Ares Capital in return for the cash actually received by the stockholder in the Distribution. The exchange will not have the effect of a distribution of a dividend if the deemed redemption is "substantially disproportionate" or "not essentially equivalent to a dividend." In general, the deemed redemption will be "substantially disproportionate" with respect to a stockholder of Allied Capital if such stockholder experiences a more than 20% reduction in its interest in Ares Capital (both by vote and value) as a result of the deemed redemption. In order for the hypothetical redemption to be "not essentially equivalent to a dividend," it must result in a "meaningful reduction" in the stockholder's deemed percentage ownership of Ares Capital shares.

The Internal Revenue Service has ruled that a minority shareholder in a publicly traded corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a "meaningful reduction" generally if such shareholder has some reduction in its deemed percentage stock ownership. In applying the foregoing tests, a stockholder of Allied Capital will, under the constructive ownership rules, be deemed to own Ares Capital shares that are owned by certain related persons or entities or with respect to which the stockholder of Allied Capital owns options, in addition to the Ares Capital shares actually owned by the stockholder.

Although the issue is not free from doubt, Allied Capital intends to treat the Distribution for U.S. federal income tax reporting purposes as a distribution that is not part of the consideration received by the stockholders of Allied Capital in the merger. Because of the complex nature of this issue, however, stockholders of Allied Capital should consult their tax advisors regarding their treatment of the Distribution.

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The foregoing discussion is for general information only and does not purport to be a complete analysis or listing of all potential tax effects that may apply to a stockholder of Allied Capital with respect to the Distribution. We strongly encourage all stockholders of Allied Capital to consult their tax advisors to determine the particular tax consequences to them of the merger and the Distribution, including the application and effect of federal, state, local, foreign and other tax laws.

### **Amendment to Allied Capital Term Loan**

On March 2, 2010, Allied Capital amended its Term Loan by entering into Amendment No. 1 to the Second Amended and Restated Credit Agreement dated as of January 29, 2010 (the "Amendment"). Pursuant to the Amendment, Allied Capital is permitted to declare a one-time special cash dividend upon approval of the merger by the affirmative vote of the holders of two-thirds of the outstanding shares of Allied Capital common stock, so long as no default or event of default has occurred and is continuing or would result from the declaration and payment of the special dividend. Pursuant to the Amendment, the payment of the special dividend is contingent on the consummation of the merger and may not exceed the lesser of \$0.20 per share or \$40 million.

In addition, the Amendment makes modifications to certain of the mandatory repayment requirements under the Term Loan. The Amendment requires the use of a minimum of 75%, an increase from 56%, of all net cash proceeds from asset dispositions, subject to certain conditions and exclusions, to be used to repay the Term Loan prior to the consummation of the merger. Prior to the Amendment, Allied Capital was required to use 100% of available cash in excess of a \$125 million cash floor at any month end (the "Cash Floor") to repay the Term Loan, and on April 30, 2010, the Cash Floor decreases to \$100 million. In addition, the Amendment also includes a new prepayment provision, which requires Allied Capital to use 75% of principal collections (other than net cash proceeds from asset dispositions) received as of the 15th and last day of each month to repay the Term Loan, beginning with the period from March 1, 2010 to March 15, 2010. Upon consummation of the merger, the Cash Floor decreases to \$0 and the percentage of principal collections and net cash proceeds from asset dispositions required to repay the Term Loan increases to 100%.

### **Annual Reports of Ares Capital and Allied Capital**

Enclosed with this document, and incorporated herein by reference, are the Annual Report of Ares Capital on Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on February 25, 2010 (the "Ares Capital 10-K"), and the Annual Report of Allied Capital on Form 10-K, filed with the SEC on February 26, 2010 (the "Allied Capital 10-K").

### **Comparative Fees and Expenses**

**The following information supplements the information provided in "Comparative Fees and Expenses" on pages 68 through 72 of the Proxy Statement, the second full question on page 7 of "Question and Answers about the Special Meetings and the Merger" in the Proxy Statement and "Risk Factors Risks Relating to the Merger Ares Capital may be unable to realize the benefits anticipated by the merger and subsequent combination, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits" on page 61 of the Proxy Statement:**

#### **COMPARATIVE FEES AND EXPENSES**

The following tables are intended to assist you in understanding the costs and expenses that an investor in the common stock of Allied Capital and Ares Capital bears directly or indirectly and, based on the assumptions set forth below, the pro forma costs and expenses estimated to be incurred by the combined company in the first year following the merger. Allied Capital and Ares Capital caution you that some of the percentages indicated in the table below are estimates and may vary. Except where

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the context suggests otherwise, whenever this document or the Proxy Statement contains a reference to fees or expenses paid or to be paid by "you," "Allied Capital" or "Ares Capital," stockholders will indirectly bear such fees or expenses as investors in Allied Capital or Ares Capital, as applicable.

