

ARES CAPITAL CORP
Form 497
January 20, 2012

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**Filed pursuant to Rule 497
Registration No. 333-174716**

The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This prospectus supplement 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
Preliminary Prospectus Supplement dated January 19, 2012**

PROSPECTUS SUPPLEMENT

(To prospectus dated October 28, 2011)

14,280,000 Shares

Common Stock

We are offering for sale 14,280,000 shares of our common stock.

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 and the rules and regulations promulgated thereunder. 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 \$46 billion of total committed capital under management as of December 31, 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 January 19, 2012, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$16.09 per share. The net asset value per share of our common stock at September 30, 2011 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$15.13.

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

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This prospectus supplement and the accompanying prospectus concisely provide important information about us that you should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus 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. The SEC also maintains a website at www.sec.gov that contains this information. The information on the websites referred to herein is not incorporated by reference into this prospectus supplement and the accompanying prospectus.

The underwriters have agreed to purchase the common stock from us at a price of \$ _____ per share, which will result in \$ _____ of proceeds to us before expenses. The underwriters may offer the shares of common stock from time to time for sale in one or more transactions on the NASDAQ Global Select Market, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

The underwriters may also purchase up to an additional 2,142,000 shares of our common stock from us at the price per share set forth above within 30 days of the date of this prospectus supplement.

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

The shares will be ready for delivery on or about _____, 2012.

Joint Book-Running Managers

BofA Merrill Lynch

Morgan Stanley

The date of this prospectus supplement is _____, 2012.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters 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, and the underwriters 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 supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement or such prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

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FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus supplement and the accompanying 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 supplement 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 Corporation, including rotating out of certain investments acquired in connection therewith;

our ability to recover unrealized losses;

our ability to successfully invest any capital raised in this offering;

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;

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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

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implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" in the accompanying prospectus and the other information included in this prospectus supplement or the accompanying prospectus.

The forward-looking statements included in this prospectus supplement and the accompanying prospectus have been based on information available to us as of their respective dates, 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 supplement and the accompanying prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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THE COMPANY

This summary highlights some of the information contained elsewhere in this prospectus supplement and the accompanying 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" in the accompanying prospectus and the other information included in this prospectus supplement and the accompanying 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" refers to Ares Operations LLC; and "Ares" and "Ares Management" refer to Ares Management LLC 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 or the accompanying prospectus, financial information presented herein and in the accompanying prospectus for and as of periods ended 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 or the accompanying prospectus, financial information for the year ended December 31, 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.

Ares Capital

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, and the rules and regulations promulgated thereunder, 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 \$15 billion of total committed capital under management as of December 31, 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 \$46 billion of total committed capital under management as of December 31, 2011. Ares Operations, 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 supplement, we generally use the term "middle-market" to refer to companies with annual EBITDA between \$10 million and \$250 million. As used herein, EBITDA means 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. 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 sizes 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 and controlled portfolio company 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 investment opportunities. 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 210 investment professionals and approximately 240 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 September 30, 2011, our realized gains have exceeded our realized losses by \$155.6 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, we have exited 167 investments, resulting in an aggregate cash flow realized internal rate of return to us of approximately 16% (based on original cash invested of \$4.3 billion and total proceeds from such exits of \$5.3 billion). Approximately 77% 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" in the accompanying prospectus. Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies outside of the United States, entities that are operating pursuant to certain exceptions to the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for in the Investment Company Act.

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, as of September 30, 2011, had approximately \$5.1 billion of available capital, approximately \$3.7 billion in aggregate principal amount of which was funded as of September 30, 2011. At September 30, 2011, we had agreed to make available to the SSLP approximately \$1.0 billion, of which approximately \$174 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. See "Recent Developments" for information regarding an increase in the size of the SSLP subsequent to September 30, 2011.

We also manage an unconsolidated fund, AGILE Fund I, LLC (the "AGILE Fund"), which had approximately \$62 million of total committed capital under management as of December 31, 2011.

In addition, our portfolio company, IHAM, manages 10 unconsolidated credit vehicles and sub-manages four other unconsolidated credit vehicles (these 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" in the accompanying prospectus. We have also made direct investments in securities of certain of these vehicles. As of December 31, 2011, IHAM had total committed capital under management of approximately \$3.4 billion, which included approximately \$0.3 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 \$46 billion of total committed capital under management and approximately 450 employees as of December 31, 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., Ares Mezzanine Partners, L.P., Ares' private debt middle-market financing business in Europe, Ares Capital Europe ("ACE"), as well as the Ares Commercial Real Estate group, which together had approximately \$18.5 billion of total committed capital under management as of December 31, 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 \$22.2 billion of total committed capital under management as of December 31, 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 \$5.6 billion of total committed capital under management as of December 31, 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 70 U.S.-based investment professionals led by U.S.-based

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senior partners of the Ares Private Debt Group: Michael Arougheti, Eric Beckman, Kipp deVeer, Mitchell Goldstein and Michael Smith. 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 210 investment professionals covering current investments in more than 1,100 companies across over 30 industries. Ares Capital Management's investment committee has eight members, including senior partners in the Ares Private Debt Group, senior partners in the Ares Private Equity Group and a senior adviser in the Ares Capital Markets Group.

Recent Developments

In October 2011, Ares Capital and Ares Capital CP Funding LLC ("Ares Capital CP"), a wholly owned subsidiary of Ares Capital, amended the Revolving Funding Facility (as defined herein) to, among other things, increase the commitment size from \$400 million to \$500 million.

In October 2011, the total available capital for the Senior Secured Loan Program was increased from \$5.1 billion to \$7.7 billion. In connection with this increase, GE and Ares Capital agreed to make available to the SSLP up to \$6.2 billion and \$1.5 billion, respectively.

From October 1, 2011 through December 31, 2011, we made new investment commitments of \$853 million, of which \$823 million were funded. Of these new commitments, 55% were in first lien senior secured debt, 30% were in investments in subordinated certificates of the SSLP, 9% were in second lien senior secured debt, 4% were in senior subordinated debt, and 2% were in equity securities. Of the \$853 million of new investment commitments, 94% were floating rate, 4% were fixed rate, and 2% were non-interest bearing. The weighted average yield of debt and income producing securities funded during the period at amortized cost was 12.5%. 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.

From October 1, 2011 through December 31, 2011, we exited \$688 million of investment commitments. Of these investment commitments, 78% were in first lien senior secured debt, 7% were in second lien senior secured debt, 5% were in senior subordinated debt, 5% were in collateralized loan obligations, and 5% were in equity and other securities. Of the \$688 million of exited investment commitments, 84% were floating rate investments, 7% were on non-accrual status, 5% were fixed rate investments, and 4% were non-interest bearing. The weighted average yield of debt and income producing securities exited or repaid during the period at amortized cost was 9.5%. On the \$688 million of investment commitments exited from October 1, 2011 through December 31, 2011, we recognized total net realized losses of approximately \$5 million. Included within the \$688 million of investment commitments exited from October 1, 2011 through December 31, 2011 were \$92 million of investment commitments acquired as part of the Allied Acquisition. We recognized net realized gains of approximately \$2 million on the investments exited that were acquired as part of the Allied Acquisition.

In addition, as of December 31, 2011, we had an investment backlog and pipeline of \$170 million and \$215 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.

In January 2012, Ares Capital and Ares Capital CP amended the Revolving Funding Facility to, among other things, (i) extend the reinvestment period by one year to January 18, 2015, (ii) extend the

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maturity date by one year to January 18, 2017, and (iii) replace the pricing grid with an applicable spread over LIBOR of 2.50% and an applicable spread over "base rate" of 1.50%.

Recently, Ares Capital formed Ares Capital JB Funding LLC ("ACJB LLC"), a wholly owned subsidiary of Ares Capital, through which Ares Capital and ACJB LLC have been in negotiations to establish a revolving funding facility (the "New Funding Facility") by entering into a Loan and Servicing Agreement (the "Loan and Servicing Agreement") currently being negotiated with a large international bank. If the transaction is closed as it is currently proposed, the New Funding Facility will allow ACJB LLC to borrow up to \$200 million. In connection with the possible New Funding Facility, we expect to enter into a Purchase and Sale Agreement with ACJB LLC pursuant to which we may sell to ACJB LLC certain loans that we have originated or acquired (the "New Loans") from time to time. The obligations of ACJB LLC under the New Funding Facility as proposed will be secured by all of the assets held by ACJB LLC, including the New Loans sold or transferred by Ares Capital to ACJB LLC. It is anticipated that the New Funding Facility will be a revolving funding facility with a three year reinvestment period and an eight year final maturity date and that the reinvestment period and final maturity are both expected to be subject to two one-year extensions by mutual agreement.

Subject to certain exceptions and as currently proposed, we expect that the interest charged on the New Funding Facility will be based on LIBOR plus 2.125% (with no floor) or a "base rate" (which is the greater of a prime rate and the federal funds rate plus 0.50%) plus 1.125% (with no floor). Neither Ares Capital nor ACJB LLC has entered into the New Funding Facility yet and there can be no assurance that the New Funding Facility will be consummated on the terms described above, if at all. To the extent the New Funding Facility is closed, any borrowings will be subject to leverage and borrowing base restrictions consistent with our other facilities. The foregoing description is a summary only and is qualified by the documents anticipated to be entered into in connection with the New Funding Facility, when, as and if executed by Ares Capital, ACJB LLC and the other parties thereto.

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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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 supplement or the accompanying 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.

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid by us	%(1)
Offering expenses	%(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses paid	
	%
Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(4):	
Management fees	2.32%(5)
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)	2.32%(6)
Interest payments on borrowed funds	3.81%(7)
Other expenses	1.16%(8)
Acquired fund fees and expenses	0.01%(9)
Total annual expenses (estimated)	9.62%(10)

-
- (1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering. Because the underwriters may offer the shares from time to time, for the purpose of calculating sales load, we have assumed the underwriters will sell the shares to the public at a price of \$ _____ per share, our closing price on January _____, 2012.
- (2) Amount reflects estimated offering expenses of approximately \$ _____ million and based on the 14,280,000 shares offered in this offering (assuming that the underwriters do not exercise their option to purchase additional shares).
- (3) The expenses of the dividend reinvestment plan are included in "Other expenses."
- (4) "Consolidated net assets attributable to common stock" equals our average net assets for the nine months ended September 30, 2011.
- (5) 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 2.32% reflected on the table is calculated on our average net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement" in the accompanying prospectus.
- (6) 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 nine months ended September 30, 2011 and assumes that the incentive fees earned at the end of the 2011 calendar year will be based on the actual cumulative realized capital gains computed net of cumulative realized capital losses and unrealized capital depreciation as of September 30, 2011. For purposes of this table, we

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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 this offering within three months of the date of this offering 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 this offering. Since our initial public offering through September 30, 2011, the average quarterly incentive fee payable to our investment adviser has been approximately 0.56% of our weighted average net assets (2.24% 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 nine months ended September 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 (the "Capital Gains Fee"), 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 \$28.2 million for the nine months ended September 30, 2011 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 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

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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" in the accompanying prospectus.

- (7) "Interest payments on borrowed funds" represents an estimate of our annualized interest expenses based on actual interest and credit facility expenses incurred for the nine months ended September 30, 2011. During the nine months ended September 30, 2011, our average outstanding borrowings were \$1,670.6 million and cash paid for interest expense was \$66.1 million. We had outstanding borrowings of \$1,899.6 million (with a carrying value of \$1,800.2 million) at September 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 this offering. 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" in the accompanying prospectus.
- (8) Includes our overhead expenses, including payments under our administration agreement with Ares Operations, 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 nine months ended September 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" in the accompanying prospectus.
- (9) 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 September 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 nine months ended September 30, 2011.
- (10) "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.

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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.

	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)	\$	\$	\$	\$

(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, \$; 3 years, \$; 5 years, \$; and 10 years, \$. 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" in the accompanying prospectus 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 the accompanying prospectus. The selected financial and other data for the nine months ended September 30, 2011 and 2010 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 nine months ended September 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 supplement or the accompanying prospectus.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA

As of and For the Nine Months Ended September 30, 2011 and 2010 and
As of and For the Years Ended December 31, 2010, 2009, 2008, 2007 and 2006
(dollar amounts in millions, except per share data and as otherwise indicated)

	As of and For the Nine Months Ended September 30, 2011	As of and For the Nine Months Ended September 30, 2010	As of and For 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	\$ 447.3	\$ 326.2	\$ 483.4	\$ 245.3	\$ 240.4	\$ 188.9	\$ 120.0
Total Expenses	252.8	173.4	262.2	111.3	113.2	94.8	58.4
Net Investment Income Before Income Taxes	194.5	152.8	221.2	134.0	127.2	94.1	61.6
Income Tax Expense (Benefit), Including Excise Tax	4.6	0.4	5.4	0.6	0.2	(0.8)	4.9
Net Investment Income	189.9	152.5	215.8	133.4	127.0	94.9	56.7
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt and Other Assets	11.4	186.6	280.1	69.3	(266.5)	(4.1)	13.0
Gain on the acquisition of Allied Capital Corporation		\$ 195.9	\$ 195.9				
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ 201.3	\$ 534.9	\$ 691.8	\$ 202.7	\$ (139.5)	\$ 90.8	\$ 69.7
Per Share Data:							
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:							
Basic(1)	\$ 0.98	\$ 3.16	\$ 3.91	\$ 1.99	\$ (1.56)	\$ 1.34	\$ 1.58
Diluted(1)	\$ 0.98	\$ 3.16	\$ 3.91	\$ 1.99	\$ (1.56)	\$ 1.34	\$ 1.58
Cash Dividend Declared	\$ 1.05	\$ 1.05	\$ 1.40	\$ 1.47	\$ 1.68	\$ 1.66	\$ 1.64
Net Asset Value	\$ 15.13	\$ 14.43	\$ 14.92	\$ 11.44	\$ 11.27	\$ 15.47	\$ 15.17
Total Assets	\$ 5,045.5	\$ 4,432.2	\$ 4,562.5	\$ 2,313.5	\$ 2,091.3	\$ 1,829.4	\$ 1,348.0
Total Debt (Carrying Value)	\$ 1,800.2	\$ 1,524.1	\$ 1,378.5	\$ 969.5	\$ 908.8	\$ 681.5	\$ 482.0
Total Debt (Principal Value)	\$ 1,899.6	\$ 1,583.3	\$ 1,435.1	\$ 969.5	\$ 908.8	\$ 681.5	\$ 482.0
Total Stockholders' Equity	\$ 3,103.3	\$ 2,778.5	\$ 3,050.5	\$ 1,257.9	\$ 1,094.9	\$ 1,124.6	\$ 789.4
Other Data:							
Number of Portfolio Companies at Period End(2)	141	184	170	95	91	78	60
Principal Amount of Investments Purchased	\$ 2,344.4	\$ 1,089.5	\$ 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	\$ 1,833.8				
Principal Amount of Investments Sold and Repayments	\$ 1,870.2	\$ 1,163.5	\$ 1,555.1	\$ 515.2	\$ 485.3	\$ 718.7	\$ 430.0
Total Return Based on Market Value(3)	7.1%	34.1%	43.6%	119.9%	(45.3)%	(14.8)%	29.1%
Total Return Based on Net Asset Value(4)	6.6%	24.1%	31.6%	17.8%	(11.2)%	9.0%	10.7%

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	As of and For the Nine Months Ended September 30, 2011	As of and For the Nine Months Ended September 30, 2010	As of and For 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
Weighted Average Yield of Debt and Income Producing Equity Securities at Fair Value(5):	11.9%	12.9%	12.9%	12.7%	12.8%	11.7%	12.0%
Weighted Average Yield of Debt and Income Producing Equity Securities at Amortized Cost(5):	11.9%	13.1%	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 has yet to occur.
- (3) Total return based on market value for the nine months ended September 30, 2011 equals the decrease of the ending market value at September 30, 2011 of \$13.77 per share over the ending market value at December 31, 2010 of \$16.48 per share plus the declared dividends of \$1.05 per share for the nine months ended September 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 nine months ended September 30, 2011 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.05 per share for the nine months ended September 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		
	Q3	Q2	Q1
Total investment income	\$ 167,365	\$ 144,307	\$ 135,691
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 108,517	\$ 85,509	\$ 78,764
Incentive compensation	\$ 10,159	\$ 41,746	\$ 30,941
Net investment income before net realized and unrealized gains (losses)	\$ 98,358	\$ 43,763	\$ 47,823
Net realized and unrealized gains (losses)	\$ (57,719)	\$ (6,840)	\$ 75,943
Net increase in stockholders' equity resulting from operations	\$ 40,369	\$ 36,923	\$ 123,766
Basic and diluted earnings per common share	\$ 0.20	\$ 0.18	\$ 0.61
Net asset value per share as of the end of the quarter	\$ 15.13	\$ 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 (decrease) 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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	2008			
	Q4	Q3	Q2	Q1
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 increase (decrease) in stockholders' equity resulting from operations	\$ (110,500)	\$ (41,393)	\$ 3,272	\$ 9,166
Basic and diluted 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 supplement or the accompanying prospectus. 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 supplement and the accompanying prospectus.

See in this prospectus supplement "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 in the accompanying prospectus "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)

	For the Year Ended December 31, 2010
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 supplement and the accompanying prospectus.

See in this prospectus supplement "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 in the accompanying prospectus "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.

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

- (1) 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.
- (2) 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.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 14,280,000 shares of our common stock in this offering will be approximately \$ million (or approximately \$ million if the underwriters fully exercise their option to purchase additional shares), in each case after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We expect to use the net proceeds of this offering to repay outstanding indebtedness under the Revolving Credit Facility (\$395.0 million outstanding as of December 31, 2011) or the Revolving Funding Facility (\$463.0 million outstanding as of December 31, 2011).

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 December 31, 2011, the effective LIBOR spread under the Revolving Credit Facility 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 2.50% or on a "base rate" plus an applicable spread of 1.50%. The effective LIBOR spread under the Revolving Funding Facility as of the date of this prospectus supplement was 2.50%. The Revolving Funding Facility is scheduled to expire on January 18, 2017 (subject to a one-year extension option exercisable upon mutual consent).

Affiliates of the underwriters are lenders under the Revolving Credit Facility. Accordingly, affiliates of the underwriters may receive more than 5% of the proceeds of this offering to the extent such proceeds are used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility.

We intend to use any net proceeds from this offering that are not applied as described above for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective.

Investing in portfolio companies could include investments in our investment backlog and pipeline that, as of December 31, 2011, were approximately \$170 million and \$215 million, respectively. Please note that 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, and there can be no guarantee that we will consummate any of these investments or that we will syndicate any portion of such investments or commitments.

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-qualifying assets, as permitted by the Investment Company Act. As part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies outside of the United States, entities that are operating pursuant to certain exceptions to the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for in the Investment Company Act.

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

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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 common stock may decline. See "Regulation Temporary Investments" in the accompanying prospectus 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 its net asset value per share. It is not possible to predict whether the common stock offered hereby 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" in the accompanying prospectus.

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 January 19, 2012, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$16.09 per share, which represented a premium of approximately 6.3% to the net asset value per share reported by us as of September 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	Value(2)	Value(2)	Share(3)
Year ended December 31, 2009						
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
Year ended December 31, 2010						
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
Year ending December 31, 2011						
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	\$ 15.13	\$ 16.30	\$ 13.07	107.7%	86.4%	\$ 0.35
Fourth Quarter	*	\$ 15.95	\$ 13.26	*	*	\$ 0.36
Year ending December 31, 2012						
First Quarter (through January 19, 2012)	*	\$ 16.09	\$ 15.51	*	*	**

(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:

Date Declared	Record Date	Payment Date	Amount
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
November 8, 2011	December 15, 2011	December 30, 2011	\$ 0.36
Total declared for 2011			\$ 1.41

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To maintain our status as a regulated investment company, or a "RIC," under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), 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

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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 the Code) recognized for the one year period ending on October 31st 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 nine months ended September 30, 2011 we recorded a net excise tax expense of \$4.1 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" in the accompanying prospectus.

Table of Contents**CAPITALIZATION**

The following table sets forth our actual capitalization at September 30, 2011. You should read this table together with "Use of Proceeds" and our most recent balance sheet included elsewhere in this prospectus supplement.

	As of September 30, 2011 (unaudited) (in thousands, except per share data)
	Actual
Cash and cash equivalents	\$ 103,146
Debt(1)	
Revolving Funding Facility	\$ 383,000
Revolving Credit Facility	189,820
Debt Securitization	91,808
February 2016 Convertible Notes	539,394
June 2016 Convertible Notes	215,252
2040 Notes	200,000
2047 Notes	180,938
Total Debt	1,800,212
Stockholders' Equity	
Common stock, par value \$.001 per share, 400,000 common shares authorized, 205,130 issued and outstanding	205
Capital in excess of par value	3,271,595
Accumulated overdistributed net investment income	(36,245)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets	(84,010)
Net unrealized loss on investments and foreign currency transactions	(48,267)
Total stockholders' equity	3,103,278
Total capitalization	\$ 4,903,490

- (1) The above table reflects the carrying value of indebtedness outstanding as of September 30, 2011. As of December 31, 2011, indebtedness under the Revolving Credit Facility and the Revolving Funding Facility was \$395.0 million and \$463.0 million, respectively. The net proceeds from the sale of our common stock in this offering are expected to be used to pay down outstanding indebtedness under the Revolving Credit Facility or the Revolving Funding Facility. See "Use of Proceeds."