	Allied Capital	Ares Capital	Pro Forma Combined(1)
<b>Stockholder transaction expenses</b> (as a percentage of offering price)			
Sales load paid by Allied Capital and Ares Capital	None(1)	None(1)	None(1)
Offering expenses borne by Allied Capital and Ares Capital	None(1)	None(1)	None(1)
Dividend reinvestment plan expenses	None(2)	None(2)	None(2)
<b>Total stockholder transaction expenses paid by Allied Capital and Ares Capital</b>	<b>None</b>	<b>None</b>	<b>None</b>

	Allied Capital	Ares Capital	Pro Forma Combined(1)
<b>Estimated annual expenses</b> (as a percentage of consolidated net assets attributable to common stock):(3)(4)			
Management fees(5)		2.76%	2.74%
Incentive fees(6)		2.65%	1.44%
Interest payments on borrowed funds(7)	14.27%	1.93%	8.44%(8)
Other expenses(9)	6.98%	1.85%	2.95%
Acquired fund fees and expenses(10)	0.22%	0.03%	0.13%
<b>Total annual expenses (estimated)(11)</b>	<b>21.47%</b>	<b>9.22%</b>	<b>15.70%</b>

- (1) Purchases of shares of common stock of Allied Capital or Ares Capital 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 (underwriting discount or commission) that stockholders may have paid in connection with their purchase of shares of Allied Capital or Ares Capital common stock.
- (2) The expenses of the dividend reinvestment plan are included in "Other expenses."
- (3) "Consolidated net assets attributable to common stock" equals stockholders' equity at December 31, 2009. For Pro Forma Combined, the stockholders' equity for Ares Capital Pro Forma Combined as of December 31, 2009 was used from the pro forma information beginning on page 11 of this document.
- (4) Allied Capital does not have an investment adviser and is internally managed by its management team under the supervision of its board of directors. Therefore, Allied Capital pays operating costs associated with employing a management team and investment professionals instead of paying investment advisory fees. As a result, the estimate of the annual expenses Allied Capital incurs in connection with the employment of such employees is included in the line item "Other expenses" and, accordingly, any comparison of the individual items of Allied Capital and Ares Capital set forth under "Estimated annual expenses" above may not be informative because Allied Capital is internally managed and Ares Capital is externally managed. The pro forma combined company estimated annual expenses are consistent with the information presented in the unaudited pro forma condensed consolidated financial statements included in this document. See "Unaudited Pro Forma Condensed Consolidated Financial Data" in this document and in the Proxy Statement.
- (5) Ares Capital is externally managed by its investment adviser, Ares Capital Management. Following completion of the merger, the combined company will continue to be externally managed by Ares





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Capital Management and the pro forma combined company management fee has been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. Ares Capital's management fee is currently 1.5% of its total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, Ares Capital has assumed that it maintains no cash or cash equivalents and that the management fee remains at 1.5% as set forth in its current investment advisory and management agreement. Ares Capital may from time to time decide it is appropriate to change the terms of such agreement. Under the Investment Company Act, any material change to its investment advisory and management agreement must be submitted to its stockholders for approval. The 2.76% reflected for Ares Capital in the table is calculated on Ares Capital's net assets (rather than its total assets). The 2.74% reflected for the pro forma combined company in the table is calculated on its net assets (rather than its total assets). Net assets is defined as total assets less indebtedness and before taking into account any incentive fees payable during the period. See "Management of Ares Capital Investment Advisory and Management Agreement" in the Proxy Statement.

(6)

This item represents Ares Capital's investment adviser's incentive fees based on actual amounts earned for the year ended December 31, 2009. It also assumes 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. The combined company may have capital gains and interest income that could result in the payment of an incentive fee to its investment adviser in the first year after completion of the merger. Since its inception, the average quarterly incentive fee payable to its investment adviser has been approximately 0.63% of its weighted net assets (2.54% on an annualized basis). The pro forma combined company incentive fees have been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. For more detailed information about incentive fees previously incurred by Ares Capital, please see Note 3 to its consolidated financial statements for the period ended December 31, 2009 in the Ares Capital 10-K.

The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20% of Ares Capital's pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 2.00% quarterly (8% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, Ares Capital's investment adviser receives no incentive fee until Ares Capital's net investment income equals the hurdle rate of 2.00% but then receives, as a "catch-up," 100% of its 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 2.50%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.50% in any calendar quarter, Ares Capital's investment adviser will receive 20% of its pre-incentive fee net investment income as if a hurdle rate did not apply.

The second part, payable annually in arrears for each calendar year, equals 20% of Ares Capital's 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.

Ares Capital will defer cash payment of any incentive fee otherwise earned by its 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 (1) its aggregate distributions to its stockholders and (2) its 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 its net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. See

"Management of Ares Capital Investment Advisory and Management Agreement" in the Proxy Statement.