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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 and our financial statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus.

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 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

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

Information presented herein as of the three and nine months ended September 30, 2011 and as of the three and nine months ended September 30, 2010 includes the results of operations and financial condition of the combined company following the Allied Acquisition unless otherwise indicated in the footnotes.

PORTFOLIO AND INVESTMENT ACTIVITY

The Company's investment activity for the three months ended September 30, 2011 and 2010 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	For the three months ended	
	September 30, 2011	September 30, 2010
New investment commitments(1):		
New portfolio companies	\$ 418.7	\$ 39.5
Existing portfolio companies(2)	1,011.1	472.3
Total new investment commitments	1,429.8	511.8
Less:		
Investment commitments exited(3)	971.8	230.7
Net investment commitments	\$ 458.0	\$ 281.1
Principal amount of investments funded:		
Senior term debt	\$ 933.1	\$ 236.0
Senior subordinated debt		40.4
Subordinated Certificates of the Senior Secured Loan Fund LLC (the "SSLP")(4)	56.4	209.9
Equity and other	142.2	23.0
Total	\$ 1,131.7	\$ 509.3
Principal amount of investments sold or repaid excluding investments acquired as part of the Allied Acquisition:		
Senior term debt	\$ 621.8	\$ 74.7
Senior subordinated debt	123.4	56.5
Equity and other	69.7	0.1
Total	\$ 814.9	\$ 131.3
Principal amount of investments acquired as part of the Allied Acquisition sold or repaid:		
Senior term debt	\$ 60.8	\$ 90.5
Senior subordinated debt	35.3	5.0
Collateralized loan obligations		2.5
Equity and other	13.6	1.4
Total	\$ 109.7	\$ 99.4
Number of new investment commitments(5)	20	19
Average new investment commitment amount	\$ 71.5	\$ 26.9
Weighted average term for new investment commitments (in months)(7)	62	57
Percentage of new investment commitments at floating rates	96%	44%
Percentage of new investment commitments at fixed rates	4%	51%

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(dollar amounts in millions)	For the three months ended	
	September 30, 2011	September 30, 2010
Weighted average yield of debt and income producing securities(6)(7):		
Funded during the period at fair value	9.9%	13.0%
Funded during the period at amortized cost	10.0%	13.1%
Exited or repaid during the period at fair value(8)	9.9%	13.2%
Exited or repaid during the period at amortized cost	9.9%	13.2%
Weighted average yield of debt and income producing securities acquired as part of the Allied Acquisition(6):		
Exited or repaid during the period at fair value	15.5%	13.3%
Exited or repaid during the period at amortized cost	13.1%	13.2%

- (1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.
- (2) Includes investment commitments to the SSLP of \$56.4 million and \$209.9 million for the three months ended September 30, 2011 and 2010, respectively.
- (3) Investment commitments exited for the three months ended September 30, 2011 and 2010 include \$105.3 million and \$99.1 million, respectively, of investment commitments acquired in connection with the Allied Acquisition.
- (4) See Notes 4 and 17 to our consolidated financial statements for the three and nine months ended September 30, 2011 for more detail on the SSLP.
- (5) Number of new investment commitments represents each commitment to a particular portfolio company.
- (6) "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.
- (7) Excludes investment commitments acquired as part of the Allied Acquisition on April 1, 2010.
- (8) Represents fair value as of the most recent quarter end.

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

(in millions)	As of			
	September 30, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior term debt	\$ 2,587.4	\$ 2,547.1	\$ 1,722.1	\$ 1,695.5
Subordinated				
Certificates of the SSLP(1)	777.4	796.5	537.5	561.7
Senior subordinated debt	599.1	529.9	1,055.5	1,014.5
Collateralized loan obligations	92.5	90.7	219.3	261.2
Preferred equity securities	244.0	236.4	137.4	143.5
Other equity securities	480.8	534.5	579.2	607.7
Commercial real estate	22.2	20.1	41.0	33.9
Total	\$ 4,803.4	\$ 4,755.2	\$ 4,292.0	\$ 4,318.0

(1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 25 and 20 different borrowers as of September 30, 2011 and December 31, 2010, respectively.

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

	As of			
	September 30, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and income producing securities	11.9%	11.9%	13.2%	12.9%
Debt and income producing securities for investments acquired as part of the Allied Acquisition	15.1%	14.7%	15.2%	14.0%
Total portfolio	10.1%	10.2%	10.6%	10.5%
Senior term debt	10.3%	10.5%	10.6%	10.8%
First lien senior term debt	9.8%	9.9%	10.3%	10.2%
Second lien senior term debt	11.6%	11.9%	11.3%	12.1%
Subordinated Certificates of the SSLP(1)	16.0%	15.6%	16.5%	15.8%
Senior subordinated debt	11.1%	12.6%	13.1%	13.6%
Collateralized loan obligations	8.2%	8.4%	18.7%	15.7%
Income producing equity securities (excluding collateralized loan obligations)	10.7%	10.6%	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 September 30, 2011:

(dollar amounts in millions)	Investments at Fair Value as of						Net Change in Fair Value
	April 1, 2010			September 30, 2011			
	\$	% of Total Investments	Weighted Average Yield	\$	% of Total Investments	Weighted Average Yield	\$
<i>Investments with yields less than 10%</i>							
Debt with yields less than 10%	\$ 128.3	7.0%	6.5%	\$ 38.4	4.5%	5.0%	\$ (89.9)
Debt on non-accrual status	335.6	18.3%	%	58.7	6.8%	%	(276.9)
Equity securities	270.8	14.8%	%	183.4	21.4%	0.4%	(87.4)
Commercial real estate and other	34.5	1.9%	3.3%	10.9	1.3%	%	(23.6)
Total	\$ 769.2	42.0%	1.2%	\$ 291.4	34.0%	0.9%	\$ (477.8)
<i>Investments with yields equal to or greater than 10%</i>							
Debt with yields equal to or greater than 10%	\$ 950.2	51.8%	14.3%	\$ 567.2	66.0%	15.3%	\$ (383.0)
Collateralized loan obligations	114.4	6.2%	18.9%		%	%	(114.4)
Total	\$ 1,064.6	58.0%	14.8%	\$ 567.2	66.0%	15.3%	\$ (497.4)
Total	\$ 1,833.8	100.0%	9.1%	\$ 858.6	100.0%	10.4%	\$ (975.2)

Since April 1, 2010 and through September 30, 2011, we have decreased the assets comprising the legacy Allied Capital portfolio by approximately \$975 million, primarily as a result of exits and repayments, at cost, of approximately \$1,128 million and net unrealized depreciation in the portfolio of approximately \$42 million, net of other increases of approximately \$195 million due to fundings of revolving and other commitments of \$128 million, payment-in-kind ("PIK") interest and accretion of purchase discounts. From April 1, 2010 through September 30, 2011 we also recognized \$124 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 \$1,252 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

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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 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 September 30, 2011 and December 31, 2010:

(dollar amounts in millions)	As of							
	September 30, 2011				December 31, 2010			
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 28.3	0.6%	7	5.0%	\$ 13.5	0.3%	10	5.9%
Grade 2	267.7	5.6%	13	9.2%	153.9	3.6%	12	7.1%
Grade 3	4,135.6	87.0%	116	82.3%	3,503.4	81.1%	127	74.7%
Grade 4	323.6	6.8%	5	3.5%	647.2	15.0%	21	12.3%
	\$ 4,755.2	100.0%	141	100.0%	\$ 4,318.0	100.0%	170	100.0%

As of September 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 3.0, 2.8 and 3.0, 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.

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

	As of			
	September 30, 2011 Amortized Cost	Fair Value	December 31, 2010 Amortized Cost	Fair Value
Investments, excluding investments acquired in connection with the Allied Acquisition	1.4%	0.4%	2.3%	0.3%
Investments acquired in connection with the Allied Acquisition	2.6%	1.2%	1.5%	1.0%
	4.0%	1.6%	3.8%	1.3%

RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2011 and 2010

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

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Total investment income	\$ 167.4	\$ 138.1	\$ 447.3	\$ 326.2
Total expenses	68.4	67.1	252.8	173.4
Net investment income before income taxes	99.0	71.0	194.5	152.8
Income tax expense (benefit), including excise tax	0.7	(0.2)	4.6	0.4
Net investment income	98.3	71.2	189.9	152.4
Net realized gains from investments and foreign currencies	48.8	1.2	105.0	8.7
Net unrealized gains (losses) from investments	(106.5)	57.5	(74.3)	179.9
Gain from the acquisition of Allied Capital				195.9
Realized losses on extinguishment of debt		(1.6)	(19.3)	(2.0)
Net increase in stockholders' equity resulting from operations	\$ 40.6	\$ 128.3	\$ 201.3	\$ 534.9

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.

Table of Contents**Investment Income**

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest	\$ 121.5	\$ 107.9	\$ 343.4	\$ 273.4
Capital structuring service fees	28.1	20.6	59.2	30.4
Dividend income	11.3	3.9	26.8	7.8
Management fees	4.2	4.4	12.2	10.1
Other income	2.3	1.3	5.7	4.5
 Total investment income	 \$ 167.4	 \$ 138.1	 \$ 447.3	 \$ 326.2

The increase in interest income for the three months ended September 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 September 30, 2010 to an average of \$4.7 billion at amortized cost for the comparable period in 2011. The increase in capital structuring service fees for the three months ended September 30, 2011 compared to the same period in 2010 was primarily due to the increase in new investment commitments, which increased from \$512 million for the three months ended September 30, 2010 to \$1.4 billion for the comparable period in 2011. The increase in dividend income for the three months ended September 30, 2011 was due to an increase in dividend income from IHAM which was \$4.8 million for the three months ended September 30, 2011 and \$2.5 million for the comparable period in 2010, as well as an increase in dividends from certain portfolio companies. Total dividend income for the three months ended September 30, 2011 included \$3.5 million of dividend income that were non-recurring in nature.

The increase in interest income for the nine months ended September 30, 2011 was primarily due to the increase in the size of the portfolio which increased from an average of \$3.5 billion at amortized cost for the nine months ended September 30, 2010 to an average of \$4.5 billion at amortized cost for the comparable period in 2011. The increase in capital structuring service fees for the nine months ended September 30, 2011 was primarily due to the increase in new investment commitments, which increased from \$1.2 billion for the nine months ended September 30, 2010 to \$2.8 billion for the comparable period in 2011. The increase in dividend income for the nine months ended September 30, 2011 was due to increase in dividend income from IHAM, which was \$14.3 million for the nine months ended September 30, 2011, compared to \$4.3 million for the comparable period in 2010, as well as an increase in dividends from certain portfolio companies. Total dividend income for the nine months ended September 30, 2011 included \$7.9 million of dividends that were non-recurring in nature.

Table of Contents**Operating Expenses**

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest and credit facility fees	\$ 31.0	\$ 22.8	\$ 89.7	\$ 54.5
Incentive management fees related to pre-incentive fee net investment income	21.7	17.8	54.6	40.9
Incentive management fees related to capital gains per GAAP	(11.5)		28.2	
Base management fees	18.3	15.4	52.5	35.6
Professional fees	3.7	3.2	11.0	9.2
Administrative fees	2.0	2.6	6.9	6.2
Professional fees and other costs related to the Allied Acquisition	1.1	1.5	2.0	17.8
Other general and administrative	2.1	3.8	7.9	9.2
Total operating expenses	\$ 68.4	\$ 67.1	\$ 252.8	\$ 173.4

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

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Stated interest expense	\$ 24.2	\$ 16.7	\$ 66.3	\$ 38.7
Facility fees	0.9	1.0	5.2	3.5
Amortization of debt issuance costs	3.4	2.1	9.6	6.6
Accretion of discount related to the Allied Unsecured Notes	0.1	3.0	2.6	5.7
Accretion of original issue discount on the Convertible Notes	2.4		6.0	
Total interest and credit facility fees expense	\$ 31.0	\$ 22.8	\$ 89.7	\$ 54.5

Stated interest expense for the three and nine months ended September 30, 2011 increased from the comparable periods in 2010 due to the increase in our average principal debt outstanding for such periods and an increase in our weighted average stated interest rate. For the three months ended September 30, 2011, the average principal debt outstanding was \$2.0 billion as compared to \$1.4 billion for the comparable period in 2010, and the weighted averaged stated interest rate was 4.9% as compared to 4.8% for the comparable period in 2010. For the nine months ended September 30, 2011, the average principal debt outstanding was \$1.7 billion as compared to \$1.5 billion for the comparable period in 2010, and the weighted average stated interest rate was 5.3% as compared to 2.6% for the comparable period in 2010. Our weighted average stated interest rate of indebtedness for 2011 increased from the comparable periods in 2010 due to having higher amounts of unsecured indebtedness, with longer durations to maturity and higher stated interest rates, outstanding during the respective periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources, Debt Capital Activities" below.

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The increase in base management fees and incentive management fees related to pre-incentive fee net investment income for the three and nine months ended September 30, 2011 from the comparable periods in 2010 was primarily due to the increase in the size of the portfolio and in the case of incentive management fees, the related increase in pre-incentive fee net investment income. For the three months ended September 30, 2011, we recorded a reduction in accrued capital gains incentive fees in accordance with GAAP of \$11.5 million due to a reduction in cumulative net realized and unrealized gains since June 30, 2011. For the nine months ended September 30, 2011, the capital gains incentive fee expense was \$28.2 million bringing the total capital gains incentive fee accrual in accordance with GAAP to \$43.8 million (included in management and incentive fees payable in the consolidated balance sheet) as of September 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, the nine months ended September 30, 2011 included an accrual of \$26.0 million of capital gains incentive fees in accordance with GAAP as a result of the application of the Capital Gains Amendment with respect to the assets purchased in the Allied Acquisition. The 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 reduction 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 three and nine months ended September 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 nine months ended September 30, 2010. See Note 3 to the Company's consolidated financial statements for the three and nine months ended September 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. The general 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. The decline in professional fees and other costs related to the Allied Acquisition primarily resulted from having substantially completed the integration of Allied Capital by December 31, 2010, and thus we incurred a lower level of expenses in 2011. Other general and administrative expenses include rent, insurance, depreciation, director's fees and other costs.

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.

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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 nine months ended September 30, 2011, a net expense of \$2.3 million and \$4.1 million, respectively, was recorded for U.S. federal excise tax. For the three and nine months ended September 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 nine months ended September 30, 2011, we recorded a tax (benefit) expense of \$(1.6) million and \$0.5 million, respectively, for these subsidiaries, and for the three and nine months ended September 30, 2010, we recorded a tax (benefit) expense of \$(0.2) million and \$0.4 million, respectively, for these subsidiaries.

Net Realized Gains/Losses

During the three months ended September 30, 2011, the Company had \$973.7 million of sales, repayments or exits of investments resulting in \$48.8 million of net realized gains. These sales, repayments or exits included \$98.3 million of investments sold to IHAM or certain funds managed by IHAM (see Note 13 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011 for more detail on IHAM and its managed funds). Net realized gains on investments were comprised of \$96.0 million of gross realized gains and \$47.2 million of gross realized losses. The \$48.8 million of net realized gains included approximately \$16.2 million in net realized losses from investments acquired as part of the Allied Acquisition (see Note 15 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011). The realized gains and losses on investments during the three months ended September 30, 2011 consisted of the following:

Portfolio Company (in millions)	Net Realized Gains (Losses)
Reflexite Corporation	\$ 40.9
DSI Renal, Inc.	27.5
Industrial Container Services, LLC	19.9
Knightsbridge CLO 2007-1 Ltd.	3.7
INC Research, Inc.	2.0
Sigma International Group, Inc.	(4.3)
Wastequip, Inc.	(10.2)
Primis Marketing Group, Inc	(14.1)
Cook Inlet Alternative Risk, LLC	(16.5)
Other	(0.1)
Total	\$ 48.8

Additionally, during the three months ended September 30, 2010, the Company had \$231.8 million of sales and repayments resulting in \$1.2 million of net realized gains. Net realized gains on investments were comprised of \$3.6 million of gross realized gains and \$2.4 million of gross realized losses. Of the \$1.2 million of net realized gains, approximately \$1.0 million were from investments

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acquired as part of the Allied Acquisition. The realized gains and losses on investments for the three months ended September 30, 2010 consisted of the following:

Portfolio Company (in millions)	Net Realized Gains (Losses)
Component Hardware Group, Inc.	\$ 1.9
Promo Works, LLC	1.4
Distant Lands Trading Co.	(1.8)
Other	(0.3)
Total	\$ 1.2

During the nine months ended September 30, 2011, the Company had \$1,976.4 million of sales, repayments or exits of investments resulting in \$105.0 million of net realized gains. These sales, repayments or exits included \$178.8 million of investments sold to IHAM or certain funds managed by IHAM. Net realized gains on investments were comprised of \$225.1 million of gross realized gains and \$120.1 million of gross realized losses. The \$105.0 million of net realized gains included approximately \$93.0 million in net realized gains from investments acquired as part of the Allied Acquisition. The realized gains and losses on investments during the nine months ended September 30, 2011 consisted of the following:

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Portfolio Company (in millions)	Net Realized Gains (Losses)
Reflexite Corporation	\$ 40.9
DSI Renal, Inc.	27.5
Callidus Debt Partners CLO Fund VI, Ltd.	23.9
Industrial Container Services, LLC	19.9
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, LLC	3.9
Knightsbridge CLO 2007-1 Ltd.	3.7
Direct Buy Holdings, Inc.	2.8
Network Hardware Resale, Inc.	2.8
Univita Health Inc.	2.1
INC Research, Inc.	2.0
Pangaea CLO 2007-1 Ltd.	2.0
Van Ness Hotel, Inc.	(2.3)
Carador PLC	(3.0)
Trivergance Capital Partners, LP	(3.8)
Sigma International Group, Inc.	(4.3)
AWTP, LLC	(7.6)
Universal Trailer Corporation	(7.9)
Coverall North America, Inc.	(8.4)
Summit Business Media, LLC	(10.1)
Wastequip, Inc.	(10.2)
Primis Marketing Group, Inc.	(14.1)
Cook Inlet Alternative Risk, LLC	(16.5)
MPBP Holdings, Inc.	(27.7)
Other	12.8
Total	\$ 105.0

Also during the nine months ended September 30, 2011, in connection with the redemptions of the remaining balances of the 6.000% Notes due on April, 2012 (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 nine months ended September 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$195.9 million. Additionally, during the nine months ended September 30, 2010, the Company had \$1.2 billion of sales and repayments resulting in \$8.7 million of net realized gains. The \$8.7 million of net realized gains included approximately \$1.6 million in net realized gains from investments acquired as part of the Allied Acquisition. These sales and repayments included \$94.5 million of loans sold to certain funds managed by IHAM (see Note 13 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011 for more detail on IHAM and its managed funds). Net realized gains on investments were comprised of

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\$26.2 million of gross realized gains and \$17.5 million of gross realized losses. The realized gains and losses on investments for the nine months ended September 30, 2010 consisted of the following:

Portfolio Company (in millions)	Net Realized Gains (Losses)
DSI Renal, Inc.	\$ 3.9
Instituto de Banca y Comercio, Inc.	3.6
Best Brands Corp.	2.4
Component Hardware Group, Inc.	1.9
The Kenan Advantage Group, Inc.	1.8
Capella Healthcare, Inc.	1.6
Promo Works, LLC	1.4
Daily Candy, Inc.	1.3
Magnacare Holdings, Inc.	1.2
Wyle Laboratories, Inc.	1.2
Savers, Inc.	1.0
Arrow Group Industries	(1.2)
Distant Lands Trading Co.	(1.8)
Planet Organic Health Corp.	(1.8)
3091779 Nova Scotia, Inc.	(3.2)
Growing Family, Inc.	(7.6)
Other	3.0
Total	\$ 8.7

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 nine months ended September 30, 2011 and 2010 for the Company's portfolio were comprised of the following:

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Unrealized appreciation	\$ 25.5	\$ 115.6	\$ 114.7	\$ 298.6
Unrealized depreciation	(92.7)	(59.4)	(193.3)	(119.2)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	(39.3)	1.3	4.3	0.5
Total net unrealized gains (losses)	\$ (106.5)	\$ 57.5	\$ (74.3)	\$ 179.9

- (1) The net unrealized (appreciation) depreciation reversed related to net realized gains or 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 nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Unrealized appreciation	\$ 6.3	\$ 59.3	\$ 24.6	\$ 132.4
Unrealized depreciation	(38.5)	(41.5)	(98.4)	(68.3)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	12.4	1.3	(50.7)	1.3
Total net unrealized gains (losses)	\$ (19.8)	\$ 19.1	\$ (124.5)	\$ 65.4

(1) The net unrealized (appreciation) depreciation reversed related to net realized gains or losses 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 September 30, 2011 consisted of the following:

Portfolio Company (in millions)	Net unrealized appreciation (depreciation)
Ivy Hill Asset Management, L.P.	\$ 9.4
Penn Detroit Diesel Allison, LLC	2.3
CT Technologies Intermediate Holdings, Inc.	(2.5)
MWD Acquisition Sub, Inc.	(2.5)
Infilaw Holding, LLC	(2.6)
Direct Buy Holdings, Inc.	(2.7)
Stag-Parkway, Inc.	(2.9)
CitiPostal Inc.	(3.0)
Allbridge Financial, LLC	(3.5)
Orion Foods, LLC	(3.7)
ADF Restaurant Group, LLC	(4.0)
Industrial Container Services, LLC	(4.4)
Reed Group, Ltd.	(7.1)
eInstruction Corporation	(7.2)
AP Global Holdings, Inc.	(8.4)
Prommis Solutions, LLC	(10.4)
Other	(14.0)
Total	\$ (67.2)

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

Portfolio Company (in millions)	Net unrealized appreciation (depreciation)
Senior Secured Loan Fund LLC(1)	\$ 12.8
Air Medical Group Holdings LLC	10.3
Stag-Parkway, Inc.	9.6
Orion Foods, LLC	6.0
DSI Renal, Inc.	5.2
Reflexite Corporation	4.5
Ivy Hill Asset Management, L.P.	4.0
American Broadband Holding Company	4.0
Things Remembered, Inc.	3.2
National Print Group, Inc.	3.1
Bumble Bee Foods, LLC	2.7
Canon Communications LLC	2.4
Insight Pharmaceuticals Corporation	2.4
CT Technologies Intermediate Holdings, Inc.	2.3
Callidus Capital Corporation	2.1
Pillar Processing, LLC	(2.1)
ADF Restaurant Group, LLC	(2.3)
Making Memories Wholesale, Inc.	(2.3)
Aquila Binks Forest Development, LLC	(2.4)
Ciena Capital LLC	(3.3)
Campus Management Corp.	(4.2)
Reed Group, Ltd.	(5.2)
BenefitMall Holdings, Inc.	(8.0)
Coverall North America, Inc.	(8.7)
Other	20.1
 Total	 \$ 56.2

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- (1) See Notes 4 and 17 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011.