(7)

"Interest payments on borrowed funds" represents interest expenses and credit facility expenses incurred for the year ended December 31, 2009. During the year ended December 31, 2009, Allied Capital's average borrowings were \$1.8 billion and cash paid for interest expense was \$158 million and Ares Capital's average borrowings were \$870 million and cash paid for interest expense was \$20 million. Allied Capital had outstanding borrowings of \$1.6 billion at December 31, 2009. Ares Capital had outstanding borrowings of \$767.9 million at December 31, 2009. The amount of leverage that Allied Capital or Ares Capital may employ at any particular time will depend on, among other things, Allied Capital and Ares Capital's boards of directors' and, in the case of Ares Capital, its investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Ares Capital Ares Capital borrows money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with Ares Capital" in the Proxy Statement. See "Risk Factors Risks Relating to Allied Capital Allied Capital's use of leverage magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in Allied Capital" in the Proxy Statement.

(8)

This is based on the assumption that borrowings and interest costs after the merger will remain the same as those costs prior to the merger. Ares Capital and Allied Capital expect that as a result of completed asset sales, debt repayments and refinancings the combined company's interest payments on borrowed funds in the first year following the merger will be less than the amounts used in the pro forma combined estimate and, accordingly, that estimated total expenses will be lower than as reflected in the pro forma combined estimate as of December 31, 2009.

(9)

Includes overhead expenses, including, in the case of Ares Capital, payments under its administration agreement based on its allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under such administration agreement. In the case of Allied Capital, such expenses are based on employee, employee stock options and administrative expenses for the year ended December 31, 2009. In the case of Ares Capital, such expenses are based on "Other expenses" for the year ended December 31, 2009. See "Management of Ares Capital Administration Agreement" in the Proxy Statement. For the pro forma combined company, "Other expenses" were based on the amount indicated in the unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2009. The holders of shares of Allied Capital and Ares Capital common stock (and not the holders of their debt securities or preferred stock, if any) indirectly bear the cost associated with their annual expenses.

(10)

With respect to "Acquired fund fees and expenses," Allied Capital and Ares Capital stockholders indirectly bear the expenses of underlying investment companies managed by third parties in which Allied Capital and Ares Capital invest. This amount includes the fees and expenses of investment companies in which Allied Capital or Ares Capital is invested as of December 31, 2009. Certain of these investment companies 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 investment companies. For those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of Allied Capital's average net assets used in calculating this percentage was based on average net assets of \$1.3 billion for the year ended December 31, 2009. The amount of Ares Capital's average net assets used in

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calculating this percentage was based on average net assets of \$1.1 billion for the year ended December 31, 2009.

(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. Allied Capital and Ares Capital borrow money to leverage and increase their 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 Allied Capital, Ares Capital or, following the merger, the combined company's common stock. In calculating the following expense amounts, each of Allied Capital and Ares Capital has assumed that it would have no additional leverage, that none of its assets are cash or cash equivalents and that its annual operating expenses would remain at the levels set forth in the table above. Transaction expenses related to the merger are not included in the following example.

	1 year	3 years	5 years	10 years
<b>You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return in(1):</b>				
Allied Capital	\$ 208	\$ 595	\$ 948	\$ 1,699
Ares Capital	\$ 67	\$ 199	\$ 325	\$ 628
The <i>pro forma</i> combined company following the merger	\$ 146	\$ 398	\$ 603	\$ 967

(1)

The above illustration assumes that Allied Capital, Ares Capital and, following the merger, the combined company will not realize any net capital gains computed net of all realized capital losses and unrealized capital depreciation. In the case of Ares Capital, 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, \$77; 3 years, \$227; 5 years, \$370; and 10 years, \$699. In the case of the pro forma combined company following the merger, 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, \$156; 3 years, \$424; 5 years, \$641; and 10 years, \$1,019. 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) Ares Capital's aggregate distributions to its stockholders and (b) its 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 8.0% of its net assets 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 Allied Capital, Ares Capital or, following the merger, the combined company's common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, performance will vary and may result in a return greater or less than 5%. In the case of Ares Capital, 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 Ares Capital were to achieve sufficient returns on its investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, its expenses, and returns to its investors, would be higher.

In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if Ares Capital's board of directors authorizes and Ares Capital declares a cash dividend, participants in its dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of its common stock determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of Ares Capital common stock at the close of trading on the valuation date for the dividend. See "Ares Capital Dividend Reinvestment Plan" in the Proxy Statement for additional information regarding Ares Capital's dividend reinvestment plan.

**This example and the expenses in the table above should not be considered a representation of Allied Capital, Ares Capital or, following the merger, the combined company's future expenses as actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

**Unaudited Selected Pro Forma Consolidated Financial Data**

**The following information supplements the information provided in "Unaudited Selected Pro Forma Consolidated Financial Data" on page 79 of the Proxy Statement:**

The following tables set forth unaudited pro forma condensed consolidated financial data for Ares Capital and Allied Capital as a consolidated entity. The information as of December 31, 2009 is presented as if the merger had been completed on December 31, 2009 and after giving effect to certain transactions that occurred subsequent to December 31, 2009. The unaudited pro forma condensed consolidated operating data for the year ended December 31, 2009 is presented as if the merger had been completed on January 1, 2009. In the opinion of management, all adjustments necessary to reflect the effect of these transactions have been made. The merger will be accounted for under the acquisition method of accounting as provided by Accounting Standards Codification ("ASC") 805-10 (previously Statement of Financial Accounting Standards ("SFAS") No. 141(R)), *Business Combinations*.