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

Portfolio Company (in millions)	Net unrealized appreciation (depreciation)
Ivy Hill Asset Management, L.P.	\$ 41.2
American Broadband Holding Company	5.4
Insight Pharmaceuticals Corporation	4.4
Growing Family, Inc.	4.4
Penn Detroit Diesel Allison, LLC	4.0
Savers, Inc.	4.0
Firstlight Financial Corporation	3.6
BenefitMall Holdings, Inc.	3.4
Knightsbridge CLO 2008-1 Ltd.	3.3
Huddle House, Inc.	3.1
AWTP, LLC	2.9
Waste Pro USA, Inc.	2.8
Bushnell Inc.	2.5
DSI Renal, Inc.	2.4
Diversified Collections Services, Inc.	2.2
Vistar Corporation	2.1
R3 Education, Inc.	(2.2)
MWD Acquisition Sub, Inc.	(2.3)
ADF Restaurant Group, LLC	(2.4)
Passport Health Communications, Inc.	(2.4)
Infilaw Holding, LLC	(2.6)
Instituto de Banca y Comercio, Inc.	(2.6)
Pillar Processing, LLC	(3.0)
Callidus Capital Corporation	(3.4)
The Step2 Company, LLC	(4.2)
VSS-Tranzact Holdings, LLC	(4.4)
Industrial Container Services, LLC	(4.4)
Senior Secured Loan Fund LLC(1)	(5.1)
Making Memories Wholesale, Inc.	(5.9)
Reed Group, Ltd.	(6.5)
AP Global Holdings, Inc.	(8.4)
Orion Foods, LLC	(9.0)
CitiPostal Inc.	(9.7)
eInstruction Corporation	(15.4)
Ciena Capital LLC	(16.7)
Direct Buy Holdings, Inc.	(26.2)
Prommis Solutions, LLC	(33.3)
Other	(0.2)
Total	\$ (78.6)

(1) See Notes 4 and 17 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011.

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

Portfolio Company (in millions)	Net unrealized appreciation (depreciation)
Senior Secured Loan Fund LLC(1)	\$ 25.0
R3 Education, Inc.	15.7
Air Medical Group Holdings LLC	15.1
Stag-Parkway, Inc.	14.1
Ivy Hill Asset Management, L.P.	12.5
DSI Renal, Inc.	11.6
Things Remembered, Inc.	10.1
S.B. Restaurant Company	7.1
Orion Foods, LLC	6.8
Callidus Debt Partners CDO Fund VI, Ltd.	6.4
Component Hardware Group, Inc.	5.5
Woodstream Corporation	5.4
American Broadband Holding Company	4.9
Industrial Container Services, LLC	4.9
Canon Communications LLC	4.8
Callidus Debt Partners CDO Fund VII, Ltd.	4.7
Callidus MAPS CLO Fund II, Ltd.	4.7
Reflexite Corporation	4.5
Bumble Bee Foods, LLC	4.4
Callidus MAPS CLO Fund I LLC	4.1
Tradesmen International, Inc.	4.0
Vantage Oncology, Inc	3.7
Vistar Corporation	3.7
Instituto de Banca y Comercio, Inc.	3.7
Dryden XVIII Leveraged Loan 2007 Limited	3.6
Network Hardware Resale, Inc.	3.4
National Print Group, Inc.	3.2
OTG Management, Inc.	3.1
Callidus Debt Partners Equity Interest, Ltd.	3.1
CT Technologies Intermediate Holdings, Inc.	3.0
Callidus Debt Partners CDO Fund IV, Ltd.	2.9
Waste Pro USA, Inc.	2.7
Callidus Debt Partners CDO Fund V, Ltd.	2.4
NPH, Inc	2.3
BB&T Capital Partners / Windsor Mezzanine Fund, LLC	2.3
Promo Works, LLC	2.3
eInstruction Corporation	2.2
Web Services Company, LLC	2.2
Community Education Centers, Inc.	2.1
Callidus Debt Partners CDO Fund III, Ltd.	2.1
Carador PLC	2.1
Border Foods, Inc.	(2.4)
Crescent Hotels & Resorts, LLC	(2.6)
Making Memories Wholesale, Inc.	(2.6)
The Step2 Company, LLC	(2.8)

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Portfolio Company (in millions)	Net unrealized appreciation (depreciation)
Trivergance Capital Partners, LP	(2.9)
Huddle House, Inc.	(3.4)
Knightsbridge CLO 2007-1 Ltd.	(3.6)
Knightsbridge CLO 2008-1 Ltd.	(3.7)
BenefitMall Holdings, Inc.	(3.8)
ADF Restaurant Group, LLC	(4.4)
Reed Group, Ltd.	(5.1)
Ciena Capital LLC	(5.1)
Aquila Binks Forest Development, LLC	(5.2)
MPBP Holdings, Inc.	(5.2)
Coverall North America, Inc.	(7.3)
FirstLight Financial Corporation	(7.4)
Other	14.5
 Total	 \$ 179.4

(1)

See Notes 4 and 17 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011.

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 defined below).

As of September 30, 2011, the Company had \$103.1 million in cash and cash equivalents and \$1.8 billion in total indebtedness outstanding at carrying value (\$1.9 billion at principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$593.4 million available for additional borrowings under the Revolving Funding Facility and the Revolving Credit Facility as of September 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.

Table of Contents**Equity Issuances**

There were no sales of our equity securities during the nine months ended September 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 nine months ended September 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 nine months ended September 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 September 30, 2011, the Company's total market capitalization was \$2.8 billion compared to \$3.4 billion as of December 31, 2010.

Debt Capital Activities

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

(in millions)	As of			
	September 30, 2011		December 31, 2010	
	Carrying Value(1)	Total Available(2)	Carrying Value	Total Available(2)
Revolving Funding Facility	\$ 383.0	\$ 400.0	\$ 242.0	\$ 400.0
Revolving Credit Facility	189.8	810.0(3)	146.0	810.0(3)
Debt Securitization	91.8	91.8	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)	539.4(5)	575.0		
June 2016 Convertible Notes (principal amount outstanding of \$230.0)	215.3(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
	\$ 1,800.2(6)	\$ 2,536.8	\$ 1,378.5(6)	\$ 2,285.0

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- (1) Except for the Allied Unsecured Notes and the Convertible Notes (as defined below), 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.

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- (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 September 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 \$35.6 million and \$14.7 million, respectively, at September 30, 2011.
- (6) Total principal amount of debt outstanding totaled \$1,899.6 million and \$1,435.1 million at September 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 September 30, 2011 were 5.0% and 10.6 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 September 30, 2011 was 0.61:1.00 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 September 30, 2011 was 0.58:1.00 compared to 0.45:1.00 as of December 31, 2010.

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 September 30, 2011, our asset coverage was 272%.

Revolving Funding Facility

In October 2004, we formed Ares Capital CP, a wholly owned subsidiary of the Company, through which we established a revolving securitized facility (as amended, the "Revolving Funding Facility"). The Revolving Funding Facility allows Ares Capital CP to borrow up to \$400 million (see "The Company Recent Developments" as well as Note 17 to our consolidated financial statements for the three and nine months ended September 30, 2011 for more information regarding the Revolving Funding 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 (the "Loans") 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 September 30, 2011, the effective

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LIBOR spread under the Revolving Funding Facility was 2.75%. See "The Company Recent Developments" for more information regarding the Revolving Funding Facility.

As of September 30, 2011, there was \$383.0 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 Note 5 to the Company's consolidated financial statements for the three and nine months ended September 30, 2011 for more detail on the Revolving Funding Facility.

Revolving Credit Facility

In December 2005, we entered into a senior secured revolving credit facility (as amended and restated, 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 \$1,050.0 million. As of September 30, 2011, there was \$189.8 million outstanding under the Revolving Credit Facility and the Company was in material compliance with the terms of the Revolving Credit Facility. As of September 30, 2011, subject to borrowing base availability, there was \$576.4 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 September 30, 2011, the effective LIBOR spread under the Revolving Credit Facility was 3.00%.

See Note 5 to the Company's consolidated financial statements for the three and nine months ended September 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 a \$400 million debt securitization (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 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 September 30, 2011, we repaid \$46.5 million of the CLO Notes. At September 30, 2011, \$91.8 million was outstanding under the CLO Notes (excluding the Retained Notes), which are included in the September 30, 2011 consolidated balance sheet. As of September 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 0.43% as of September 30, 2011. See Note 5 to the Company's consolidated financial statements for the three and nine months ended September 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

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2012 Notes and 6.875% Notes due on April 15, 2047 (the "2047 Notes" and, together with the 2011 Notes and the 2012 Notes, the "Allied Unsecured 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 September 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 \$200 million in aggregate principal amount of senior unsecured notes that mature on October 15, 2040 (the "2040 Notes") 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.

As of September 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 nine months ended September 30, 2011 for more detail on the Allied Unsecured Notes and the 2040 Notes.

Convertible Notes

(in millions)	Carrying value as of September 30, 2011(1)	
February 2016 Convertible Notes (principal amount of \$575.0)	\$	539.4
June 2016 Convertible Notes (principal amount of \$230.0)	\$	215.3
Total	\$	754.7

(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 \$575 million of unsecured convertible senior notes that mature on February 1, 2016 (the "February 2016 Convertible Notes"), 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.

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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 \$230 million of unsecured convertible senior notes that mature on June 1, 2016 (the "June 2016 Convertible Notes" and, together with the February 2016 Convertible Notes, the "Convertible Notes"), 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 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 September 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 nine months ended September 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

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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 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 the accompanying prospectus, 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.

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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 Accounting Standards Codification ("ASC") 820-10 (previously Statement of Financial Accounting Standards ("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 nine months ended September 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 nine months ended September 30, 2011).

OFF BALANCE SHEET ARRANGEMENTS

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

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

(in millions)	As of	
	September 30, 2011	December 31, 2010
Total revolving and delayed draw commitments	\$ 713.7	\$ 260.7
Less: funded commitments	(107.1)	(60.0)
Total unfunded commitments	606.6	200.7
Less: commitments substantially at discretion of the Company	(11.9)	(19.9)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(63.2)	(6.7)
Total net adjusted unfunded revolving and delayed draw commitments	\$ 531.5	\$ 174.1

Included within the total revolving and delayed draw commitments as of September 30, 2011 are commitments to issue up to \$73.4 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 September 30, 2011, the Company had \$41.5 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, \$0.2 million expire in December 2011, \$0.2 million expire in January 2012, \$0.1 million expire in February 2012, \$0.8 million expire in April 2012, \$0.6 million expire in July 2012, \$12.5 million expire in August 2012 and \$27.1 million expire in September 2012.

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

(in millions)	As of	
	September 30, 2011	December 31, 2010
Total private equity commitments	\$ 181.3	\$ 537.6
Less: funded private equity commitments	(68.3)	(104.3)
Total unfunded private equity commitments	113.0	433.3
Less: private equity commitments substantially at discretion of the Company	(103.7)	(400.4)
Total net adjusted unfunded private equity commitments	\$ 9.3	\$ 32.9

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 September 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 September 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 September 30, 2011, there are no known issues or claims with respect to this performance guaranty.

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.

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As of September 30, 2011, approximately 21% of the investments at fair value in our portfolio were at fixed rates, approximately 65% were at variable rates, 12% were non-interest earning and 2% were on non-accrual status. Additionally, for the investments at variable rates, 66% of the investments contained interest rate floors (representing 43% 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 agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Based on our September 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:

Basis Point Change (in millions)	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 47.3	\$ 19.9	\$ 27.4
Up 200 basis points	\$ 26.6	\$ 13.3	\$ 13.3
Up 100 basis points	\$ 8.0	\$ 6.6	\$ 1.4
Down 100 basis points	\$ (0.8)	\$ (1.7)	\$ 0.9
Down 200 basis points	\$ (0.9)	\$ (1.7)	\$ 0.8
Down 300 basis points	\$ (0.9)	\$ (1.7)	\$ 0.8

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:

Basis Point Change (in millions)	Interest Income	Interest Expense	Net Income
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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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 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 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 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 supplement 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 supplement or the accompanying prospectus. 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.

A "U.S. stockholder" is a beneficial owner of shares of our 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 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 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 prospective stockholder that is a partnership holding shares of our 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 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.

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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 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

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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.

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

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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 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

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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 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 common stock is appropriate for a U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares of our 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 common stock by taxable U.S. stockholders and not by U.S. stockholders that are generally exempt

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from U.S. federal income taxation. U.S. stockholders should consult their own tax advisors before investing in shares of our common stock.

Distributions on Our 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 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 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 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 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 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

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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 stock will be taxable as a dividend, regardless of whether any portion is paid in stock.

If an investor purchases shares of our 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 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 common stock. The amount of 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 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 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.

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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 common stock, as well as taxable gain on the disposition of stock, including our common stock.

Withholding and Information Reporting on Foreign Financial Accounts

Under legislation enacted in 2010 and recent guidance from the IRS, we generally will be required to withhold 30% of any dividends on our common stock paid after December 31, 2013 and the gross proceeds from a sale of our common stock paid after December 31, 2014 to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. 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

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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 common stock is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in shares of our 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 common stock.

Distributions on our Common Stock

Distributions of our investment company taxable income to non-U.S. stockholders will be subject to U.S. withholding tax at a rate of 30% (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, 2012, 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 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.

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 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

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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.

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.

Under legislation enacted in 2010 and recent guidance from the IRS, we generally will be required to withhold 30% of any dividends on our common stock paid after December 31, 2013 and the gross proceeds from a sale of our common stock paid after December 31, 2014 to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. If payment of this withholding tax is made, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such dividends or proceeds will be required to seek a credit or refund from the IRS to obtain the benefit of such exemption or reduction. Non-U.S. stockholders should consult their own tax advisers regarding the particular consequences to them of this legislation and guidance.

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 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

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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.

Table of Contents**UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC are acting as underwriters of the offering. Subject to the terms and conditions set forth in a purchase agreement between us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. LLC	
Total	14,280,000

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The underwriters are purchasing the shares of common stock from us at \$ per share (representing approximately \$ aggregate net proceeds to us, before we deduct our aggregate out-of-pocket expenses of approximately \$ million, or approximately \$ if the underwriters' option to purchase additional shares described below is exercised in full). The underwriters may offer the shares of common stock from time to time for sale in one or more transactions on the Nasdaq Global Select Market, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. In connection with the sale of the shares of common stock offered hereby, the underwriters may be deemed to have received compensation in the form of underwriting discounts. The underwriters may effect such transactions by selling shares of common stock to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal.

Option to Purchase Additional Shares

We have granted an option to the underwriters to purchase up to 2,142,000 additional shares at the price per share set forth on the cover page of this prospectus supplement. The underwriters may exercise this option for 30 days from the date of this prospectus supplement. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

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No Sales of Similar Securities

We have agreed, with exceptions, not to sell or transfer any common stock for 45 days after the date of this prospectus supplement without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC.

Our executive officers and directors and Ares Capital Management and certain of its affiliates have agreed, with exceptions, not to sell or transfer any common stock for 30 days after the date of this prospectus supplement without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC. Specifically, we and these other persons have agreed, with certain limited exceptions not to directly or indirectly

offer, pledge, sell or contract to sell any common stock,

sell any option or contract to purchase any common stock,

purchase any option or contract to sell any common stock,

grant any option, right or warrant for the sale of any common stock,

lend or otherwise dispose of or transfer any common stock,

request or demand that we file a registration statement related to the common stock, or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of the lock-up period referred to above, we issue an earnings release or material news or a material event relating to the Company occurs or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the lock-up period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Nasdaq Global Select Market Listing

The shares are listed on the Nasdaq Global Select Market under the symbol "ARCC."

Short Positions

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that

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there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Passive Market Making

In connection with this offering, underwriters may engage in passive market making transactions in the common stock on the Nasdaq Global Select Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters are not required to engage in passive market making and may end passive market making activities at any time.

Electronic Offer, Sale and Distribution of Shares

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited number of shares for sale to their online brokerage customers.

Other Relationships

The underwriters and their affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Ares and its affiliates and managed funds and Ares Capital or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Ares Capital or on behalf of Ares Capital, Ares or any of our or their portfolio companies, affiliates and/or managed funds. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to Ares, Ares Capital or Ares Capital Management and their affiliates and managed funds.

Affiliates of certain of the underwriters are limited partners of private investment funds affiliated with our investment adviser, Ares Capital Management.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of

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others and may extend loans or financing directly or through derivative transactions to Ares, Ares Capital, Ares Capital Management or any of the portfolio companies.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if among other things we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of its business and not in connection with the offering of the common stock. In addition, after the offering period for the sale of our common stock, the underwriters or their affiliates may develop analyses or opinions related to Ares, Ares Capital or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding Ares Capital to our stockholders.

In the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of the underwriters serve as agents and lenders under our credit facilities or other debt instruments and are also lenders to private investment funds managed by Ivy Hill Asset Management, L.P., our portfolio company. Certain of the underwriters and their affiliates were underwriters in connection with our initial public offering and our subsequent common stock offerings, debt offerings, convertible notes offerings and rights offering, for which they received customary fees.

The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, New York 10036. The principal business address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036.

Conflicts of Interest

Proceeds of this offering will be used to repay or repurchase outstanding indebtedness, including indebtedness under the Revolving Credit Facility. Affiliates of the underwriters are lenders under the Revolving Credit Facility. Accordingly, to the extent proceeds of this offering are used to repay outstanding indebtedness under the Revolving Credit Facility, affiliates of the underwriters may receive more than 5% of the proceeds of this offering which are used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on

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which the Prospectus Directive is implemented in that Relevant Member State, no offer of shares may be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a "qualified investor" (as defined in the Prospectus Directive);
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" (as defined in the Prospectus Directive)), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or the underwriters to public a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer (as defined in the Prospective Directive)) who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive, and (B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the underwriters has been given to the offer or resale. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to "qualified investors" (as defined in the Prospective Directive) or in circumstances in which the prior consent of the underwriters has been obtained to each such proposed offer or resale.

We, our representatives and our affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly, any person making or intending to make an offer in that Relevant Member State of shares that are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

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Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, Ares Capital Corporation or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for this document. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorized financial advisor.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Proskauer Rose LLP, Los Angeles, California, Sutherland Asbill & Brennan LLP, Washington, D.C., and Venable LLP, Baltimore, Maryland. Proskauer Rose LLP has from time to time represented the underwriters, Ares and Ares Capital Management on unrelated matters. Certain legal matters in connection with the offering will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

(in thousands, except per share data)

	As of	
	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Investments at fair value		
Non-controlled/non-affiliate investments	\$ 2,876,091	\$ 2,482,642
Non-controlled affiliate company investments	316,751	380,396
Controlled affiliate company investments	1,562,311	1,454,952
Total investments at fair value (amortized cost of \$4,803,420 and \$4,291,955, respectively)	4,755,153	4,317,990
Cash and cash equivalents	103,146	100,752
Receivable for open trades	22,560	8,876
Interest receivable	82,663	72,548
Other assets	81,984	62,380
Total assets	\$ 5,045,506	\$ 4,562,546
LIABILITIES		
Debt	\$ 1,800,212	\$ 1,378,509
Management and incentive fees payable	83,843	52,397
Accounts payable and other liabilities	37,201	34,742
Interest and facility fees payable	20,972	21,763
Payable for open trades		24,602
Total liabilities	1,942,228	1,512,013
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.001 per share, 400,000 and 300,000 common shares authorized, respectively, 205,130 and 204,419 common shares issued and outstanding, respectively	205	204
Capital in excess of par value	3,271,595	3,205,326
Accumulated overdistributed net investment income	(36,245)	(11,336)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets	(84,010)	(169,696)
Net unrealized gain (loss) on investments and foreign currency transactions	(48,267)	26,035
Total stockholders' equity	3,103,278	3,050,533
Total liabilities and stockholders' equity	\$ 5,045,506	\$ 4,562,546
NET ASSETS PER SHARE	\$ 15.13	\$ 14.92

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)

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME:				
From non-controlled/non-affiliate company investments:				
Interest from investments	\$ 69,588	\$ 66,319	\$ 191,830	\$ 177,285
Capital structuring service fees	20,006	8,122	38,412	15,258
Dividend income	4,886	1,381	7,094	3,299
Management fees	427	1,711	1,055	4,261
Interest from cash & cash equivalents	16	47	110	75
Other income	1,611	1,094	3,727	3,648
Total investment income from non-controlled/non-affiliate company investments	96,534	78,674	242,228	203,826
From non-controlled affiliate company investments:				
Interest from investments	7,909	13,607	26,800	33,602
Capital structuring service fees	730		730	
Dividend income	549	127	4,008	318
Management fees	63	75	439	363
Other income	233	63	871	485
Total investment income from non-controlled affiliate company investments	9,484	13,872	32,848	34,768
From controlled affiliate company investments:				
Interest from investments	44,032	27,908	124,732	62,545
Capital structuring service fees	7,314	12,489	20,020	15,146
Dividend income	5,907	2,415	15,708	4,211
Management fees	3,677	2,652	10,723	5,430
Other income	417	116	1,104	300
Total investment income from controlled affiliate company investments	61,347	45,580	172,287	87,632
Total investment income	167,365	138,126	447,363	326,226
EXPENSES:				
Interest and credit facility fees	30,971	22,755	89,739	54,453
Incentive management fees	10,159	17,805	82,846	40,922
Base management fees	18,317	15,436	52,461	35,574
Professional fees	3,683	3,233	10,929	9,191
Administrative fees	2,017	2,642	6,901	6,251
Professional fees and other costs related to the acquisition of Allied Capital Corporation	1,116	1,450	2,016	17,773
Other general and administrative	2,061	3,749	7,890	9,236
Total expenses	68,324	67,070	252,782	173,400
NET INVESTMENT INCOME BEFORE INCOME TAXES	99,041	71,056	194,581	152,826
Income tax expense (benefit), including excise tax	683	(164)	4,637	360
NET INVESTMENT INCOME	98,358	71,220	189,944	152,466
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCIES:				

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Net realized gains (losses):				
Non-controlled/non-affiliate company investments	(28,731)	1,225	29,458	10,998
Non-controlled affiliate company investments	33,120	9	31,104	(3,725)
Controlled affiliate company investments	44,420	(6)	44,442	1,296
Foreign currency transactions				85
Net realized gains	48,809	1,228	105,004	8,654
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	(22,672)	17,509	(43,244)	113,590
Non-controlled affiliate company investments	(34,454)	16,064	(37,214)	35,152
Controlled affiliate company investments	(49,402)	23,934	6,156	31,321
Foreign currency transactions				(152)
Net unrealized gains (losses)	(106,528)	57,507	(74,302)	179,911
Net realized and unrealized gains (losses) from investments and foreign currencies	(57,719)	58,735	30,702	188,565
GAIN ON THE ACQUISITION OF ALLIED CAPITAL CORPORATION				195,876
REALIZED LOSS ON EXTINGUISHMENT OF DEBT		(1,578)	(19,318)	(1,961)
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS				
	\$ 40,639	\$ 128,377	\$ 201,328	\$ 534,946
BASIC AND DILUTED EARNINGS PER COMMON SHARE (Note 10)				
	\$ 0.20	\$ 0.67	\$ 0.98	\$ 3.16
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (Note 10)				
	205,130	192,167	204,770	169,500

See accompanying notes to consolidated financial statements.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of September 30, 2011
(dollar amounts in thousands)
(unaudited)

Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC(7)(9)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 245	\$ 130	
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,533	3,137	
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	1,088	
Dynamic India Fund IV, LLC(9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	4,728	
Firstlight Financial Corporation(6)(9)	Investment company	Senior subordinated loan (\$71,363 par due 12/2016)	1.00% PIK	12/31/2006	71,089	55,918(4)	
		Class A common stock (10,000 shares)		12/31/2006	10,000		
		Class B common stock (30,000 shares)		12/31/2006	30,000		
					111,089	55,918	
HCI Equity, LLC(7)(8)(9)	Investment company	Member interest (100.00% interest)		4/1/2010	808	715	
Imperial Capital Private Opportunities, LP(9)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	6,643	5,120	
Ivy Hill Middle Market Credit Fund, Ltd.(7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.25% (Libor + 6.00%/Q)	11/20/2007	40,000	37,600	
		Subordinated notes (\$16 par due 11/2018)	15.00%	11/20/2007	15,515	16,000	
					55,515	53,600	
Knightsbridge CLO 2008-1 Ltd.(7)(8)(9)	Investment company	Class C notes (\$14,400 par due 6/2018)	7.75% (Libor + 7.50%/Q)	3/24/2010	14,400	14,400	
		Class D notes (\$9,000 par due 6/2018)	8.75% (Libor + 8.50%/Q)	3/24/2010	9,000	9,000	
		Class E notes (\$14,850 par due 6/2018)	5.25% (Libor + 5.00%/Q)	3/24/2010	13,596	13,749	
					36,996	37,149	

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Kodiak Funding, LP(9)	Investment partnership	Limited partnership interest (1.52% interest)		4/1/2010	877	823	
Novak Biddle Venture Partners III, L.P.(9)	Investment partnership	Limited partnership interest (2.47% interest)		4/1/2010	221	196	
Partnership Capital Growth Fund I, L.P.(9)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006	2,126	4,006	
Senior Secured Loan Fund LLC(7)(11)(17)	Co-investment vehicle	Subordinated certificates (\$788,128 par due 12/2020)	8.29% (Libor + 8.00%/Q)	10/30/2009	777,406	796,513	
VSC Investors LLC(9)	Investment company	Membership interest (1.95% interest)		1/24/2008	1,139	1,139	
					1,001,479	964,262	31.07%
Healthcare-Services							
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	936	

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(6)	Healthcare analysis services	Senior secured loan (\$7,263 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,263	6,900(2)(16)	
		Senior secured loan (\$7,661 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,661	7,278(3)(16)	
		Class A common stock (9,679 shares)		6/15/2007	4,000	9,337	
		Class C common stock (1,546 shares)		6/15/2007		1,491	
					18,924	25,006	
HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Class A units (10,720,874 units)		6/26/2008	10,721	4,437	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,101	
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured loan (\$12,973 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	12,973	12,973(16)	
		Senior secured loan (\$45,570 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	45,570	45,570(2)(16)	
		Senior secured loan (\$8,476 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	8,476	8,476(3)(16)	
					67,019	67,019	
MW Dental Holding Corp.	Dental services	Senior secured revolving loan (\$1,700 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	1,700	1,649(16)	
		Senior secured loan (\$30,723 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	30,723	29,801(16)	
		Senior secured loan (\$49,875 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	49,875	48,379(2)(16)	
		Senior secured loan (\$2,693 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	2,693	2,612(3)(16)	
					84,991	82,441	
Napa Management Services Corporation	Anesthesia management services provider	Senior secured loan (\$10,961 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	10,605	10,961(16)	
		Senior secured loan (\$29,625 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	29,625	29,625(2)(16)	
		Senior secured loan (\$7,801 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	7,801	7,801(3)(16)	
		Common units (5,000 units)			5,000	5,000	
					53,031	53,387	

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NS Merger Sub. Inc. and NS Holdings, Inc.	Healthcare technology provider	Senior subordinated loan	13.50%	6/21/2010	579	579
		(\$579 par due 6/2017)				
		Senior subordinated loan	13.50%	6/21/2010	50,000	50,000(2)
		(\$50,000 par due 6/2017)				
		Common stock (2,500,000 shares)		6/21/2010	2,500	2,388
					53,079	52,967
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	3,038

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Senior secured loan (\$10,202 par due 5/2014)	8.25% (Libor + 7.00%/M)	5/9/2008	10,202	10,202(2)(16)	
		Senior secured loan (\$9,417 par due 5/2014)	8.25% (Libor + 7.00%/M)	5/9/2008	9,417	9,417(3)(16)	
		Series A preferred stock (1,594,457 shares)		7/30/2008	11,156	8,550	
		Common stock (16,106 shares)		7/30/2008	100		
					30,875	28,169	
PG Mergersub, Inc. and PGA Holdings, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior secured loan (\$9,131 par due 11/2015)	6.75% (Libor + 5.00%/Q)	11/3/2010	9,106	9,131(3)(16)	
		Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,954	4,000	
		Preferred stock (333 shares)		3/12/2008	125	14	
		Common stock (16,667 shares)		3/12/2008	167	705	
					13,352	13,850	
PRA Holdings, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.35% (Libor + 4.00%/Q)	12/14/2007	11,011	11,103(2)	
		Senior secured loan (\$12,000 par due 12/2014)	4.35% (Libor + 4.00%/Q)	12/14/2007	11,657	11,760(3)	
					22,668	22,863	
Reed Group, Ltd.	Medical disability management services provider	Senior secured revolving loan (\$1,250 par due 12/2013)		4/1/2010	1,097	1,062(15)	
		Senior secured loan (\$10,755 par due 12/2013)		4/1/2010	9,129	9,142(15)	
		Senior secured loan (\$20,576 par due 12/2013)		4/1/2010	15,918	4,242(15)	
		Equity interests		4/1/2010	203		
					26,347	14,446	
Soteria Imaging Services, LLC(6)	Outpatient medical imaging provider	Junior secured loan (\$1,275 par due 11/2010)	14.50%	4/1/2010	1,134	914	
		Junior secured loan (\$1,822 par due 11/2010)	12.50%	4/1/2010	1,640	1,305	
		Preferred member units (1,823,179 units)		4/1/2010			

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					2,774	2,219	
Sunquest Information Systems, Inc.	Laboratory software solutions provider	Junior secured loan (\$75,000 par due 6/2017)	9.75% (Libor + 8.50%/Q)	12/16/2010	75,000	74,250(16)	
		Junior secured loan (\$50,000 par due 6/2017)	9.75% (Libor + 8.50%/Q)	12/16/2010	50,000	49,500(2)(16)	
					125,000	123,750	
U.S. Renal Care, Inc.	Dialysis provider	Senior secured loan (\$7,462 par due 12/2016)	5.50% (Libor + 4.00%/Q)	6/9/2011	7,425	7,164(16)	
		Senior subordinated loan (\$50,314 par due 6/2017)	11.25% Cash, 2.00% PIK	5/24/2010	50,314	50,314(2)(4)	
					57,739	57,478	
Vantage Oncology, Inc.	Radiation oncology care provider	Common stock (62,157 shares)		2/3/2011	4,670	6,005	
					576,304	559,112	18.02%
Business Services							
Aviation Properties Corporation(7)	Aviation services	Common stock (100 shares)		4/1/2010			

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
BenefitMall Holdings Inc.(7)	Employee benefits broker services company	Senior subordinated loan (\$40,326 par due 6/2014)	18.00%	4/1/2010	40,326	40,326	
		Common stock (39,274,290 shares)		4/1/2010	53,510	53,871	
		Warrants		4/1/2010			
					93,836	94,197	
CitiPostal Inc.(7)	Document storage and management services	Senior secured revolving loan (\$1,950 par due 12/2013)	6.50% (Libor + 4.50%/Q)	4/1/2010	1,950	1,950(16)	
		Senior secured revolving loan (\$1,250 par due 12/2013)	6.75% (Base Rate + 3.25%/Q)	4/1/2010	1,250	1,250(16)	
		Senior secured loan (\$492 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	492	492(4)	
		Senior secured loan (\$50,437 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	50,437	50,437(2)(4)	
		Senior subordinated loan (\$14,108 par due 12/2015)		4/1/2010	13,038	2,880(15)	
		Common stock (37,024 shares)		4/1/2010			
					67,167	57,009	
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated note (\$4,000 par due 9/2015)	9.00%	9/30/2011	4,000	4,000	
		Member interest (3.17%)		4/1/2010			
					4,000	4,000	
Cornerstone Records Management, LLC	Physical records storage and management service provider	Senior secured loan (\$16,277 par due 8/2016)	8.50% (Libor + 7.00%/M)	8/12/2011	16,277	15,951(16)	
Coverall North America, Inc.(7)	Commercial janitorial service provider	Subordinated notes (\$9,386 par due 2/2016)	10.00% Cash, 2.00% PIK	2/22/2011	9,386	9,386(4)	
Diversified Collections Services, Inc.	Collections services	Senior secured loan (\$34,000 par due 9/2012)	13.75% (Libor + 11.75%/M)	6/25/2010	34,000	34,000(2)(16)	
		Senior secured loan (\$5,719 par due 3/2012)	7.50% (Libor + 5.50%/M)	6/25/2010	5,719	5,719(3)(16)	
		Senior secured loan (\$2,000 par due 9/2012)	13.75% (Libor + 11.75%/M)	6/25/2010	2,000	2,000(3)(16)	
		Preferred stock (14,927 shares)		5/18/2006	169	304	
		Common stock (478,816 shares)		4/1/2010	1,478	3,091	
		Common stock (114,004 shares)		2/5/2005	295	1,171	
					43,661	46,285	
Impact Innovations Group, LLC	IT consulting and outsourcing services	Member interest (50.00% interest)		4/1/2010		200	

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Interactive Technology Solutions, LLC	IT services provider	Senior secured loan (\$7,391 par due 6/2015)	8.75% (Base Rate + 5.50%/Q)	10/21/2010	7,391	7,391(16)
		Senior secured loan (\$8,281 par due 6/2015)	8.75% (Base Rate + 5.50%/Q)	10/21/2010	8,281	8,281(3)(16)
					15,672	15,672
Investor Group Services, LLC(6)	Business consulting for private equity and corporate clients	Senior secured revolving loan (\$500 par due 6/2013)	5.75% (Libor + 5.50%/M)	6/22/2006	500	500
		Limited liability company membership interest (10.00% interest)		6/22/2006		649
					500	1,149
Microstar Logistics LLC	Keg management solutions provider	Junior secured loan (\$85,000 par due 8/2016)	10.00% (Libor + 9.00%/Q)	8/5/2011	85,000	85,000(16)

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets	
Multi-Ad Services, Inc.(6)	Marketing services and software provider	Preferred units (1,725,280 units)		4/1/2010	788	1,379		
		Common units (1,725,280 units)		4/1/2010				
					788	1,379		
MVL Group, Inc.(7)	Marketing research provider	Senior secured loan (\$22,772 par due 7/2012)	12.00%	4/1/2010	22,772	22,772		
		Senior subordinated loan (\$35,619 par due 7/2012)	12.00% Cash, 2.50% PIK	4/1/2010	35,050	35,619(4)		
		Junior subordinated loan (\$144 par due 7/2012)	10.00%	4/1/2010		12		
		Common stock (560,716 shares)		4/1/2010				
						57,822	58,403	
Pillar Processing LLC and PHL Holding Co.(6)	Mortgage services	Senior secured loan (\$1,875 par due 5/2014)	14.50%	7/31/2008	1,875	1,875		
		Senior secured loan (\$5,500 par due 5/2014)	14.50%	7/31/2008	5,500	5,500(2)		
		Senior secured loan (\$7,253 par due 11/2013)	5.73% (Libor + 5.50%/M)	11/20/2007	7,253	7,253(2)		
		Senior secured loan (\$4,527 par due 11/2013)	5.73% (Libor + 5.50%/M)	11/20/2007	4,527	4,527(3)		
		Common stock (85 shares)				3,768	2,729	
						22,923	21,884	
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC	Bankruptcy and foreclosure processing services	Senior subordinated loan (\$17,126 par due 2/2014)		2/9/2007	16,788	5,819(15)		
		Senior subordinated loan (\$27,576 par due 2/2014)		2/9/2007	27,032	9,371(2)(15)		
		Preferred units (30,000 units)		4/11/2006	3,000			
					46,820	15,190		
Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)		4/1/2010	4,463	3,404(15)		
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	192		
Summit Business Media Parent Holding Company LLC	Business media consulting services	Limited liability company membership interest (45.98% interest)		5/20/2011		754		

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Tradesmen International, Inc.	Construction labor support	Junior secured loan (\$14,014 par due 5/2014)	13.00% Cash, 1.00% PIK	4/1/2010	10,718	14,014(4)	
		Warrants to purchase up to 771,036 shares		4/1/2010		3,411	
					10,718	17,425	
Tripwire, Inc.	IT security software provider	Senior secured loan (\$30,000 par due 5/2018)	10.50% (Libor + 9.25%/Q)	5/23/2011	30,000	30,000(16)	
		Senior secured loan (\$50,000 par due 5/2018)	10.50% (Libor + 9.25%/Q)	5/23/2011	50,000	50,000(2)(16)	
		Class A common stock (2,970 shares)		5/23/2011	2,970	2,976	
		Class B common stock (2,655,638 shares)		5/23/2011	30	30	
						83,000	83,006
Venturehouse-Ciberneta Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010			
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,204	2,108	
					572,487	532,594	17.16%

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Education							
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	Senior secured revolving loan (\$1,000 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	1,000	1,000(16)	
		Senior secured loan (\$31,466 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	31,466	31,466(16)	
		Senior secured loan (\$49,012 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	49,012	49,012(2)(16)	
					81,478	81,478	
Campus Management Corp. and Campus Management Acquisition Corp.(6)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	13,231	
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior secured loan (\$18,571 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	18,571	18,571(16)	
		Junior secured loan (\$31,506 par due 12/2015)	15.25% (Libor + 11.00% Cash, 4.00% PIK/Q)	12/10/2010	31,506	31,191(4)	
		Junior secured loan (\$9,485 par due 12/2015)	15.29% (Libor + 11.00% Cash, 4.00% PIK/Q)	12/10/2010	9,485	9,391(4)	
		Warrants to purchase up to 578,427 shares		12/10/2010		389	
					59,562	59,542	
eInstruction Corporation	Developer, manufacturer and retailer of educational products	Junior secured loan (\$17,000 par due 7/2014)	7.74% (Libor + 7.50%/M)	4/1/2010	15,002	12,580	
		Senior subordinated loan (\$26,209 par due 1/2015)		4/1/2010	24,151	13,425(15)	
		Common stock (2,406 shares)		4/1/2010	926		
					40,079	26,005	
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation(6)	Developer, manufacturer and retailer of educational products	Preferred stock (99,492 shares)	12.00% PIK	8/1/2011	10,149	10,149(4)	
		Common stock (50,800 shares)		8/1/2011	51	51	
					10,200	10,200	
Infilaw Holding, LLC				8/25/2011	30,000	30,000(16)	

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	Law school operator	Senior secured loan (\$30,000 par due 8/2016)	10.75% (Base Rate + 7.50%/Q)			
		Series A preferred units (131,000 units)	10.75% (Base Rate + 7.50%/Q)	8/25/2011	131,000	128,380(16)
					161,000	158,380
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Series B preferred stock (1,750,000 shares)		8/5/2010	5,000	5,926
		Series C preferred stock (2,512,586 shares)		6/7/2010	689	
		Common stock (20 shares)		6/7/2010		
					5,689	5,926
JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured loan (\$20,302 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	20,302	20,302(16)
		Senior secured loan (\$9,833 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	9,833	9,833(3)(16)
					30,135	30,135

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
R3 Education, Inc. and EIC Acquisitions Corp.(8)	Medical school operator	Senior secured loan (\$9,261 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	9,261	15,091(16)	
		Senior secured loan (\$3,663 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	3,663	5,969(3)(16)	
		Senior secured loan (\$4,331 par due 4/2013)	9.00% (Libor + 6.00%/Q)	5/24/2007	4,331	7,058(16)	
		Senior secured loan (\$6,304 par due 4/2013)	13.00% PIK	12/8/2009	3,542	10,273(4)	
		Preferred stock (8,800 shares)		7/30/2008	2,200	1,100	
		Common membership interest (26.27% interest)		9/21/2007	15,800	18,433	
		Warrants to purchase up to 27,890 shares		12/8/2009			
						38,797	57,924
					437,460	442,821	14.27%
Restaurants and Food Services							
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$2,010 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	2,010	2,010(16)	
		Senior secured revolving loan (\$608 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	608	608(16)	
		Senior secured loan (\$66 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	66	66(16)	
		Senior secured loan (\$7,449 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	7,449	7,449(16)	
		Senior secured loan (\$11,315 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	11,318	11,315(2)(16)	
		Senior secured loan (\$9,434 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	9,434	9,434(3)(16)	
		Promissory note (\$14,897 par due 11/2016)		6/1/2006	14,886	8,562	
		Warrants to purchase up to 0.61 shares		6/1/2006			
				45,771	39,444		
Fulton Holdings Corp.	Airport restaurant operator	Senior secured loan (\$40,000 par due 5/2016)	12.50%	5/28/2010	40,000	40,000(2)	
		Common stock (19,672 shares)		5/28/2010	1,967	1,776	
					41,967	41,776	
Huddle House, Inc.(7)	Restaurant owner and operator	Senior subordinated loan (\$20,765 par due 12/2015)	12.00% Cash, 3.00% PIK	4/1/2010	20,481	19,772(4)	
				4/1/2010			

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Common stock
(358,279 shares)

					20,481	19,772
Orion Foods, LLC (fka Hot Stuff Foods, LLC)(7)	Convenience food service retailer	Senior secured revolving loan (\$3,300 par due 9/2014)	10.75% (Base Rate + 7.50%/M)	4/1/2010	3,300	3,300(16)
		Senior secured loan (\$34,027 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	34,027	34,027(16)
		Junior secured loan (\$37,552 par due 9/2014)	14.00%	4/1/2010	25,976	28,163
		Preferred units (10,000 units)		10/28/2010		
		Class A common units (25,001 units)		4/1/2010		
		Class B common units (1,122,452 units)		4/1/2010		
						63,303