The unaudited pro forma condensed consolidated financial data should be read together with the respective historical audited and unaudited consolidated financial statements and financial statement notes of Allied Capital and Ares Capital in the Allied Capital 10-K and the Ares Capital 10-K, respectively, and the Proxy Statement. The unaudited pro forma condensed consolidated financial data is presented for comparative purposes only and does not necessarily indicate what the future operating results or financial position of Ares Capital will be following completion of the merger. The unaudited pro forma condensed consolidated financial data does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the merger or any future merger related restructuring or integration expenses.

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

	<b>For the Year Ended December 31, 2009</b>
Total Investment Income	\$ 563,958
Total Expenses	373,164
Net Investment Income Before Income Taxes	190,794
Income Tax Expense	6,152
Net Investment Income	184,642
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	(507,774)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ (323,132)

	<b>As of December 31, 2009</b>
Total Assets	\$ 4,245,361
Total Debt	\$ 1,758,097
Total Stockholders' Equity	\$ 2,321,128

**Unaudited Pro Forma Per Share Data**

**The following information supplements the information provided in "Unaudited Pro Forma Per Share Data" on page 80 of the Proxy Statement:**

The following selected unaudited pro forma combined per share information for the year ended December 31, 2009 reflects the merger and related transactions as if they had occurred on January 1, 2009. The unaudited pro forma combined net asset value per common share outstanding reflects the merger and related transactions as if they had occurred on December 31, 2009 and certain other transactions that occurred subsequent to December 31, 2009.

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 Financial Statements." This unaudited pro forma combined per share information is provided for illustrative purposes only and is not necessarily indicative of what the operating results or financial position of Ares Capital or Allied Capital would have been had the merger and related transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position.

The following should be read in connection with the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements" in this document and in the Proxy Statement and other information included in or incorporated by reference into the Proxy Statement.

	As of and For the Year Ended December 31, 2009				
	Ares Capital	Allied Capital	Pro forma Combined	Ares	Per Equivalent Allied Share(3)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:					
Basic	\$ 1.99	\$ (2.91)	\$ (2.02)	\$ (2.02)	\$ (0.66)
Diluted	\$ 1.99	\$ (2.91)	\$ (2.02)	\$ (2.02)	\$ (0.66)
Cash Dividends Declared(1)	\$ 1.47	\$	\$	\$ 1.47	\$ 0.48
Net Asset Value per Share(2)	\$ 11.44	\$ 6.68	\$ 13.78	\$ 13.78	\$ 4.48

- (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 pro forma combined net asset value per share is computed by dividing the pro forma combined net assets as of December 31, 2009 by the pro forma combined number of shares outstanding.
- (3) The Allied Capital equivalent pro forma per share amount is calculated by multiplying the pro forma combined per share amounts by the common stock exchange ratio of 0.325.

**Unaudited Pro Forma Condensed Consolidated Financial Statements**

**The following information supplements the information provided in "Unaudited Pro Forma Condensed Consolidated Financial Statements" on pages 89 through 116 of the Proxy Statement and in "Accounting Treatment" on page 173 of the Proxy Statement:**

The merger agreement provides that the holders of Allied Capital common stock will be entitled to receive 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock held by them immediately prior to the effective time. This is estimated to result in approximately 58.5 million shares of Ares Capital common stock being issued in connection with the merger (assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out). The unaudited pro forma condensed consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of both Allied Capital and Ares Capital, which are included in the Allied Capital 10-K and the Ares Capital 10-K, respectively, and the Proxy Statement. See "Financial Statements and Supplementary Data" in the Allied Capital 10-K, "Index to Consolidated Financial Statements" in the Ares Capital 10-K and "Index to Financial Statements" in the Proxy Statement.

The following unaudited pro forma condensed consolidated financial information and explanatory notes illustrate the effect of the merger on Ares Capital's financial position and results of operations based upon the companies' respective historical financial positions and results of operations under the acquisition method of accounting with Ares Capital treated as the acquirer.

In accordance with GAAP, the assets and liabilities of Allied Capital will be recorded by Ares Capital at their estimated fair values as of the date the merger is completed. The unaudited pro forma condensed consolidated financial information of Ares Capital and Allied Capital reflects the unaudited pro forma condensed consolidated balance sheet as of December 31, 2009 and the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2009. The unaudited pro forma condensed consolidated balance sheet as of December 31, 2009 assumes the acquisition took place on that date. The unaudited pro forma condensed consolidated income statement for the year ended December 31, 2009 assumes the acquisition took place on January 1, 2009. The unaudited pro forma condensed consolidated balance sheet also reflects the impact of certain transactions that occurred subsequent to December 31, 2009.