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets	
OTG Management, Inc.	Airport restaurant operator	Senior secured revolving loan (\$937 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	937	937(16)		
		Senior secured loan (\$19,687 par due 8/2016)	8.50% (Libor + 7.00%/M)	8/9/2011	19,687	19,687(16)		
		Junior secured loan (\$34,285 par due 8/2016)	14.50% (Libor + 13.00%/Q)	8/9/2011	34,285	34,285(16)		
		Common units (3,000,000 units)		1/5/2011	3,000	3,175		
		Warrants to purchase up to 100,866 shares of common stock		6/19/2008	100	5,527		
						58,009	63,611	
PMI Holdings, Inc.	Restaurant owner and operator	Senior secured loan (\$9,022 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,022	9,022(2)(16)		
		Senior secured loan (\$36 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	36	36(2)(16)		
		Senior secured loan (\$9,022 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,022	9,022(3)(16)		
		Senior secured loan (\$36 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	36	36(3)(16)		
						18,116	18,116	
S.B. Restaurant Company	Restaurant owner and operator	Senior secured loan (\$34,712 par due 7/2012)	13.00% (Libor + 9.00% Cash, 2.00% PIK/Q)	4/1/2010	29,970	34,712(4)(16)		
		Preferred stock (46,690 shares)		4/1/2010		117		
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010				
				29,970	34,829			
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Junior secured loan (\$80,250 par due 5/2015)	11.00%	5/23/2008	78,800	80,250		
		Junior secured loan (\$30,000 par due 5/2015)	11.00%	5/23/2008	30,000	30,000(2)		
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	7,500	5,957		
						116,300	116,207	
				393,917	399,245	12.87%		
Financial Services								
AllBridge Financial, LLC(7)	Asset management services	Equity interests		4/1/2010	11,395	12,607		
Callidus Capital Corporation(7)	Asset management services	Common stock (100 shares)		4/1/2010	6,000	2,798		
Ciena Capital LLC(7)			6.00%	11/29/2010	14,000	14,000		

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	Real estate and small business loan servicer	Senior secured revolving loan (\$14,000 par due 12/2013)				
		Senior secured loan (\$32,000 par due 12/2015)	12.00%	11/29/2010	32,000	32,000
		Equity interests		11/29/2010	53,374	30,400
					99,374	76,400
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$19,500 par due 6/2015)	15.00%	4/1/2010	19,500	19,500
Compass Group Diversified Holdings, LLC(10)	Middle market business manager	Senior secured revolving loan (\$16,176 par due 12/2012)	2.73% (Libor + 2.50%/M)	4/1/2010	16,176	16,176

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Financial Pacific Company	Commercial finance leasing	Preferred stock (6,500 shares)	8.00% PIK	10/13/2010	7,020	8,028(4)	
		Common stock (650,000 shares)		10/13/2010			
					7,020	8,028	
Imperial Capital Group, LLC	Investment services	Class A common units (15,420 units)		5/10/2007	14,997	19,944	
		2006 Class B common units (5,052 units)		5/10/2007	3	4	
		2007 Class B common units (630 units)		5/10/2007			
					15,000	19,948	
Ivy Hill Asset Management, L.P. (7)(9)	Asset management services	Member interest (100.00% interest)		6/15/2009	112,876	186,823	
					287,341	342,280	11.03%
Aerospace and Defense							
AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (\$209,475 par due 7/2017)	7.25% (Libor + 5.75%/M)	7/22/2011	209,475	202,667(16)	
		Senior secured loan (\$49,875 par due 7/2017)	7.25% (Libor + 5.75%/M)	7/22/2011	49,875	48,254(2)(16)	
					259,350	250,921	
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Senior preferred stock (775 shares)	8.00% PIK	1/17/2008	93	93(4)	
		Common stock (1,885,195 shares)		1/17/2008	2,291	1,873	
					2,384	1,966	
					261,734	252,887	8.15%
Consumer Products Non-durable							
Augusta Sportswear, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$9,113 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	9,113	9,113(3)(16)	
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior secured loan (\$21,941 par due 10/2013)	13.44%	4/1/2010	21,372	21,941	
Insight Pharmaceuticals Corporation(6)	OTC drug products manufacturer	Junior secured loan (\$25,000 par due 8/2017)	13.25% (Libor + 11.75%/Q)	8/26/2011	24,733	24,000(16)	
		Class A common stock (155,000 shares)		8/26/2011	6,035	9,302	

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Class B common stock (155,000 shares)	8/26/2011	6,035	9,302
		36,803	42,604

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Making Memories Wholesale, Inc.(7)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$2,250 par due 8/2014)		8/21/2009	2,229	2,052(15)	
		Senior secured loan (\$9,625 par due 8/2014)		8/21/2009	7,193	(15)	
		Senior secured loan (\$5,861 par due 8/2014)		8/21/2009	3,874	(15)	
		Common stock (100 shares)		8/21/2009			
					13,296	2,052	
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of OTC healthcare products	Senior secured revolving loan (\$13,300 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	13,300	12,901(16)	
		Senior secured loan (\$41,969 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	41,695	40,710(2)(16)	
		Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		238	
		Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		1,509	
					54,995	55,358	
The Step2 Company, LLC	Toy manufacturer	Junior secured loan (\$27,000 par due 4/2015)	10.00%	4/1/2010	25,696	27,000	
		Junior secured loan (\$30,776 par due 4/2015)	10.00% Cash, 5.00% PIK	4/1/2010	29,172	27,773(4)	
		Common units (1,116,879 units)		4/1/2010	24		
		Warrants to purchase up to 3,157,895 units		4/1/2010			
					54,892	54,773	
The Thymes, LLC(7)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	6,200	6,632(4)	
		Common units (5,400 units)		6/21/2007		195	
					6,200	6,827	
Woodstream Corporation	Pet products manufacturer	Senior subordinated loan (\$45,000 par due 2/2015)	12.00%	1/22/2010	40,175	43,200	
		Common stock (4,254 shares)		1/22/2010	1,222	2,090	
					41,397	45,290	
					238,068	237,958	7.67%

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Containers and Packaging

ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$153,500 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	153,500	149,662(16)	
		Senior secured loan (\$23,000 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	23,000	22,425(2)(16)	
					176,500	172,087	
					176,500	172,087	5.55%

Services Other

Growing Family, Inc. and GFH Holdings, LLC(6)	Photography services	Senior secured loan (\$9,645 par due 12/2014)	6.50% (Libor + 6.00%/Q)	7/01/2011	9,424	8,719(16)	
		Series D preferred units (8,750 units)		7/01/2011			
		Common stock (552,430 shares)		3/16/2007	872		
		Warrants to purchase up to 11,313,678 shares		7/01/2011			
					10,296	8,719	

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
PODS Funding Corp.	Storage and warehousing	Senior subordinated loan (\$25,125 par due 6/2015)	15.00%	12/23/2009	25,125	25,125	
		Senior subordinated loan (\$7,582 par due 12/2015)	16.64% PIK	12/23/2009	6,405	7,582(4)	
					31,530	32,707	
The Dwyer Group(6)	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$17,100 par due 12/2016)	14.50%	12/22/2010	17,100	17,100	
		Series A preferred units (13,292,377 units)	8.00% PIK	12/22/2010	14,131	15,396(4)	
					31,231	32,496	
United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
Wash Multifamily Laundry Systems, LLC (fka Web Services Company, LLC)	Laundry service and equipment provider	Senior secured loan (\$4,850 par due 8/2014)	7.00% (Base Rate + 3.75%/Q)	6/15/2009	4,712	4,850(3)	
		Junior secured loan (\$36,900 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	36,900	36,531(16)	
		Junior secured loan (\$50,000 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	50,000	49,500(2)(16)	
		Junior secured loan (\$3,100 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	3,100	3,069(3)(16)	
					94,712	93,950	
				167,769	167,872	5.41%	
Telecommunications							
American Broadband Communications, LLC, American Broadband Holding Company and Cameron Holdings of NC, Inc.	Broadband communication services	Senior secured loan (\$12,675 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	12,183	12,548(2)(16)	
		Senior secured loan (\$8,930 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	8,930	8,841(3)(16)	
		Senior subordinated loan (\$10,476 par due 11/2014)	12.00% Cash, 2.00% PIK	11/7/2007	10,476	10,476(4)	
		Senior subordinated loan (\$26,799 par due 11/2014)	12.00% Cash, 4.00% PIK	9/1/2010	26,799	26,799(4)	
		Senior subordinated loan (\$33,263 par due 11/2014)	12.00% Cash, 2.00% PIK	2/8/2008	33,263	33,263(2)(4)	
		Warrants to purchase up to 378 shares			11/7/2007		6,165

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		Warrants to purchase up to 200 shares		9/1/2010		3,262	
					91,651	101,354	
Dialog Telecom LLC	Broadband communication services	Senior secured loan (\$16,259 par due 12/2012)	12.00% (Libor + 5.50% Cash, 6.00% PIK/Q)	6/20/2011	16,259	16,259(4)(16)	
Startec Equity, LLC(7)	Communication services	Member interest		4/1/2010			
					107,910	117,613	3.79%
Environmental Services							
AWTP, LLC(7)	Water treatment services	Junior secured loan (\$4,058 par due 6/2015)	5.00% Cash, 5.00% PIK	4/18/2011	4,058	4,058(4)	
		Junior secured loan (\$863 par due 6/2015)	15.00% PIK	4/18/2011	863	661(4)	
		Junior secured loan (\$4,353 par due 6/2015)	15.00% PIK	4/18/2011	4,353	3,331(3)(4)	
		Membership interests (90% interest)		4/18/2011			
					9,274	8,050	

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC.	Operator of municipal recycling facilities	Senior secured loan (\$36,700 par due 3/2016)	11.50% (Libor + 9.75%/Q)	3/1/2011	36,700	36,700(2)(16)	
		Senior secured loan (\$8,300 par due 3/2016)	11.50% (Libor + 9.75%/Q)	3/1/2011	8,300	8,300(3)(16)	
		Preferred stock (1,000 shares)	12.50% PIK	3/1/2011	8,059	8,047(4)	
					53,059	53,047	
Sigma International Group, Inc.(8)	Water treatment parts manufacturer	Junior secured loan (\$4,000 par due 4/2014)	10.00% (Libor + 3.50% Cash, 5.00% PIK/A)	7/8/2011	4,000	3,000(4)(16)	
Waste Pro USA, Inc	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	19,621	
					78,596	83,718	2.70%
Manufacturing							
Component Hardware Group, Inc.	Commercial equipment manufacturer	Junior secured loan (\$3,083 par due 12/2014)	7.00% Cash, 3.00% PIK	8/4/2010	3,083	3,083(4)	
		Senior subordinated loan (\$10,463 par due 12/2014)	7.50% Cash, 5.00% PIK	4/1/2010	6,618	10,463(4)	
		Warrants to purchase up to 1,462,500 shares of common stock		8/4/2010		2,942	
					9,701	16,488	
HOPPY Holdings Corp.	Manufacturer of automotive and recreational vehicle aftermarket products	Senior secured loan (\$14,550 par due 6/2016)	5.25% (Libor + 4.00%/Q)	6/3/2011	14,550	13,823(16)	
NetShape Technologies, Inc.	Metal precision engineered components manufacturer	Senior secured revolving loan (\$849 par due 2/2013)	4.08% (Libor + 3.75%/Q)	4/1/2010	398	527	
Saw Mill PCG Partners LLC	Metal precision engineered components manufacturer	Common units (1,000 units)		1/30/2007	1,000		
UL Holding Co., LLC	Petroleum product manufacturer	Junior secured loan (\$2,098 par due 12/2012)	9.14% (Libor + 8.88%/Q)	12/24/2007	2,098	2,098	
		Junior secured loan (\$4,091 par due 12/2012)	14.00%	12/24/2007	4,091	4,091	
		Junior secured loan (\$2,000 par due 12/2012)	9.24% (Libor + 8.88%/Q)	6/17/2011	2,000	2,000	
		Junior secured loan (\$5,000 par due 12/2012)	15.00%	8/13/2010	5,000	5,000	

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Junior secured loan (\$2,933 par due 12/2012)	14.00%	12/24/2007	2,933	2,933(2)	
Junior secured loan (\$835 par due 12/2012)	9.14% (Libor + 8.88%/Q)	12/24/2007	835	835(3)	
Junior secured loan (\$1,810 par due 12/2012)	14.00%	12/24/2007	1,810	1,810(3)	
Junior secured loan (\$10,755 par due 12/2012)	9.15% (Libor + 8.88%/Q)	12/24/2007	10,755	10,755(3)	
Class A common units (8,982 units)		6/17/2011	90	41	
Class B-4 common units (50,000 units)		4/25/2008	500	229	
Class B-5 common units (499,000 units)		6/17/2011	4,990	2,285	
Class C common units (549,491 units)		4/25/2008		2,517	
			35,102	34,594	
			60,751	65,432	2.11%

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Energy							
La Paloma Generating Company, LLC	Natural gas fired, combined cycle plant operator	Junior secured loan (\$59,000 par due 8/2018)	10.25% (Libor + 8.75%/Q)	8/9/2011	57,744	57,525(16)	
					57,744	57,525	1.85%
Food and Beverage							
Apple & Eve, LLC and US Juice Partners, LLC(6)	Juice manufacturer	Senior secured revolving loan (\$3,000 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	3,000	3,000(16)	
		Senior secured loan (\$13,363 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	13,363	13,363(16)	
		Senior secured loan (\$14,060 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	14,060	14,060(3)(16)	
		Senior units (50,000 units)			5,000	3,921	
					35,423	34,344	
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated loan (\$7,615 par due 2/2013)	16.00% PIK	2/6/2008	7,615	7,615(4)	
		Preferred stock (6,258 shares)		9/1/2006	2,500	1,500	
					10,115	9,115	
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	728	
		Class A-1 common stock (2,157 shares)		4/1/2010			
					980	728	
Fleischmann's Vinegar Company, Inc.	Leading manufacturer, supplier, and distributor of industrial vinegar products	Senior secured loan (\$12,540 par due 5/2016)	8.75% (Libor + 7.25%/Q)	6/1/2011	12,540	12,540(16)	
					59,058	56,727	1.83%
Wholesale Distribution							
BECO Holding Company, Inc.	Wholesale distributor of first response fire protection equipment and related parts	Common stock (25,000 shares)		7/30/2010	2,500	2,589	
Stag-Parkway, Inc.(7)	Automotive aftermarket components	Senior secured loan (\$34,500 par due 12/2014)	12.50% (Libor + 11.00%/Q)	9/30/2010	34,500	34,500(16)	

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supplier		Preferred stock (4,200 shares)	16.50% PIK	9/30/2010	3,013	4,200(4)	
		Common stock (10,200 shares)		9/30/2010		12,765	
					37,513	51,465	
					40,013	54,054	1.74%

Retail

Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Common stock (1,218,481 shares)		8/8/2006	4,909	11,633	
Things Remembered Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$26,433 par due 3/2014)	9.00% (Base Rate + 7.00%/M)	9/28/2006	26,409	26,433(16)	
		Senior secured loan (\$8,226 par due 3/2014)	9.00% (Base Rate + 7.00%/M)	9/28/2006	8,302	8,226(3)(16)	
		Class B preferred stock (73 shares)		3/19/2009		2,056	
		Preferred stock (80 shares)		9/28/2006	1,800	2,249	
		Common stock (800 shares)		9/28/2006	200	465	
		Warrants to purchase up to 859 shares of preferred stock		3/19/2009		497	
					36,711	39,926	
					41,620	51,559	1.66%

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Commercial Real Estate Finance							
10th Street, LLC(6)	Real estate holding company	Senior subordinated loan (\$23,964 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	23,964	23,964(4)	
		Member interest (10.00% interest)		4/1/2010	594		
		Option (25,000 units)		4/1/2010	25		556
					24,583		24,520
Allied Capital REIT, Inc.(7)	Real estate investment trust	Real estate equity interests		4/1/2010		428	
		Real estate equity interests		4/1/2010	50		
					50	428	
American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$2,000 par due 12/2025)		4/1/2010	1,611	1,727(15)	
Aquila Binks Forest Development, LLC	Real estate developer	Commercial mortgage loan (\$13,118 par due 12/2014)		4/1/2010	11,541	5,022(15)	
		Real estate equity interests		4/1/2010			
					11,541	5,022	
Cleveland East Equity, LLC	Hotel operator	Real estate equity interests		4/1/2010	1,026	2,508	
Commons R-3, LLC	Real estate developer	Real estate equity interests		4/1/2010			
Crescent Hotels & Resorts, LLC and affiliates(7)	Hotel operator	Senior secured loan (\$433 par due 6/2010)	10.00%	4/1/2010	433	444	
		Senior subordinated loan (\$8,891 par due 1/2012)		4/1/2010	1,475	372(15)	
		Senior subordinated loan (\$12,408 par due 6/2017)		4/1/2010	2,410	650(15)	
		Senior subordinated loan (\$10,967 par due 9/2012)		4/1/2010	2,051	546(15)	
		Senior subordinated loan (\$261 par due 3/2013)		4/1/2010	263	24(15)	
		Senior subordinated loan (\$2,236 par due 9/2011)		4/1/2010		(15)	
		Preferred equity interest		4/1/2010		39	
		Common equity interest		4/1/2010	35		
						6,667	2,075
DI Safford, LLC	Hotel operator	Commercial mortgage loan (\$5,423 par due 5/2032)		4/1/2010	2,667	2,400(15)	
Hot Light Brands, Inc.(7)	Real estate holding company	Senior secured loan (\$35,239 par due 2/2011)		4/1/2010	3,945	3,770(15)	

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		Common stock (93,500 shares)		4/1/2010	3,945	3,770	
MGP Park Place Equity, LLC	Office building operator	Commercial mortgage loan (\$6,500 par due 5/2011)		4/1/2010		(15)	
NPH, Inc.	Hotel property	Real estate equity interests		4/1/2010	5,291	7,970	
					57,381	50,420	1.62%
Consumer Products Durable							
Bushnell Inc.	Sports optics manufacturer	Junior secured loan (\$41,325 par due 2/2014)	6.75% (Libor + 6.50%/Q)	4/1/2010	32,367	35,126	
Direct Buy Holdings, Inc. and Direct Buy Investors, LP(6)	Membership based buying club franchisor and operator	Junior secured note (\$32,000 par due 2/2017)		1/21/2011	30,761	10,082(15)	
		Limited partnership interest (66,667 shares)		4/1/2010	2,594		
		Limited partnership interest (83,333 shares)		11/30/2007	8,333		
					41,688	10,082	
					74,055	45,208	1.46%

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Chemicals, Plastics and Rubber							
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$3,576 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	3,576	3,576(4)	
		Senior secured loan (\$9,967 par due 11/2013)	10.25% (Base Rate + 3.50%/M)	6/29/2011	9,967	9,967(16)	
		Senior secured loan (\$6,639 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	6,639	6,639(16)	
		Senior secured loan (\$5,207 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	5,207	5,207(2)(4)	
		Senior secured loan (\$8,227 par due 11/2013)	8.25% (Libor + 4.25%/M)	5/22/2006	8,227	8,227(3)(16)	
		Senior secured loan (\$915 par due 11/2013)	10.25% (Base Rate + 3.50%/M)	6/29/2011	915	915(3)(16)	
		Senior secured loan (\$610 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	610	610(3)(16)	
						35,141	35,141
Protective Industries, Inc.	Manufacturer of plastic protection products	Senior secured loan (\$5,603 par due 5/2017)	5.75% (Libor + 4.25%/M)	5/23/2011	5,603	5,435(16)	
		Senior subordinated loan (\$707 par due 5/2018)	8.00% Cash, 7.25% PIK	5/23/2011	707	707(4)	
		Preferred stock (2,379,361 shares)		5/23/2011	2,307	2,307	
					8,617	8,449	
				43,758	43,590	1.40%	
Automotive Services							
Driven Brands, Inc.(6)	Automotive aftermarket car care franchisor	Senior secured loan (\$3,200 par due 10/2014)	6.50% (Libor + 5.00%/M)	5/12/2010	3,131	3,200(3)(16)	
		Senior secured loan (\$201 par due 10/2014)	7.00% (Base Rate + 3.75%/M)	5/12/2010	197	201(3)(16)	
		Common stock (3,772,098 shares)		4/1/2010	4,939	7,543	
					8,267	10,944	
Penn Detroit Diesel Allison, LLC(7)	Diesel engine manufacturer	Member interest (70,249 shares)		4/1/2010	15,993	21,601	
					24,260	32,545	1.05%
Printing, Publishing and Media							
EarthColor, Inc.(7)	Printing management services	Common stock (89,435 shares)		4/1/2010			

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LVCG Holdings LLC(7)	Commercial printer	Membership interests (56.53% interest)		10/12/2007	6,600	
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,141 par due 10/2012)	9.00% (Libor + 6.00%/Q)	3/2/2006	1,141	982(16)
		Senior secured revolving loan (\$1,128 par due 10/2012)	9.00% (Base Rate + 5.00%/M)	3/2/2006	1,128	970(16)
		Senior secured loan (\$7,629 par due 10/2012)	16.00% (Libor + 6.00% Cash, 5.00% PIK/Q)	3/2/2006	7,315	7,171(3)(4)(16)
		Senior secured loan (\$70 par due 10/2012)	15.00% (Base Rate + 5.00% Cash, 5.00% PIK/M)	3/2/2006	67	66(3)(4)(16)
		Preferred stock (9,344 shares)		3/2/2006	2,000	
					11,651	9,189

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	Preferred stock (21,711 shares)		9/29/2006	2,171	4,172	
		Common stock (15,393 shares)		9/29/2006	3	10	
					2,174	4,182	
					20,425	13,371	0.43%
Health Clubs							
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$11,500 par due 10/2013)	4.74% (Libor + 4.50%/M)	10/11/2007	11,500	11,270(3)	
					11,500	11,270	0.36%
Housing Building Materials							
HB&G Building Products, Inc.	Synthetic and wood product manufacturer	Senior subordinated loan (\$9,627 par due 3/2013)		10/8/2004	8,991	1,003(15)	
		Common stock (2,743 shares)		10/8/2004	753		
		Warrants to purchase up to 4,464 shares of common stock		10/8/2004	653		
					10,397	1,003	
					10,397	1,003	0.03%
Oil and Gas							
Geotrace Technologies, Inc.	Reservoir processing, development	Warrants to purchase up to 69,978 shares of common stock		4/1/2010	88		
		Warrants to purchase up to 210,453 shares of preferred stock		4/1/2010	2,805		
					2,893		
					2,893		0.00%
					\$ 4,803,420	\$ 4,755,153	153.23%

(1) Other than our investments listed in footnote 7 below, we do not "Control" any of our portfolio companies, as defined in the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). In general, under the Investment Company Act, we would "Control" a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments, which as of September 30, 2011 represented 153% of the Company's net assets or 94% of the Company's total assets, are subject to legal restrictions on sales.

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The investments not otherwise pledged as collateral in respect of the Debt Securitization (as defined below) or the Revolving Funding Facility (as defined below) by the respective obligors thereunder are pledged as collateral by the Company and certain of its other subsidiaries for the Revolving Credit Facility (as defined below)(except for a limited number of exceptions as provided in the credit agreement governing the Revolving Credit Facility).

- (2) These assets are owned by the Company's wholly owned subsidiary Ares Capital CP Funding LLC ("Ares Capital CP"), are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).
- (3) Pledged as collateral for the Debt Securitization.
- (4) Has a payment-in-kind interest feature (see Note 2 to the consolidated financial statements).
- (5) Investments without an interest rate are non-income producing.
- (6) As defined in the Investment Company Act, we are deemed to be an "Affiliated Person" 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

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(including through a management agreement). Transactions during the nine months ended September 30, 2011 in which the issuer was an Affiliated company (but not a portfolio company that we "Control") are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
10th Street, LLC	\$	\$	\$	\$ 2,309	\$	\$	\$	\$	\$ (45)
Apple & Eve, LLC and US Juice Partners, LLC	\$ 3,000	\$ 2,839	\$	\$ 2,554	\$	\$	\$ 25	\$	\$ (1,114)
BB&T Capital Partners/Windsor Mezzanine Fund, LLC	\$	\$ 2,640	\$ 9,260	\$	\$	\$	\$	\$ 3,902	\$ (3,805)
Carador PLC	\$	\$	\$ 9,033	\$	\$	\$ 160	\$	\$ (2,989)	\$ 3,699
Campus Management Corp. and Campus Management Acquisition Corp.	\$ 571	\$	\$	\$	\$	\$	\$	\$	\$ (1,174)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$ 75	\$ 8,763	\$ 648	\$	\$ 2,589	\$	\$ 1,561	\$ (679)
Direct Buy Holdings, Inc. and Direct Buy Investors, LP	\$ 38,800	\$ 80,315	\$ 9,946	\$ 2,637	\$	\$	\$	\$ 2,770	\$ (30,025)
Driven Brands, Inc.	\$	\$ 237	\$	\$ 202	\$	\$	\$	\$ 13	\$ 1,205
DSI Renal, Inc.	\$	\$ 77,774	\$ 19,684	\$ 7,919	\$	\$	\$ 33	\$ 27,522	\$ (21,565)
The Dwyer Group	\$	\$	\$ 11,708	\$ 2,854	\$	\$ 853	\$	\$	\$ 1,266
ELC Acquisition Corp. and ELC Holdings Corporation	137,200	135,661		1,056		200	19		
Firstlight Financial Corporation	\$	\$ 2,988	\$	\$ 501	\$	\$	\$ 188	\$ 12	\$ 4,348
Growing Family, Inc. and GFH Holdings, LLC	\$	\$ 34	\$	\$ 551	\$	\$	\$ 6	\$ 1	\$ 4,414
Industrial Container Services, LLC	\$ 3,304	\$ 8,491	\$ 1,800	\$ 69	\$	\$	\$ 121	\$ 19,880	\$ (13,403)
Insight Pharmaceuticals Corporation	\$ 24,730	\$ 56,080	\$	\$ 3,569	\$ 730	\$	\$ 765	\$	\$ 4,439
Investor Group Services, LLC	\$ 500	\$	\$	\$ 1	\$	\$ 206	\$ 5	\$	\$ 85
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 13
Pillar Processing LLC and PHL Holding Co.	\$	\$ 12,144	\$	\$ 1,606	\$	\$	\$ 148	\$	\$ (2,972)
Primis Marketing Group, Inc. and Primis Holdings, LLC	\$	\$ 154	\$ 14,068	\$	\$	\$	\$	\$ (14,068)	\$ 14,120
Regency Healthcare Group, LLC	\$	\$	\$ 2,007	\$	\$	\$	\$	\$ 380	\$ 335
Soteria Imaging Services, LLC	\$	\$ 1,231	\$	\$ 324	\$	\$	\$	\$ 50	\$ 81
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (4,367)
Universal Environmental Services, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
Universal Trailer Corporation	\$	\$	\$ 7,930	\$	\$	\$	\$	\$ (7,930)	\$ 7,930

(7)

As defined in the Investment Company Act, we are deemed to be an "Affiliated Person" 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

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portfolio company (including through a management agreement). Transactions during the period for the nine months ended September 30, 2011 in which the issuer was both an Affiliated company and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
AGILE Fund I, LLC	\$	\$ 7	\$	\$	\$	\$ 4	\$	\$	\$ (68)
Allied Capital REIT, Inc.	\$	\$ 115	\$	\$	\$	\$	\$	\$ 585	\$ (190)
AllBridge Financial, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (506)
Aviation Properties Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$
AWTP, LLC	\$ 2,926	\$	\$	\$ 445	\$	\$	\$	\$	\$ (1,225)
BenefitMall Holdings, Inc.	\$	\$	\$	\$ 5,505	\$	\$	\$ 375	\$	\$ 3,421
Border Foods, Inc.	\$	\$ 28,526	\$ 34,818	\$ 1,401	\$	\$	\$	\$ 5,174	\$ 3,601
Callidus Capital Corporation	\$ 6,000	\$	\$	\$	\$	\$	\$	\$	\$ (3,448)
Ciena Capital LLC	\$	\$	\$	\$ 2,353	\$	\$	\$	\$	\$ (16,663)
Citipostal, Inc.	\$ 2,850	\$ 2,802	\$	\$ 5,454	\$	\$	\$ 265	\$	\$ (9,654)
Coverall North America, Inc.	\$	\$ 30,907	\$	\$ 642	\$	\$	\$ 75	\$ (7,640)	\$ 7,624
Crescent Hotels & Resorts, LLC and affiliates	\$	\$	\$	\$ 202	\$	\$	\$	\$	\$ (1,664)
EarthColor, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$
HCI Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (278)
HCP Acquisition Holdings, LLC	\$ 677	\$	\$	\$	\$	\$	\$	\$	\$ (1,310)
Hot Light Brands, Inc.	\$	\$ 929	\$	\$	\$	\$	\$	\$	\$ 70
Huddle House Inc.	\$	\$	\$	\$ 2,323	\$	\$	\$ 563	\$	\$ 3,121
Industrial Air Tool, LP and affiliates	\$	\$	\$ 13,419	\$	\$	\$ 370	\$ 185	\$ 581	\$ (1,517)
Ivy Hill Asset Management, L.P.	\$ 9,419	\$	\$	\$	\$	\$ 14,286	\$	\$	\$ 41,169
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$	\$	\$ 3,589	\$	\$	\$	\$	\$ 1,499
Knightsbridge CLO 2007-1 Ltd.	\$	\$	\$ 14,852	\$ 1,019	\$	\$	\$	\$ 3,724	\$ 307
Knightsbridge CLO 2008-1 Ltd.	\$	\$	\$	\$ 2,045	\$	\$	\$	\$	\$ 3,262
LVCV Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
Making Memories Wholesale, Inc.	\$ 1,750	\$ 345	\$	\$ 23	\$	\$	\$ 2	\$	\$ (5,880)
MVL Group, Inc.	\$	\$	\$	\$ 6,431	\$	\$	\$	\$	\$ (505)
Orion Foods, LLC	\$ 3,300	\$ 220	\$	\$ 7,828	\$	\$	\$ 609	\$	\$ (9,017)
Penn Detroit Diesel Allison, LLC	\$	\$ 4,077	\$	\$	\$	\$	\$ 375	\$ 1,095	\$ 3,621
Reflexite Corporation	\$	\$ 9,281	\$ 27,435	\$ 1,129	\$	\$	\$ 39	\$ 40,923	\$ (3,088)
Senior Secured Loan Fund LLC*	\$ 239,967	\$	\$	\$ 81,073	\$ 20,020	\$	\$ 9,152	\$	\$ (5,128)
Stag-Parkway, Inc.	\$	\$	\$	\$ 3,270	\$	\$ 685	\$ 187	\$	\$ (1,907)
Startec Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
The Thymes, LLC	\$	\$ 947	\$	\$	\$	\$ 363	\$	\$	\$ 509

* Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), we co-invest through the Senior Secured Loan Fund LLC d/b/a the "Senior Secured Loan Program" (the "SSLP"). 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 GE and the Company; therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise).

(8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.

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- (9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (10) Public company with outstanding equity with a market value in excess of \$250 million and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (11) In the first quarter of 2011, the staff of the Securities and Exchange Commission (the "Staff") informally communicated to certain business development companies the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) of the Investment Company Act). Subsequently, in August 2011 the Securities and Exchange Commission issued a concept release (the "Concept Release") which states that "[a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company". Ares Capital continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a business development company to treat as "eligible portfolio companies" entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release), Ares Capital has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified these entities in our schedule of investments as "non-qualifying assets" should the Staff ultimately disagree with Ares Capital's position.
- (12) 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 reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, we have provided the interest rate in effect on the date presented.

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- (13) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 5.00% on \$40 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (14) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$25 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (15) Loan was on non-accrual status as of September 30, 2011.
- (16) Loan includes interest rate floor feature.
- (17) In addition to the interest earned based on the contractual stated interest rate of this security, the notes entitle us to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.

See accompanying notes to consolidated financial statements.

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS**

As of December 31, 2010

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC(7)(9)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 264	\$ 217	
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)		4/1/2010	2,669	1,239	
		Class D notes (\$9,400 par due 12/2013)		4/1/2010			(14)
					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	
Callidus Debt Partners CLO Fund IV, Ltd.(8)(9)	Investment company	Class D notes (\$3,000 par due 4/2020)	4.84%	4/1/2010	1,824	1,817	
		Subordinated notes (\$17,500 par due 4/2020)	(Libor + 4.55%/Q) 14.92%	4/1/2010	6,935	11,720	
					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	
Callidus Debt Partners CLO Fund VI, Ltd.(8)(9)	Investment company	Class D notes (\$9,000 par due 10/2021)	6.29%	4/1/2010	4,039	5,538	
		Subordinated notes (\$25,500 par due 10/2021)	(Libor + 6.00%/Q) 20.14%	4/1/2010	11,572	22,711	
					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	
Callidus MAPS CLO Fund I LLC	Investment company	Class E notes (\$17,000 par due 12/2017)	5.79%	4/1/2010	11,863	11,535	
		Subordinated notes (\$47,900 par due 12/2017)	(Libor + 5.5%/Q) 8.62%	4/1/2010	12,652	19,156	

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					24,515	30,691
Callidus MAPS CLO Fund II, Ltd.(8)(9)	Investment company	Class D notes (\$7,700 par due 7/2022)	4.54%	4/1/2010	3,428	4,364
		Subordinated notes (\$17,900 par due 7/2022)	18.41%	4/1/2010	8,857	13,624
					12,285	17,988
Carador PLC(6)(8)(9)(10)	Investment company	Ordinary shares (7,110,525 shares)		12/15/2006	9,033	5,333
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,553	2,500
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	1,041

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Dryden XVIII Leveraged Loan 2007 Limited(8)(9)	Investment company	Class B notes (\$9,000 par due 10/2019)	4.79% (Libor + 4.50%/Q)	4/1/2010	3,816	4,823	
		Subordinated notes (\$21,164 par due 10/2019)	23.01%	4/1/2010	12,266	19,436	
Dynamic India Fund IV, LLC(9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	4,822	
Fidus Mezzanine Capital, L.P.(9)	Investment partnership	Limited partnership interest (29.12% interest)		4/1/2010	9,206	7,499	
Firstlight Financial Corporation(6)(9)	Investment company	Senior subordinated loan (\$73,811 par due 12/2016)	1.00% PIK	12/31/2006	73,569	54,050(4)	
		Common stock (10,000 shares)		12/31/2006	10,000		
		Common stock (30,000 shares)		12/31/2006	30,000		
					113,569	54,050	
HCI Equity, LLC(7)(8)(9)	Investment company	Member interest (100% interest)		4/1/2010	808	993	
Imperial Capital Private Opportunities, LP(9)	Investment partnership	Limited partnership interest (80% interest)		5/10/2007	6,643	5,300	
Ivy Hill Middle Market Credit Fund, Ltd.(7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.25% (Libor + 6.00%/Q)	11/20/2007	40,000	37,200	
		Subordinated notes (\$15,351 par due 11/2018)	15.50%	11/20/2007	15,351	14,737	
					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	
Knightsbridge CLO 2008-1 Ltd.(7)(8)(9)	Investment company	Class C notes (\$14,400 par due 6/2018)	7.80% (Libor + 7.50%/Q)	3/24/2010	14,400	14,400	
		Class D notes (\$9,000 par due 6/2018)	8.79% (Libor + 8.50%/Q)	3/24/2010	9,000	9,000	
		Class E notes (\$14,850 par due 6/2018)	5.29% (Libor + 5.00%/Q)	3/24/2010	13,596	10,488	
					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	
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	
				6/16/2006	2,370	2,393	

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Partnership Capital Growth Fund I, LP(9)	Investment partnership	Limited partnership interest (25% interest)					
Senior Secured Loan Fund LLC(7)(16)	Co-investment vehicle	Subordinated certificates (\$548,161 par due 12/2020)	8.30% (Libor + 8.00%/Q)	10/30/2009	537,439	561,674	
Trivergance Capital Partners, LP(9)	Investment partnership	Limited partnership interest (100% interest)		6/5/2008	3,162		
VSC Investors LLC(9)	Investment company	Membership interest (4.63% interest)		1/24/2008	994	699	
					924,287	924,423	30.30%
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)	

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (1,000,000 units)		8/19/2010	1,000	1,000	
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	
		Common stock (9,679 shares)		6/15/2007	4,000	9,656	
		Common stock (1,546 shares)		6/15/2007		1,542	
					12,763	19,523	
DSI Renal Inc.(6)	Dialysis provider	Senior secured loan (\$9,359 par due 3/2013)	8.50% (Libor + 6.50%/M)	4/4/2006	9,284	9,359(15)	
		Senior subordinated loan (\$69,009 par due 4/2014)	6.00% Cash, 10.00% PIK	4/4/2006	68,523	69,006(4)	
		Common units (19,726 units)		4/4/2006	19,684	40,687	
					97,491	119,052	
GG Merger Sub I, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.31% (Libor + 4.0%/Q)	12/14/2007	10,944	10,764(2)	
		Senior secured loan (\$12,000 par due 12/2014)	4.31% (Libor + 4.0%/Q)	12/14/2007	11,586	11,400(3)	
					22,530	22,164	
HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Class A units (10,044,176 units)		6/26/2008	10,044	5,070	
Heartland Dental Care, Inc.	Dental services	Senior subordinated loan (\$27,717 par due 7/2014)	14.25%	7/31/2008	27,717	28,548	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Senior subordinated loan (\$10,039 par due 9/2017)	13.50%	9/27/2010	10,039	10,039	
		Common stock (1,000,000 shares)		9/27/2010	1,000	1,000	
					11,039	11,039	
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured loan (\$66,169 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	66,169	66,169(15)	
		Senior secured loan (\$48,511 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	48,511	48,511(2)(15)	
				9/15/2010	9,023	9,023(3)(15)	

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Senior secured loan
 (\$9,023 par due
 9/2016) 9.75%
 (Libor + 8.75%/Q)

					123,703	123,703
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Junior secured loan (\$18,851 par due 1/2014)		1/31/2007	18,851	943(14)
		Junior secured loan (\$11,310 par due 1/2014)		1/31/2007	11,310	566(3)(14)
		Common stock (50,000 shares)		1/31/2007	5,000	
					35,161	1,509
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (\$5,000 par due 5/2013)	6.51% (Libor + 6.25%/M)	5/3/2007	5,000	4,800(3)

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
NS Merger Sub. Inc. and NS Holdings, Inc.	Healthcare technology provider	Senior subordinated loan (\$579 par due 6/2017)	13.50%	6/21/2010	579	579	
		Senior subordinated loan (\$50,000 par due 6/2017)	13.50%	6/21/2010	50,000	50,000(2)	
		Common stock (2,500,000 shares)		6/21/2010	2,500	2,500	
					53,079	53,079	
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	2,910	
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Senior secured loan (\$11,287 par due 5/2014)	8.25% (Libor + 7.0%/Q)	5/9/2008	11,287	11,287(2)(15)	
		Senior secured loan (\$10,419 par due 5/2014)	8.25% (Libor + 7.0%/Q)	5/9/2008	10,419	10,419(3)(15)	
		Series A preferred stock (1,594,457 shares)		7/30/2008	11,156	10,978(4)	
		Common stock (16,106 shares)		7/30/2008	100		
					32,962	32,684	
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for integrated healthcare delivery system	Senior secured loan (\$1,100 par due 11/3/2015)	6.75% (Libor + 5.0%/Q)	11/3/2010	1,098	1,100(15)	
		Senior secured loan (\$9,200 par due 11/3/2015)	6.75% (Libor + 5.0%/Q)	11/3/2010	9,171	9,200(3)(15)	
		Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,948	4,000	
		Preferred stock (333 shares)		3/12/2008	125	9	
		Common stock (16,667 shares)		3/12/2008	167	471	
					14,509	14,780	
Reed Group, Ltd.	Medical disability management services provider	Senior secured loan (\$10,755 par due 12/2013)		4/1/2010	9,129	9,142(14)	
		Senior secured revolving loan (\$1,250 par due 12/2013)		4/1/2010	1,097	1,063(14)	
		Senior subordinated loan (\$19,625 par due 12/2013)		4/1/2010	15,918	10,714(14)	
		Equity interests		4/1/2010	203		

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			26,347	20,919	
Regency Healthcare Group, LLC(6)	Hospice provider	Preferred member interest (1,293,960 shares)	4/1/2010	2,007	1,672
Soteria Imaging Services, LLC(6)	Outpatient medical imaging provider	Junior secured loan (\$1,687 par due 11/2010)	4/1/2010	1,644	1,383(14)
		Junior secured loan (\$2,422 par due 11/2010)	4/1/2010	2,361	1,986(14)
		Preferred member interest (1,881,234 units)	4/1/2010		
			4,005	3,369	

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Sunquest Information Systems, Inc.	Laboratory software solutions provider	Junior secured loan (\$95,000 par due 6/2017)	9.75% (Libor + 8.50%/M)	12/16/2010	95,000	95,000(15)	
		Junior secured loan (\$50,000 par due 6/2017)	9.75% (Libor + 8.50%/M)	12/16/2010	50,000	50,000(2)(15)	
					145,000	145,000	
U.S. Renal Care, Inc.	Dialysis provider	Senior subordinated loan (\$20,235 par due 5/2017)	11.25% Cash, 2.00% PIK	5/24/2010	20,235	20,235(4)	
Univita Health Inc.	Outsourced services provider	Senior subordinated loan (\$21,094 par due 12/2014)	12.00% Cash, 3.00% PIK	12/22/2009	21,094	21,094(4)	
VOTC Acquisition Corp.	Radiation oncology care provider	Senior secured loan (\$7,580 par due 7/2012)	11.00% Cash, 2.00% PIK	6/30/2008	7,580	7,580(4)	
		Preferred stock (3,888,222 shares)		7/14/2008	8,748	11,624	
					16,328	19,204	
					687,929	674,356	22.11%
Business Services							
Aviation Properties Corporation(7)	Aviation services	Common stock (100 shares)		4/1/2010			
BenefitMall Holdings Inc.(7)	Employee benefits broker services	Senior subordinated loan (\$40,326 par due 6/2014)	18.00%	4/1/2010	40,326	40,326	
		Common stock (39,274,290 shares)		4/1/2010	53,510	50,450	
		Warrants		4/1/2010			
					93,836	90,776	
Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior secured loan (\$733 par due 7/2015)	7.50% (Libor + 4.50%/M)	7/31/2008	721	733(3)(15)	
		Senior subordinated loan (\$101 par due 7/2016)	13.00%	7/31/2008	90	104	
		Senior subordinated loan (\$5,007 par due 7/2016)	13.00%	7/31/2008	4,983	5,157(2)	
					5,794	5,994	
CitiPostal Inc.(7)	Document storage and management services	Senior secured revolving loan (\$691 par due 12/2013)	6.50% (Libor + 4.50%/M)	4/1/2010	691	691(15)	
		Senior secured revolving loan (\$700 par due 12/2013)	6.50% (Libor + 4.50%/Q)	4/1/2010	700	700(15)	
		Senior secured revolving loan	6.75% (Base Rate + 3.25%/Q)	4/1/2010	1,250	1,250(15)	