*The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position 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. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed consolidated financial information, the allocation of the pro forma purchase price reflected in the unaudited pro forma condensed consolidated financial information involves estimates, is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the merger.*



## Ares Capital Corporation and Subsidiaries

## Pro Forma Condensed Consolidated Balance Sheet

As of December 31, 2009

Unaudited

(in thousands, except share and per share data)

	Ares Capital	Adjusted Allied Capital (A)*	Pro Forma Adjustments	Ares Capital Pro Forma Combined
<b>Assets and Liabilities Data:</b>				
Investments	\$ 2,171,814	\$ 1,975,046	\$ (140,587) B*	\$ 4,006,273
Cash and cash equivalents	99,227	138,418	(45,086) C (107,013) B	85,546
Other assets	42,474	124,698	(13,630) B	153,542
Total assets	\$ 2,313,515	\$ 2,238,162	\$ (306,316)	\$ 4,245,361
Debt	\$ 969,465	\$ 995,544	\$ (111,115) B (95,797) B	\$ 1,758,097
Other liabilities	86,162	41,284	38,690 B	166,136
Total liabilities	1,055,627	1,036,828	(168,222)	1,924,233
Stockholders' equity	1,257,888	1,201,334	(140,587) B (45,086) C (49,906) B (13,630) B 111,115 B	2,321,128
Total liabilities and stockholders' equity	\$ 2,313,515	\$ 2,238,162	\$ (306,316)	\$ 4,245,361
Total shares outstanding	109,944,674	179,940,040	58,480,513 I	168,425,187
Net assets per share	\$ 11.44	\$ 6.68	\$ (2.40)	\$ 13.78

\*

Please see Note 3 of the accompanying notes to pro forma condensed consolidated financial statements on page 33.

## Ares Capital Corporation and Subsidiaries

## Pro Forma Condensed Consolidated Income Statement

For the Year Ended December 31, 2009

Unaudited

(in thousands, except share and 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	\$ 229,169	\$ 290,986	\$ D*	\$ 520,155
Fees and other income	16,103	27,700		43,803
Total investment income	245,272	318,686		563,958
Interest and credit facility fees	24,262	171,068	E	195,330
Base management fees	30,409		43,039 F	73,448
Incentive management fees	33,332		G	33,332
Other expenses	23,287	86,479	(38,711) H	71,055
Total expenses	111,290	257,547	4,327	373,164
Net investment income before taxes	133,982	61,139	(4,327)	190,794
Income tax expense	576	5,576		6,152
Net investment income	133,406	55,563	(4,327)	184,642
Net realized gains (losses)	(45,963)	(361,128)		(407,091)
Net unrealized gains (losses)	88,707	(176,689)		(87,982)
Net realized and unrealized gains (losses)	42,744	(537,817)		(495,073)
Gain on extinguishment of debt	26,543	83,532		110,075
Loss on extinguishment of debt		(122,776)		(122,776)
Net increase (decrease) in stockholders' equity	\$ 202,693	\$ (521,498)	\$ (4,327)	\$ (323,132)
Weighted average shares outstanding	101,719,800	178,994,228	58,480,513 I	160,200,313
Earnings (loss) per share	\$ 1.99	\$ (2.91)	\$ (0.07)	\$ (2.02)

\*

Please see Note 3 of the accompanying notes to pro forma condensed consolidated financial statements on page 33.

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Ares Capital Corporation

Pro Forma Schedule of Investments

As of December 31, 2009

Unaudited

(Dollar Amounts in Thousands)

Company	Description	Investment	Ares Capital		Allied Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Financial</b>								
AGILE Fund I, LLC(4)	Investment company	Member interest			\$ 637	\$ 449	\$ 637	\$ 449
AllBridge Financial, LLC(4)	Investment company	Senior secured loan (6.3%, due 4/10)			1,500	1,500	1,500	1,500
		Common equity			40,118	15,805	40,118	15,805
BB&T Capital Partners/Windsor Mezzanine Fund, LLC(5)	Investment company	Member interest			11,789	10,379	11,789	10,379
Callidus Capital Corporation(4)	Investment company	Senior subordinated note (18.0%, due 8/13)(2)			21,782	19,108	21,782	19,108
		Common stock (100 shares)						
		Guaranty (\$3,189)						
Callidus Debt Partners CDO Fund I, Ltd.	Investment company	Class C notes (12.9%, due 12/13)(3)			19,527	2,163	19,527	2,163
		Class D notes (17.0%, due 12/13)(3)			9,454		9,454	
Callidus Debt Partners CLO Fund III, Ltd.	Investment company	Preferred stock (23,600,000 shares)			20,138	4,112	20,138	4,112
Callidus Debt Partners CLO Fund IV, Ltd.	Investment company	Class D notes (4.8%, due 4/20)			2,206	1,710	2,206	1,710
		Income notes (0.0%)			14,859	5,433	14,859	5,433
Callidus Debt Partners CLO Fund V, Ltd.	Investment company	Income notes (1.4%)			13,432	5,012	13,432	5,012
Callidus Debt Partners CLO Fund VI, Ltd.	Investment company	Class D notes (6.3%, due 10/21)			7,809	4,256	7,809	4,256
		Income notes (0.0%)			29,144	4,978	29,144	4,978
Callidus Debt Partners CLO Fund VII, Ltd.	Investment company	Income notes (0.0%)			24,824	7,148	24,824	7,148
Callidus MAPS CLO Fund I LLC	Investment company	Class E notes (5.8%, due 12/17)			17,000	11,695	17,000	11,695
		Income notes (0.0%)			38,509	14,119	38,509	14,119
Callidus MAPS CLO Fund II, Ltd.	Investment company	Class D notes (4.5%, due 7/22)			3,880	3,215	3,880	3,215
		Income notes (2.5%)			17,824	6,310	17,824	6,310