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		(\$1,250 par due 12/2013)				
		Senior secured loan (\$49,333 par due 12/2013)	11.00% Cash, 2.00% PIK	4/1/2010	49,333	49,333(2)(4)
		Senior secured loan (\$482 par due 12/2013)	11.00% Cash, 2.00% PIK	4/1/2010	482	482(4)
		Senior subordinated loan (\$12,526 par due 12/2015)	16.00% PIK	4/1/2010	12,526	12,022(4)
		Common stock (37,024 shares)		4/1/2010		
					64,982	64,478
Cook Inlet Alternative Risk, LLC	Risk management services	Senior secured loan (\$40,000 par due 4/2013)	8.50%	4/1/2010	25,124	26,083
		Senior secured loan (\$44,346 par due 4/2013)	8.50%	4/1/2010	26,622	28,917
		Member interest (3.17%)		4/1/2010		
					51,746	55,000

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Coverall North America, Inc.(7)	Commercial janitorial service provider	Senior secured loan (\$15,763 par due 7/2011)	12.00%	4/1/2010	15,763	15,763(2)	
		Senior secured loan (\$15,864 par due 7/2011)	12.00%	4/1/2010	15,864	15,864(2)	
		Senior subordinated loan (\$5,557 par due 7/2011)		4/1/2010	5,554	928(14)	
		Common stock (763,333 shares)		4/1/2010	2,999		
					40,180	32,555	
Digital Videostream, LLC	Media content supply chain services company	Senior secured loan (\$256 par due 2/2012)	10.00% Cash, 1.00% PIK	4/1/2010	256	256(4)	
		Senior secured loan (\$9 par due 2/2012)	10.00% Cash, 1.00% PIK	4/1/2010	9	9(2)(4)	
		Senior secured loan (\$10,403 par due 2/2012)	10.00% Cash, 1.00% PIK	4/1/2010	10,345	10,403(2)(4)	
		Convertible subordinated loan (\$5,538 par due 2/2016)	10.00% PIK	4/1/2010	5,978	6,025(4)	
					16,588	16,693	
Diversified Collections Services, Inc.	Collections services	Senior secured loan (\$6,921 par due 3/2012)	7.50% (Libor + 5.50%/Q)	4/1/2010	6,921	6,921(3)(15)	
		Senior secured loan (\$79 par due 3/2012)	7.50% (Libor + 5.50%/Q)	4/1/2010	79	79(3)(15)	
		Senior secured loan (\$34,000 par due 9/2012)	13.75% (Libor + 11.75%/Q)	4/1/2010	34,000	34,000(2)(15)	
		Senior secured loan (\$2,000 par due 9/2012)	13.75% (Libor + 11.75%/Q)	4/1/2010	2,000	2,000(2)(15)	
		Preferred stock (14,927 shares)		5/18/2006	169	289	
		Common stock (114,004 shares)		2/5/2005	295	445	
		Common stock (478,816 shares)		4/1/2010	1,478	1,586	
			44,942	45,320			
Diversified Mercury Communications, LLC	Business media consulting services	Senior secured loan (\$1,774 par due 3/2013)	8.00% (Base Rate + 4.50%/M)	4/1/2010	1,613	1,596(15)	
Impact Innovations Group, LLC(7)	IT consulting and outsourcing services	Member interest (50% interest)		4/1/2010			
Interactive Technology Solutions, LLC	IT services provider	Senior secured loan (\$7,944 par due 6/2015)	9.50% (Libor + 6.50%/Q)	10/21/2010	7,944	7,944(15)	
		Senior secured loan (\$8,900 par due 6/2015)	9.50% (Libor + 6.50%/Q)	10/21/2010	8,900	8,900(3)(15)	

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				16,844	16,844
Investor Group Services, LLC(6)	Business consulting for private equity and corporate clients	Limited liability company membership interest (10.00% interest)	6/22/2006		564
Multi-Ad Services, Inc.(6)	Marketing services and software provider	Preferred units (1,725,280 units)	4/1/2010	788	1,366
		Common units (1,725,280 units)	4/1/2010		
				788	1,366

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets	
MVL Group, Inc.(7)	Marketing research provider	Senior secured loan (\$22,772 par due 7/2012)	12.00%	4/1/2010	22,772	22,772		
		Senior subordinated loan (\$34,937 par due 7/2012)	12.00% Cash, 2.50% PIK	4/1/2010	33,884	34,937(4)		
		Junior subordinated loan (\$144 par due 7/2012)	10.00%	4/1/2010		33		
		Common stock (554,091 shares)		4/1/2010				
		Common stock (560,716 shares)		4/1/2010				
							56,656	57,742
PC Helps Support, LLC	Technology support provider	Senior secured loan (\$7,153 par due 12/2013)	3.54% (Libor + 3.25%/Q)	4/1/2010	7,153	7,153(3)		
		Senior subordinated loan (\$23,377 par due 12/2013)	12.76%	4/1/2010	23,377	23,377		
						30,530	30,530	
Pillar Processing LLC and PHL Holding Co.(6)	Mortgage services	Senior secured loan (\$1,875 par due 5/2014)	14.50%	7/31/2008	1,875	1,875		
		Senior secured loan (\$5,500 par due 5/2014)	14.50%	7/31/2008	5,500	5,500(2)		
		Senior secured loan (\$14,730 par due 11/2013)	5.80% (Libor + 5.50%/Q)	11/20/2007	14,730	14,730(2)		
		Senior secured loan (\$9,194 par due 11/2013)	5.80% (Libor + 5.50%/Q)	11/20/2007	9,194	9,194(3)		
		Common stock (85 shares)		11/20/2007	3,768	5,701		
						35,067	37,000	
Primis Marketing Group, Inc. and Primis Holdings, LLC(6)	Database marketing services	Senior subordinated loan (\$10,222 par due 2/2013)		8/24/2006	10,222	102(14)		
		Preferred units (4,000 units)		8/24/2006	3,600			
		Common units (4,000,000 units)		8/24/2006	400			
						14,222	102	
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.)	Bankruptcy and foreclosure processing services	Senior subordinated loan (\$16,788 par due 2/2014)	11.50% Cash, 2.00% PIK	2/9/2007	16,788	16,788(4)		
		Senior subordinated loan (\$27,032 par due 2/2014)	11.50% Cash, 2.00% PIK	2/9/2007	27,032	27,032(2)(4)		

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		Preferred units (30,000 units)		4/11/2006	3,000	4,661
					46,820	48,481
Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)	11.00%	4/1/2010	5,105	5,438
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	257
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$11,930 par due 7/2014)		8/3/2007	10,276	239(3)(14)
Summit Energy Services, Inc.	Energy management consulting services	Common stock (38,778 shares)		4/1/2010	222	287
		Common stock (385,608 shares)		4/1/2010	2,336	2,850
					2,558	3,137

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Tradesmen International, Inc.	Construction labor support	Senior subordinated loan (\$20,000 par due 5/2014)	10.00%	4/1/2010	14,364	20,000	
		Warrants to purchase up to 771,036 shares		4/1/2010		2,086	
					14,364	22,086	
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,204	6,475	
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010			
		Equity interest		4/1/2010			
					563,365	542,673	17.79%
Restaurants and Food Services							
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$2,010 par due 11/2012)	6.50% (Libor + 3.50%/Q)	11/27/2006	2,010	2,010(15)	
		Senior secured revolving loan (\$108 par due 11/2012)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	108	108(15)	
		Senior secured loan (\$22,839 par due 11/2013)	12.50% (Libor + 9.50%/Q)	11/27/2006	22,845	22,839(2)(15)	
		Senior secured loan (\$10,705 par due 11/2013)	12.50% (Libor + 9.50%/Q)	11/27/2006	10,705	10,705(3)(15)	
		Promissory note (\$14,897 par due 11/2016)		6/1/2006	14,886	10,957(4)	
		Warrants to purchase up to 0.61 shares		6/1/2006			
							50,554
Encanto Restaurants, Inc.	Restaurant owner and operator	Junior secured loan (\$20,997 par due 8/2013)	11.00%	8/2/2006	20,997	19,947(2)	
		Junior secured loan (\$3,999 par due 8/2013)	11.00%	8/2/2006	3,999	3,799(3)	
Fulton Holdings Corp	Airport restaurant operator	Senior secured loan (\$40,000 par due 5/2016)	12.50%	5/28/2010	40,000	40,000(2)(12)	
		Common stock (19,672 shares)		5/28/2010	1,967	2,430	
					41,967	42,430	

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Orion Foods, LLC (fka Hot Stuff Foods, LLC)(7)	Convenience food service retailer	Senior secured loan (\$34,357 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	34,357	34,357(15)
		Junior secured loan (\$37,552 par due 9/2014)	14.00%	4/1/2010	24,881	36,085
		Preferred stock (\$10,000 par due)		4/1/2010		
		Class A common units (25,001 units)		4/1/2010		
		Class B common units (1,122,452 units)		4/1/2010		
					59,238	70,442
Huddle House, Inc.(7)	Restaurant owner and operator	Senior subordinated loan (\$20,300 par due 12/2015)	12.00% Cash, 3.00% PIK	4/1/2010	20,032	16,202(4)
		Common stock (358,428 shares)		4/1/2010		
					20,032	16,202
OTG Management, Inc.	Airport restaurant operator	Junior secured loan (\$12,603 par due 6/2013)	16.00% (Libor + 11.00% Cash, 2.00% PIK/M)	6/19/2008	12,603	12,603(4)(15)
		Junior secured loan (\$42,030 par due 6/2013)	18.00% (Libor + 11.00% Cash, 4.00% PIK/M)	6/19/2008	42,030	42,030(4)(15)
		Warrants to purchase up to 100,857 shares of common stock		6/19/2008	100	4,939
		Warrants to purchase up to 9 shares of common stock		6/19/2008		
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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
PMI Holdings, Inc.	Restaurant owner and operator	Senior secured revolving loan (\$575 par due 5/2015)	10.00% (Libor + 8.00%/Q)	5/5/2010	575	575(15)	
		Senior secured loan (\$9,918 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,918	9,918(2)(15)	
		Senior secured loan (\$9,918 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,918	9,918(3)(15)	
		Senior secured loan (\$7 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	7	7(2)	
		Senior secured loan (\$7 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	7	7(3)	
							20,425
S.B. Restaurant Company	Restaurant owner and operator	Senior secured loan (\$35,406 par due 7/2012)	13.00% (Libor + 11.00%/Q)	4/1/2010	26,872	33,635(15)	
		Preferred stock (46,690 shares)		4/1/2010			
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010			
					26,872	33,635	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Senior subordinated loan (\$31,625 par due 5/2015)	13.50%	5/23/2008	31,625	31,625	
		Senior subordinated loan (\$30,000 par due 5/2015)	13.50%	5/23/2008	30,000	30,000(2)	
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	7,500	5,287	
						69,125	66,912
					367,942	379,983	12.46%
Financial Services							
AllBridge Financial, LLC(7)	Asset management services	Equity interests		4/1/2010	11,395	13,112	
Callidus Capital Corporation(7)	Asset management services	Common stock (100 shares)		4/1/2010		246	
Ciena Capital LLC(7)	Real estate and small business loan servicer	Senior secured loan (\$14,000 par due 12/2013)	6.00%	11/23/2010	14,000	14,000	
		Senior secured loan (\$2,000 par due 12/2015)	12.00%	11/29/2010	2,000	2,000	
		Senior secured loan (\$20,000 par due 12/2015)	12.00%	11/29/2010	20,000	20,000	
		Senior secured loan (\$10,000 par due 12/2015)	12.00%	11/29/2010	10,000	10,000	
		Equity interests		11/29/2010	53,374	47,063	

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					99,374	93,063
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$6,000 par due 6/2015)	15.00%	4/1/2010	6,000	6,000
		Senior subordinated loan (\$4,000 par due 6/2015)	15.00%	4/1/2010	4,000	4,000
		Senior subordinated loan (\$9,500 par due 6/2015)	15.00%	4/1/2010	9,500	9,500
					19,500	19,500
Compass Group Diversified Holdings, LLC(10)	Middle market business manager	Senior secured revolving loan (\$735 par due 12/2012)	2.76% (Libor + 2.50%/M)	4/1/2010	735	735
		Senior secured revolving loan (\$882 par due 12/2012)	2.76% (Libor + 2.50%/M)	4/1/2010	882	882
					1,617	1,617
Financial Pacific Company(7)	Commercial finance leasing	Preferred stock (6,500 shares)	8.00% PIK	10/13/2010	6,500	6,543
		Common stock (650,000 shares)		10/13/2010		
					6,500	6,543
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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Imperial Capital Group, LLC(6)	Investment services	Common units (2,526 units)		5/10/2007	3	4,735	
		Common units (315 units)		5/10/2007		590	
		Common units (7,710 units)		5/10/2007	14,997	14,453	
					15,000	19,778	
Ivy Hill Asset Management, L.P.(7)	Asset management services	Member interest (100% interest)		6/15/2009	103,458	136,235	
					256,844	290,094	9.51%
Consumer Products Non-durable							
Augusta Sportswear, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$6,556 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	6,556	6,556(2)(15)	
		Senior secured loan (\$9,353 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	9,353	9,353(3)(15)	
					15,909	15,909	
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior subordinated loan (\$22,902 par due 10/2013)	13.44%	4/1/2010	22,128	22,902	
Insight Pharmaceuticals Corporation(6)	OTC drug products manufacturer	Senior subordinated loan (\$50,255 par due 9/2012)	13.00% Cash, 2.00% PIK	4/1/2010	50,255	50,255(2)(4)(15)	
		Senior subordinated loan (\$5,298 par due 9/2012)	13.00% Cash, 2.00% PIK	4/1/2010	5,298	5,298(4)(15)	
		Common stock (155,000 shares)		4/1/2010	12,070	13,432	
					67,623	68,985	
Making Memories Wholesale, Inc.(7)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$250 par due 8/2014)	10.00% (Libor + 6.50%/Q)	8/21/2009	250	250(15)	
		Senior secured revolving loan (\$250 par due 8/2014)	10.00% (Libor + 6.50%/Q)	8/21/2009	250	250(15)	
		Senior secured loan (\$9,388 par due 8/2014)		8/21/2009	7,433	6,048(14)(15)	
		Senior secured loan (\$5,129 par due 8/2014)		8/21/2009	3,979	(14)	
		Common stock (100 shares)		8/21/2009			
					11,912	6,548	
The Step2 Company, LLC	Toy manufacturer	Senior secured loan (\$27,000 par due 4/2015)	10.00%	4/1/2010	25,557	27,000(4)	
		Senior subordinated loan (\$30,000 par due 4/2015)	15.00%	4/1/2010	28,396	30,000(4)	
		Common units (1,114,343 units)		4/1/2010	24	1,010	

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Warrants to purchase
up to 3,157,895
shares

4/1/2010

					53,977	58,010	
The Thymes, LLC(7)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	6,784	6,902(4)	
		Common units (5,400 units)		6/21/2007			
					6,784	6,902	
Woodstream Corporation	Pet products manufacturer	Senior subordinated loan (\$4,743 par due 2/2015)	12.00%	1/22/2010	4,772	4,505	
		Senior subordinated loan (\$50,257 par due 2/2015)	12.00%	1/22/2010	43,287	47,745	
		Common stock (4,254 shares)		1/22/2010	1,222	2,194	
					49,281	54,444	
					227,614	233,700	7.66%

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Education							
Campus Management Corp. and Campus Management Acquisition Corp.(6)	Education software developer	Preferred stock (465,509 shares)		2/8/2008	9,949	13,834	
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior secured loan (\$20,000 par due 12/2014)	6.25% (Libor + 5.25%/M)	12/10/2010	20,000	20,000(15)	
		Junior secured loan (\$9,231 par due 12/2015)	15.28% (Libor + 15.00%/M)	12/10/2010	9,231	9,231	
		Junior secured loan (\$30,769 par due 12/2015)	15.30% (Libor + 15.00%/M)	12/10/2010	30,769	30,769	
		Warrants to purchase up to 578,407 shares		12/13/2010		1,009	
					60,000	61,009	
eInstruction Corporation	Developer, manufacturer and retailer of educational products	Senior subordinated loan (\$23,270 par due 1/2015)	16.00% PIK	4/1/2010	21,290	22,106(4)	
		Junior secured loan (\$17,000 par due 7/2014)	7.80% (Libor + 7.50%/Q)	4/1/2010	14,881	14,960	
		Common stock (2,406 shares)		4/1/2010	926	1,326	
					37,097	38,392	
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$160 par due 11/2012)	3.51% (Libor + 3.25%/M)	11/30/2006	160	160(3)	
		Junior secured loan (\$8,333 par due 11/2013)	7.26% (Libor + 7.00%/M)	11/30/2006	8,333	8,333(3)	
					8,493	8,493	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Series B preferred stock (1,401,385 shares)		8/5/2010	4,004	4,244	
		Series B preferred stock (348,615 shares)		8/5/2010	996	1,056	
		Series C preferred stock (1,994,644 shares)		6/7/2010	547	2,586	
		Series C preferred stock (517,942 shares)		6/7/2010	142	672	
		Common stock (16 shares)		6/7/2010			
		Common stock (4 shares)		6/7/2010			
					5,689	8,558	
JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured loan (\$19,997 par due	12.50% (Libor + 9.50%/M)	12/31/2009	19,997	19,997(15)	

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		12/2014) Senior secured loan (\$10,863 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	10,863	10,863(3)(15)	
					30,860	30,860	
R3 Education, Inc. (formerly known as Equinox EIC Partners, LLC and MUA Management Company) and EIC Acquisitions Corp.(8)	Medical school operator	Senior secured loan (\$6,275 par due 4/2013)	9.00% (Libor + 6.00%/Q)	4/3/2007	6,275	9,652(3)(15)	
		Senior secured loan (\$10,113 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	10,113	15,555(15)	
		Senior secured loan (\$4,000 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	4,000	6,153(3)(15)	
		Senior secured loan (\$5,727 par due 4/2013)	13.00% PIK	12/8/2009	2,335	8,809(4)	
		Preferred stock (800 shares)		7/30/2008	200	100	
		Preferred stock (8,000 shares)		7/30/2008	2,000	1,000	
		Common membership interest (26.27% interest)		9/21/2007	15,800	20,734	
		Warrants to purchase up to 27,890 shares		12/8/2009			
					40,723	62,003	
					192,811	223,149	7.32%

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Manufacturing							
Component Hardware Group, Inc.	Commercial equipment manufacturer	Senior secured loan (\$3,014 par due 12/2014)	7.00% Cash, 3.00% PIK	8/4/2010	3,014	3,014(4)	
		Senior subordinated loan (\$10,078 par due 12/2014)	7.50% Cash, 5.00% PIK	4/1/2010	5,775	10,078(4)	
		Warrants to purchase up to 1,462,500 shares of common stock		8/4/2010		1,240	
					8,789	14,332	
Industrial Air Tool, LP and Affiliates d/b/a Industrial Air Tool(7)	Industrial products	Class B common units (37,125 units)		4/1/2010	6,000	14,787	
		Member interest (375 units)		4/1/2010	7,419	149	
					13,419	14,936	
NetShape Technologies, Inc.	Metal precision engineered components manufacturer	Senior secured revolving loan (\$972 par due 2/2013)	4.06% (Libor + 3.75%/M)	4/1/2010	521	602	
		Common units (1,000 units)		1/30/2007	1,000		
					1,521	602	
Reflexite Corporation(7)	Developer and manufacturer of high-visibility reflective products	Senior subordinated loan (\$3,282 par due 11/2014)	20.00% (Base Rate + 12.25% Cash, 7.50% PIK/Q)	2/26/2008	3,282	3,282(4)(15)	
		Senior subordinated loan (\$5,999 par due 11/2014)	20.00% (Base Rate + 12.25% Cash, 7.50% PIK/Q)	2/26/2008	5,999	5,999(3)(4)(15)	
		Common stock (1,821,860 shares)		3/28/2006	27,435	30,523	
					36,716	39,804	
STS Operating, Inc.	Hydraulic systems equipment and supplies provider	Senior subordinated loan (\$30,386 par due 1/2013)	11.00%	4/1/2010	29,461	30,386(2)	
Bundy Refrigeration International Holding B.V. (aka Tyde Group Worldwide)(8)	Refrigeration and cooling systems parts manufacturer	Senior secured loan (\$9,010 par due 4/2012)	13.13% (Base Rate + 9.88%/Q)	12/15/2010	9,010	9,010	
		Senior secured loan (\$15,592 par due 4/2012)	15.38% (Base Rate + 12.13%/Q)	12/15/2010	15,592	15,592	
					24,602	24,602	
UL Holding Co., LLC	Petroleum product manufacturer	Senior secured loan (\$5,000 par due 12/2012)	15.00%	8/13/2010	5,000	5,000	
		Junior secured loan (\$2,108 par due 12/2012)	9.66% (Libor + 9.38%/Q)	12/21/2007	2,108	2,108	
		Junior secured loan (\$839 par due 12/2012)	9.66% (Libor + 9.38%/Q)	12/21/2007	839	839(3)	
		Junior secured loan (\$2,119 par due 12/2012)	14.50%	12/21/2007	2,119	2,119	
		Junior secured loan (\$844 par due 12/2012)	14.50%	12/21/2007	844	844(3)	