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Carador PLC(5)	Investment company	Ordinary shares (7,110,525 shares)	\$ 9,033	\$ 2,489		9,033	2,489
Catterton Partners VI, L.P.	Investment partnership	Limited partnership interest			3,327	2,014	3,327
CIC Flex, LP	Investment partnership	Limited partnership units (0.69 units)	41	41			41
Ciena Capital LLC(4)	Investment banking services	Senior secured loan (5.5%, due 3/09)(3)			319,031	100,051	319,031
		Class B equity interest			119,436		119,436
		Class C equity interest			109,097		109,097
		Guaranty (\$5,000)					

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Company	Description	Investment	Ares Capital		Allied Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated note (15.0%, due 6/15)			21,970	21,970	21,970	21,970
		Preferred stock (64,679 shares)			15,543	6,005	15,543	6,005
		Warrants						
Cortec Group Fund IV, L.P.	Investment partnership	Limited partnership interest			6,390	3,917	6,390	3,917
Covestia Capital Partners, LP	Investment partnership	Limited partnership units	1,059	1,059			1,059	1,059
Direct Capital Corporation(4)	Commercial equipment finance and leasing company	Senior secured loan (8.0%, due 1/14)(3)			8,175	8,744	8,175	8,744
		Senior subordinated note (16.0%, due 3/13)(3)			55,496	6,797	55,496	6,797
		Common stock (2,317,020 shares)			25,732		25,732	
Dryden XVIII Leveraged Loan 2007 Limited	Investment company	Class B notes (4.8%, due 10/19)(3)			7,497	2,115	7,497	2,115
		Income notes (0.0%)			23,164	2,427	23,164	2,427
Dynamic India Fund IV	Investment company	Common equity			9,350	8,224	9,350	8,224
eCentury Capital Partners, L.P.	Investment partnership	Limited partnership interest			7,274		7,274	
Fidus Mezzanine Capital, L.P.	Investment partnership	Limited partnership interest			14,720	9,921	14,720	9,921
Financial Pacific Company(4)	Commercial property and casualty insurance provider	Senior subordinated loan (17.0%, due 2/12)(2)			58,870	34,780	58,870	34,780
		Junior subordinated loan (20.0% due 8/12)(2)			10,010		10,010	
		Preferred stock (9,458 shares)			8,865		8,865	
		Common stock (12,711 shares)			12,783		12,783	
Firstflight Financial Corporation(5)	Investment company	Senior subordinated note (1.0%, due 12/16)(2)	73,032	54,808			73,032	54,808
		Common stock (40,000 shares)	40,000				40,000	
HCI Equity, LLC(4)	Investment company	Member interest			1,100	877	1,100	877
Ivy Hill Asset Management, L.P.(4)	Investment manager	Member interest	37,176	48,321			37,176	48,321
Ivy Hill Middle Market Credit Fund, Ltd.(4)	Investment company	Class B deferrable interest notes (6.3%, due 11/18)	40,000	36,800			40,000	36,800
		Subordinated notes (18.0%, due 11/18)	15,681	14,583			15,681	14,583
Imperial Capital Group, LLC and Imperial	Investment banking services	Limited partnership interest	6,094	5,663			6,094	5,663
Capital Private Opportunities, LP(5)		Common units (10,551 units)	15,000	18,403			15,000	18,403

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Knightsbridge CLO 2007-1 Ltd.(4)	Investment company	Class E notes (9.3%, due 1/22)	18,700	11,360	18,700	11,360
		Income notes (4.4%)	39,174	16,220	39,174	16,220
Knightsbridge CLO 2008-1 Ltd.(4)	Investment company	Class C notes (7.8%, due 6/18)	12,800	12,289	12,800	12,289
		Class D notes (8.8%, due 6/18)	8,000	7,160	8,000	7,160
		Class E notes (5.3%, due 6/18)	11,291	10,091	11,291	10,091
		Income notes (20.8%)	21,893	20,637	21,893	20,637
Kodiak Fund LP	Investment partnership	Limited partnership interest	9,323	1,917	9,323	1,917
Novak Biddle Venture Partners III, L.P.	Investment partnership	Limited partnership interest	2,018	1,070	2,018	1,070
Pangaea CLO 2007-1 Ltd.	Investment company	Class D notes (5.0%, due 1/21)	12,119	6,651	12,119	6,651
Partnership Capital Growth Fund I, LP	Investment partnership	Limited partnership interest	3,045	3,045	3,045	3,045

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Company	Description	Investment	Ares Capital		Allied Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
SPP Mezzanine Funding II, L.P.	Investment partnership	Limited partnership interest			7,476	7,145	7,476	7,145
Senior Secured Loan Fund LLC(4)	Investment partnership	Subordinated certificates (16.2%, due 12/15)	165,000	165,000			165,000	165,000
Trivergence Capital Partners, LP	Investment partnership	Limited partnership interest	2,016	2,016			2,016	2,016
VSC Investors LLC	Investment company	Member interest	648	648			648	648
Webster Capital II, L.P.	Investment partnership	Limited partnership interest			1,742	1,235	1,742	1,235
<b>Total</b>			<b>407,825</b>	<b>352,876</b>	<b>1,276,798</b>	<b>421,009</b>	<b>1,684,623</b>	<b>773,885</b>
<b>Business Services</b>								
BenefitMall Holdings, Inc.	Employee benefits broker services company	Senior subordinated note (18.0%, due 6/14)(2)			40,254	40,254	40,254	40,254
		Common stock (39,274,290 shares) Warrants			39,274	68,822	39,274	68,822
Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior secured loan (7.5%, due 7/15)	727	741			727	741
		Senior subordinated loan (13.0%, due 7/16)(2)	12,541	12,650			12,541	12,650
CitiPostal Inc.(4)	Document storage and management services	Senior secured revolving loan (3.7%, due 12/13)			683	683	683	683
		Senior secured loan (12.0%, due 12/13)(2)			50,633	50,633	50,633	50,633
		Senior subordinated note (16.0%, due 12/15)(2)			10,685	10,685	10,685	10,685
		Common stock (37,024 shares)			12,726	1,432	12,726	1,432
Cook Inlet Alternative Risk, LLC	Risk management services	Senior secured loan (13.0%, due 4/13)			87,309	62,100	87,309	62,100
		Member interest			552		552	
Digital VideoStream, LLC	Media content supply chain services company	Senior secured loan (11.0%, due 2/12)(2)			12,940	12,811	12,940	12,811
		Convertible subordinated note (10.0%, due 2/16)(2)			5,006	5,006	5,006	5,006
Diversified Mercury Communications, LLC	Business media consulting services	Senior secured loan (6.8%, due 3/13)			2,657	2,391	2,657	2,391
Impact Innovations Group, LLC(4)	Management consulting services	Member interest				215		215
Investor Group Services, LLC(5)	Financial consulting services	Member interest		500				500
					2,450	2,412	2,450	2,412

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Market Track Holdings, LLC	Business media consulting services company	Senior secured revolving loan (8.0%, due 6/14)				
		Junior subordinated loan (15.9%, due 6/14)(2)	24,509	23,680	24,509	23,680
Multi-Ad Services, Inc.(5)	Marketing services and software provider	Senior secured loan (11.3%, due 11/11)	2,485	2,491	2,485	2,491
		Preferred equity	1,737	1,418	1,737	1,418



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Company	Description	Investment	Ares Capital		Allied Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
MVL Group, Inc.(4)	Marketing research provider	Senior secured loan (12.0%, due 7/12)			25,256	25,260	25,256	25,260
		Senior subordinated loan (14.5%, due 7/12)(2)			35,578	34,306	35,578	34,306
		Junior subordinated note (8.0%, due 7/12)(3)			139		139	
		Common stock (560,716 shares)			555		555	
PC Helps Support, LLC	Technology support provider	Senior secured loan (4.3%, due 12/13)			8,092	7,756	8,092	7,756
		Junior subordinated loan (12.8%, due 12/13)			26,633	26,490	26,633	26,490
Pendum Acquisition, Inc.(5)	Outsourced provider of ATM services	Common stock (8,872 shares)				200		200
Pillar Holdings LLC and PHL Holding Co.(5)	Mortgage services	Senior secured revolving loan (5.8%, due 11/13)	1,313	1,313			1,313	1,313
		Senior secured loan (14.5%, due 5/14)	7,375	7,375			7,375	7,375
		Senior secured loan (5.8%, due 11/13)	27,208	27,208			27,208	27,208
		Common stock (84.78 shares)	3,768	7,818			3,768	7,818
Primis Marketing Group, Inc. and Primis Holdings, LLC(5)	Database marketing services	Senior subordinated note (15.5%, due 2/13)(2)(3)	10,222	511			10,222	511
		Preferred units (4,000 units)	3,600				3,600	
		Common units (4,000,000 units)	400				400	
Prommis Solutions LLC, E-Default Statewide Tax and Title Services, LLC	Bankruptcy and foreclosure Services, LLC, and processing services	Senior subordinated note (13.5%, due 2/14)(2)	53,156	53,156			53,156	53,156
		Preferred stock (30,000 shares)	3,000	6,221			3,000	6,221
Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.)								
Promo Works, LLC	Marketing services	Senior secured loan (16.0%, due 12/12)			19,859	12,557	19,859	12,557
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)	250	250			250	250
SGT India Private Limited(5)	Technology consulting services	Common stock (150,596 shares)			4,161		4,161	
Summit Business Media, LLC	Business media consulting services	Junior secured loan (15.0%, due 7/14)(2)(3)	10,018	554			10,018	554
					1,861	2,200	1,861	2,200

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Summit Energy Services, Inc.	Energy management consulting services	Common stock (415,982 shares)					
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest					
VSS-Tranzact Holdings, LLC(5)	Management consulting services	Member interest	10,000	7,850		10,000	7,850
Total			143,578	126,147	416,034	393,802	559,612
<b>Healthcare</b>							
Air Medical Group Holdings LLC(5)	Medical escort services	Senior secured revolving loan (2.8%, due 3/11)			6,056	5,845	6,056
		Preferred stock			2,993	19,500	2,993

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Company	Description	Investment	Ares Capital		Allied Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (8.5%, due 12/10)	902	902			902	902
		Senior secured loan (8.5%, due 12/11)	10,389	10,389			10,389	10,389
Axiom Healthcare Pharmacy, Inc.	Specialty pharmacy provider	Senior subordinated note (8.0%, due 3/15)(2)			3,036	2,641	3,036	2,641
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (13.0%, due 2/16)	42,500	42,500			42,500	42,500
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(5)	Healthcare analysis services	Preferred stock (14.0%, 7,427 shares)(2)	8,467	8,043			8,467	8,043
		Common stock (11,225 shares)	4,000	8,114			4,000	8,114
DSI Renal, Inc.	Dialysis provider	Senior secured revolving loan (7.3%, due 3/11)	7,668	7,285			7,668	7,285
		Senior secured loan (7.3%, due 3/13)	12,591	16,476			12,591	16,476
		Senior subordinated note (16.0%, due 4/14)(2)	80,426	76,791			80,426	76,791
GC Merger Sub I, Inc.	Drug testing services	Senior secured loan (4.3%, due 12/14)	22,379	20,997			22,379	20,997
HCP Acquisition Holdings, LLC(4)	Healthcare compliance advisory services	Class A units (10,044,176 units)	10,044	4,256			10,044	4,256
Heartland Dental Care, Inc.	Dental services	Senior subordinated note (14.3%, due 8/13)(2)	32,717	32,717			32,717	32,717
Insight Pharmaceuticals Corporation(4)	OTC drug products manufacturer	Senior subordinated note (15.0%, due 9/12)(2)			54,385	54,023	54,385	54,023
		Common stock (155,000 shares)			40,413	9,400	40,413	9,400
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior subordinated note (14.8%, due 1/13)(2)	3,363	4,670			3,363	4,670
MPBP Holdings, Inc., Cohr Holdings, Inc., and MPBP Acquisition Co., Inc.	Healthcare equipment services	Senior secured loan (due 1/13)	489	628			489	628
		Junior secured loan (6.5%, due 1/14)	32,049	8,000			32,049	8,000
		Common stock (50,000 shares)	5,000				5,000	
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (6.5%, due 5/12)	5,000	4,350			5,000	4,350
OnCURE Medical Corp.	Radiation oncology care provider	Senior secured loan (3.8%, due 6/12)	3,068	2,761			3,068	2,761
		Senior subordinated note (12.5%, due 8/13)(2)	32,664	29,378			32,664	29,378
			3,000	3,000			3,000	3,000

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		Common stock (857,143 shares)				
Passport Health Communications, Inc.,	Healthcare technology provider	Senior secured loan (10.5%, due 5/14)	24,346	24,346	24,346	24,346
Passport Holding Corp. and Prism Holding Corp.		Series A preferred stock (1,594,457 shares)	9,900	9,900	9,900	9,900
		Common stock (16,106 shares)	100	100	100	100
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated note (12.5%, due 3/16)	3,938	4,000	3,938	4,000
		Preferred stock (333 shares)	333	333	333	333
		Common stock (16,667 shares)	167	167	167	167

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Company	Description	Investment	Ares Capital		Allied Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Reed Group, Ltd.	Medical disability management	Senior secured loan (6.0%, due 12/13)			11,903	10,186	11,903	10,186
	services provider	Senior subordinated loan (15.8%, due 12/13)(2)			19,199	15,260	19,199	15,260
		Common equity			1,800	28	1,800	28
Regency Healthcare Group, LLC(5)	Hospice provider	Preferred member interest			1,302	1,898	1,302	1,898
The Schumacher Group of Delaware, Inc.	Outsourced physician service provider	Senior subordinated note (12.1%, due 7/13)(2)	36,172	36,138			36,172	36,138
Soteria Imaging Services, LLC(5)	Outpatient medical imaging provider	Junior secured loan (11.3%, due 11/10)			4,216	4,210	4,216	4,210
		Preferred member interest			1,881	1,279	1,881	1,279