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Junior secured loan (\$10,809 par due 12/2012)	9.66% (Libor + 9.38%/Q)	12/21/2007	10,809	10,809(3)
Junior secured loan (\$2,963 par due 12/2012)	14.50%	12/21/2007	2,963	2,963(2)
Junior secured loan (\$988 par due 12/2012)	14.50%	12/21/2007	988	988(3)
Common units (50,000 units)		4/25/2008	500	97
Common units (207,843 units)		4/25/2008		403
			26,170	26,170

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Universal Trailer Corporation(6)	Livestock and specialty trailer manufacturer	Common stock (74,920 shares)		10/8/2004	7,930		
					148,608	150,832	4.94%
Services Other							
The Dwyer Group	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$27,100 par due 12/2016)	14.50%	12/22/2010	27,100	27,100	
		Series A preferred units (15,000,000 units)	8.00% PIK	12/22/2010	15,000	15,000	
Growing Family, Inc. and GFH Holdings, LLC(6)	Photography services	Senior secured revolving loan (\$182 par due 8/2011)	9.00% (Base Rate + 1.75% Cash, 4.00% PIK/M)	3/16/2007	42,100 178	42,100 80(4)(15)	
		Senior secured revolving loan (\$2,252 par due 8/2011)	9.00% (Base Rate + 1.75% Cash, 4.00% PIK/M)	3/16/2007	2,207	991(4)(15)	
		Senior secured loan (\$524 par due 3/2013)	9.00% (Base Rate + 1.75% Cash, 4.00% PIK/M)	3/16/2007	514	230(4)(15)	
		Senior secured loan (\$6,498 par due 3/2013)	9.00% (Base Rate + 1.75% Cash, 4.00% PIK/M)	3/16/2007	6,378	2,859(4)(15)	
		Preferred stock (8,750 shares)		3/16/2007			
		Common stock (552,430 shares)		3/16/2007	872		
		Warrants to purchase up to 11,313,678 Class B units		3/16/2007			
PODS Funding Corp.	Storage and warehousing	Senior subordinated loan (\$25,125 par due 6/2015)	15.00%	12/23/2009	10,149 25,125	4,160 25,125	
		Senior subordinated loan (\$7,582 par due 12/2015)	16.64% PIK	12/23/2009	6,290	7,430(4)	
					31,415	32,555	
United Road Towing, Inc.	Towing company	Junior secured loan (\$18,840 par due 1/2014)	14.75% (Libor + 11.25% Cash, 1.00% PIK/Q)	4/1/2010	18,606	18,840(4)(15)	
		Warrants to purchase up to 607 shares		4/1/2010		4	
Web Services Company, LLC	Laundry service and equipment provider	Senior secured loan (\$4,888 par due 8/2014)	7.00% (Base Rate + 3.75%/Q)	6/15/2009	18,606 4,718	18,844 4,888(3)	
		Senior subordinated loan (\$13,563 par due)	11.50% Cash, 2.50% PIK	8/29/2008	13,563	13,563(4)	

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		8/2016) Senior subordinated loan (\$26,462 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	26,462	26,462(2)(4)	
					44,743	44,913	
					147,013	142,572	4.67%
Consumer Products Durable							
Bushnell Inc.	Sports optics manufacturer	Senior subordinated loan (\$41,325 par due 2/2014)	6.80% (Libor + 6.50%/Q)	4/1/2010	30,708	30,994	
Carlisle Wide Plank Floors, Inc.	Hardwood floor manufacturer	Senior secured loan (\$1,545 par due 6/2011) Common stock (345,056 shares)		4/1/2010 4/1/2010	1,449	773(4)(14)	
Direct Buy Holdings, Inc. and Direct Buy Investors, LP(6)	Membership based buying club franchisor and operator	Senior secured loan (\$1,897 par due 11/2012)	8.25% (Base Rate + 5.00%/Q)	12/14/2007	1,449 1,858	773 1,897(2)(15)	
		Senior subordinated loan (\$81,634 par due 5/2013)	12.00% Cash, 4.00% PIK	4/1/2010	77,892	81,634(4)	
		Limited partnership interest (80,000 shares)		4/1/2010	3,112	3,414	
		Partnership interests (100,000 shares)		11/30/2007	10,000	4,347	
					92,862	91,292	
					125,019	123,059	4.03%

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Company(1) Telecommunications	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
American Broadband Communications, LLC and American Broadband Holding Company	Broadband communication services	Senior secured loan (\$5,530 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	5,861	5,530(15)	
		Senior secured loan (\$17,775 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	16,924	17,775(2)(15)	
		Senior secured loan (\$9,283 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	9,283	9,283(3)(15)	
		Senior subordinated loan (\$30,594 par due 11/2014)	12.00% Cash, 4.00% PIK	9/1/2010	30,594	30,594(4)	
		Senior subordinated loan (\$32,768 par due 11/2014)	12.00% Cash, 4.00% PIK	2/8/2008	32,768	32,768(2)(4)	
		Senior subordinated loan (\$10,321 par due 11/2014)	12.00% Cash, 4.00% PIK	11/7/2007	10,321	10,321(4)	
		Warrants to purchase up to 200 shares		11/7/2007		3,915	
		Warrants to purchase up to 208 shares		9/1/2010			
					105,751	110,186	
Startec Equity, LLC(7)	Communication services	Member interest		4/1/2010			
					105,751	110,186	3.61%
Food and Beverage							
Apple & Eve, LLC and US Juice Partners, LLC(6)	Juice manufacturer	Senior secured revolving loan (\$1,200 par due 10/1/2013)	12.00% (Base Rate + 8.00%/Q)	10/5/2007	1,200	1,200(15)	
		Senior secured loan (\$14,162 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	14,162	14,162(15)	
		Senior secured loan (\$14,900 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	14,900	14,900(3)(15)	
		Senior units (50,000 units)		10/5/2007	5,000	5,036	
							35,262
Border Foods, Inc.(7)	Green chile and jalapeno products manufacturer	Senior secured loan (\$28,526 par due 3/2012)	13.50%	4/1/2010	28,526	28,526	
		Preferred stock (100,000 shares)		4/1/2010	21,346	22,801	
		Common stock (148,838 shares)		4/1/2010	13,472	4,809	
		Common stock (87,707 shares)		4/1/2010		2,834	

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		Common stock (23,922 shares)		4/1/2010		773
					63,344	59,743
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated loan (\$6,673 par due 2/2013)	13.00% PIK	2/6/2008	6,673	6,673(4)
		Preferred stock (6,258 shares)		9/1/2006	2,500	1,650
					9,173	8,323
Distant Lands Trading Co.	Coffee manufacturer	Common stock (1,294 shares)		4/1/2010	980	1,048
		Common stock (2,157 shares)		4/1/2010		
					980	1,048
Ideal Snacks Corporation	Snacks manufacturer	Senior secured revolving loan (\$1,084 par due 6/2011)	8.50% (Base Rate + 4.00%/M)	4/1/2010	1,084	922(15)

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost 109,843	Fair Value 105,334	Percentage of Net Assets 3.45%	
Retail								
Apogee Retail, LLC	For-profit thrift retailer	Senior secured revolving loan (\$780 par due 3/2012)	7.25% (Base Rate + 4.00%/Q)	3/27/2007	780	765		
		Senior secured loan (\$11,523 par due 9/2012)	12.00% Cash, 4.00% PIK	5/28/2008	11,523	11,523(4)		
		Senior secured loan (\$2,939 par due 3/2012)	5.51% (Libor + 5.25%/M)	3/27/2007	2,939	2,880(2)		
		Senior secured loan (\$3,420 par due 9/2012)	12.00% Cash, 4.00% PIK	5/28/2008	3,420	3,420(4)		
		Senior secured loan (\$25,841 par due 3/2012)	5.51% (Libor + 5.25%/M)	3/27/2007	25,841	25,324(2)		
		Senior secured loan (\$11,307 par due 3/2012)	5.51% (Libor + 5.25%/M)	3/27/2007	11,307	11,081(3)		
						55,810	54,993	
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Common stock (1,170,182 shares)		8/8/2006	4,500	7,238		
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$2,413 par due 9/2012)	6.50% (Base Rate + 1.25% Cash, 1.00% PIK/M)	9/28/2006	2,409	2,364(3)(4)(15)		
		Senior secured loan (\$28,122 par due 9/2012)	6.50% (Base Rate + 1.25% Cash, 1.00% PIK/M)	9/28/2006	28,089	27,560(4)(15)		
		Senior secured loan (\$7,110 par due 9/2012)	6.50% (Base Rate + 1.25% Cash, 1.00% PIK/M)	9/28/2006	7,188	6,968(3)(4)(15)		
		Preferred stock (73 shares)		3/19/2009		1,939		
		Preferred stock (80 shares)		9/28/2006	1,800	2,121		
		Common stock (800 shares)		9/28/2006	200			
		Warrants to purchase up to 859 shares of preferred stock		3/19/2009				
						39,686	40,952	
				99,996	103,183	3.38%		
Commercial Real Estate Finance								
10th Street, LLC(6)	Real estate holding company	Senior subordinated loan (\$23,247 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	23,247	23,247(4)		
				4/1/2010	594	578		

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Member interest (10.00% interest) Option (25,000 units)	4/1/2010	25	25
		23,866	23,850

Allied Capital REIT, Inc.(7)	Real estate investment trust	Real estate equity interests	4/1/2010	50	35
		Real estate equity interests	4/1/2010	115	699

165 734

American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$2,000 par due 12/2025)	4/1/2010	1,927	1,875(14)
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Aquila Binks Forest Development, LLC	Real estate developer	Commercial mortgage loan (\$12,870 par due 6/2011)	4/1/2010	11,293	4,812(14)
		Real estate equity interest	4/1/2010		

11,293 4,812

Cleveland East Equity, LLC	Hotel operator	Real estate equity interest (2,522,748 shares)	4/1/2010	1,026	2,051
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Commons R-3, LLC	Real estate developer	Real estate equity interest	4/1/2010		
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Crescent Hotels & Resorts, LLC and affiliates(7)	Hotel operator	Senior subordinated loan (\$433 par due 6/2010)	4/1/2010	433	444(14)
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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior subordinated loan (\$4,124 par due 1/2012)		4/1/2010	1,475	(14)	
		Senior subordinated loan (\$4,348 par due 6/2017)		4/1/2010	1,482	1,288(14)	
		Senior subordinated loan (\$2,722 par due 6/2017)		4/1/2010	928	1,963(14)	
		Senior subordinated loan (\$5,974 par due 9/2012)		4/1/2010	2,051	(14)	
		Senior subordinated loan (\$263 par due 3/2013)		4/1/2010	263	(14)	
		Senior subordinated loan (\$2,112 par due 9/2011)		4/1/2010		(14)	
		Senior subordinated loan (\$3,078 par due 1/2012)		4/1/2010		(14)	
		Senior subordinated loan (\$2,926 par due 6/2017)		4/1/2010		(14)	
		Senior subordinated loan (\$2,050 par due 6/2017)		4/1/2010		(14)	
		Senior subordinated loan (\$4,826 par due 9/2012)		4/1/2010		(14)	
		Preferred equity interest		4/1/2010			
		Preferred equity interest		4/1/2010		43	
		Common equity interest		4/1/2010	35		
		Member interests		4/1/2010			
					6,667	3,738	
DI Safford, LLC	Hotel operator	Commercial mortgage loan (\$5,311 par due 5/2032)		4/1/2010	2,757	2,750(14)	
Holiday Inn West Chester	Hotel property	Real estate owned		4/1/2010	3,513	3,330	
Hot Light Brands, Inc.(7)	Real estate holding company	Senior secured loan (\$27,393 par due 2/2011)		4/1/2010	4,875	4,629(14)	
		Common stock (93,500 shares)		4/1/2010			
					4,875	4,629	
MGP Park Place Equity, LLC	Office building operator	Commercial mortgage loan (\$6,170 par due 5/2011)		4/1/2010	320	163(14)	
NPH, Inc.	Hotel property	Real estate equity interest		4/1/2010	5,291	6,907	

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Van Ness Hotel, Inc.	Hotel operator	Commercial mortgage loan (\$3,750 par due 8/2013)		4/1/2010	1,027	(14)
		Commercial mortgage loan (\$13,702 par due 12/2011)	5.50%	4/1/2010	13,702	11,291
		Real estate equity interests		4/1/2010		
					14,729	11,291
					76,429	66,130
						2.17%

Wholesale Distribution

BECO Holding Company, Inc.	Wholesale distributor of first response fire protection equipment and related parts	Common stock (25,000 shares)		7/30/2010	2,500	2,500
Stag-Parkway, Inc.(7)	Automotive aftermarket components supplier	Senior secured loan (\$34,500 par due 12/2014)	12.50% (Libor + 11.00%/Q)	9/30/2010	34,500	34,500(15)
		Preferred stock (4,200 shares)	16.50%	9/30/2010	2,328	4,200
		Common stock (10,200 shares)		9/30/2010		13,987

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
					36,828	52,687	
					39,328	55,187	1.81%
Computers and Electronics							
Network Hardware Resale, Inc.	Networking equipment resale provider	Senior subordinated loan (\$12,343 par due 12/2011)	12.00% (Base Rate + 6.00%/A)	4/1/2010	12,343	12,343(2)(15)	
		Convertible junior subordinated loan (\$17,518 par due 12/2015)	9.75% PIK	4/1/2010	17,680	21,039(4)	
					30,023	33,382	
TZ Merger Sub, Inc.	Healthcare enterprise software developer	Senior secured loan (\$4,678 par due 8/2015)	6.75% (Base Rate + 3.50%/Q)	6/15/2009	4,597	4,678(3)	
					34,620	38,060	1.25%
Environmental Services							
AWTP, LLC	Water treatment services	Junior secured loan (\$4,755 par due 12/2012)		12/21/2005	4,755	1,517(14)	
		Junior secured loan (\$2,086 par due 12/2012)		12/21/2005	2,086	666(3)(14)	
		Junior secured loan (\$4,755 par due 12/2012)		12/21/2005	4,755	1,517(14)	
		Junior secured loan (\$2,086 par due 12/2012)		12/21/2005	2,086	666(3)(14)	
					13,682	4,366	
Mactec, Inc.	Engineering and environmental services	Class B-4 stock (16 shares)		11/3/2004			
		Class C stock (5,556 shares)		11/3/2004		162	
						162	
Sigma International Group, Inc.(8)	Water treatment parts manufacturer	Junior secured loan (\$1,833 par due 10/2013)	16.00% (Libor + 8.00%/Q)	10/11/2007	1,833	1,283(15)	
		Junior secured loan (\$917 par due 10/2013)	16.00% (Libor + 8.00%/Q)	10/11/2007	917	642(15)	
		Junior secured loan (\$2,778 par due 10/2013)	16.00% (Libor + 8.00%/Q)	10/11/2007	2,778	1,944(15)	

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Junior secured loan (\$4,000 par due 10/2013)	16.00% (Libor + 8.00%/Q)	10/11/2007	4,000	2,800(3)(15)
Junior secured loan (\$2,000 par due 10/2013)	16.00% (Libor + 8.00%/Q)	10/11/2007	2,000	1,400(3)(15)
Junior secured loan (\$6,060 par due 10/2013)	16.00% (Libor + 8.00%/Q)	10/11/2007	6,060	4,242(3)(15)
			17,588	12,311

Universal Environmental Services, LLC	Hydrocarbon recycling and related waste management services and products	Preferred member interest (15.00% interest)	4/1/2010
		Preferred member interest (850,242 shares)	4/1/2010
		Preferred member interest (7,099 shares)	4/1/2010
		Preferred member interest (763,889 shares)	4/1/2010

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Waste Pro USA, Inc	Waste management services	Preferred Class A Common Equity (611,615 shares)		11/9/2006	12,263	16,861	
Wastequip, Inc.(6)	Waste management equipment manufacturer	Senior subordinated loan (\$12,669 par due 2/2015)		2/5/2007	12,581	760(14)	
		Common stock (13,889 shares)		2/2/2007	1,389		
					13,970	760	
					57,503	34,460	1.13%

Automotive Services

Driven Brands, Inc.(6)	Automotive aftermarket car care franchisor	Senior secured loan (\$3,200 par due 10/2014)	6.50% (Libor + 5.00%/M)	5/12/2010	3,116	3,200(3)(15)	
		Senior secured loan (\$520 par due 10/2014)	6.50% (Libor + 5.00%/M)	4/1/2010	506	520(3)(15)	
		Senior secured loan (\$213 par due 10/2014)	7.00% (Base Rate + 3.75%/M)	4/1/2010	207	213(3)	
		Common stock (3,772,098 shares)		4/1/2010	4,939	6,308	
					8,768	10,241	
Penn Detroit Diesel Allison, LLC(7)	Diesel engine manufacturer	Member interest (70,249 shares)		4/1/2010	20,069	22,057	
					28,837	32,298	1.06%

Chemicals, Plastics and Rubber

Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$375 par due 5/2011)	8.25% (Libor + 4.25%/M)	5/22/2006	375	375(15)	
		Senior secured loan (\$5,801 par due 5/2011)	8.25% (Libor + 4.25%/M)	5/22/2006	5,801	5,801(15)	
		Senior secured loan (\$536 par due 5/2011)	8.25% (Libor + 4.25%/M)	5/22/2006	536	536(3)(15)	
		Senior secured loan (\$8,296 par due 5/2011)	8.25% (Libor + 4.25%/M)	5/22/2006	8,296	8,296(3)(15)	
		Senior secured loan (\$3,806 par due 5/2011)	10.00% (Libor + 6.00%/M)	5/22/2006	3,806	3,806(15)	
		Senior secured loan (\$1,579 par due 5/2011)	10.00% (Libor + 6.00%/M)	5/22/2006	1,579	1,579(3)(15)	
		Senior secured loan (\$3,558 par due 5/2011)	13.00% Cash, 3.00% PIK	5/22/2006	3,558	3,558(4)	

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Senior secured loan (\$5,089 par due 5/2011)	13.00% Cash, 3.00% PIK	5/22/2006	5,089	5,089(2)(4)	
			29,040	29,040	0.95%

Containers and Packaging

Industrial Container Services, LLC(6)	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$1,033 par due 9/2011)	5.75% (Base Rate + 2.50%/Q)	9/30/2005	1,033	1,033
		Senior secured loan (\$20 par due 9/2011)	4.26% (Libor + 4.00%/Q)	6/21/2006	20	20(2)
		Senior secured loan (\$101 par due 9/2011)	4.26% (Libor + 4.00%/Q)	6/21/2006	101	101(2)
		Senior secured loan (\$308 par due 9/2011)	4.26% (Libor + 4.00%/Q)	6/21/2006	308	308(3)

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured loan (\$1,539 par due 9/2011)	4.26% (Libor + 4.00%/Q)	6/21/2006	1,539	1,539(3)	
		Senior secured loan (\$107 par due 9/2011)	4.26% (Libor + 4.00%/Q)	6/21/2006	107	107(2)	
		Senior secured loan (\$1,642 par due 9/2011)	4.26% (Libor + 4.00%/Q)	6/21/2006	1,642	1,642(3)	
		Senior secured loan (\$27 par due 9/2011)	5.75% (Base Rate + 2.50%/Q)	6/21/2006	27	27(2)	
		Senior secured loan (\$410 par due 9/2011)	5.75% (Base Rate + 2.50%/Q)	6/21/2006	410	410(3)	
		Common units (1,800,000 units)		9/29/2005	1,800	15,203	
					6,987	20,390	
					6,987	20,390	0.67%
Health Clubs							
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$7,250 par due 10/2013)	4.76% (Libor + 4.50%/M)	10/11/2007	7,250	6,453(2)(13)	
		Senior secured loan (\$11,500 par due 10/2013)	4.76% (Libor + 4.50%/M)	10/11/2007	11,500	10,235(3)(13)	
					18,750	16,688	
					18,750	16,688	0.55%
Printing, Publishing and Media							
EarthColor, Inc.(7)	Printing management services	Common stock (89,435 shares)		4/1/2010			
LVCG Holdings LLC(7)	Commercial printer	Membership interests (56.53% interest)		10/12/2007	6,600		
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,141 par due 10/2012)	9.00% (Libor + 6.00%/Q)	3/2/2006	1,141	965(15)	
		Senior secured revolving loan (\$1,250 par due 10/2012)	9.00% (Base Rate + 5.00%/Q)	3/2/2006	1,250	1,057(15)	
		Senior secured loan (\$7,685 par due 10/2012)	14.00% (Libor + 6.00% Cash, 5.00% PIK/Q)	3/2/2006	7,359	7,091(3)(4)(15)	
		Senior secured loan (\$187 par due 10/2012)	14.00% (Base Rate + 5.00% Cash, 5.00% PIK/Q)	3/2/2006	179	173(3)(4)(15)	
		Preferred stock (9,344 shares)		3/2/2006	2,000		

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				11,929	9,286	
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	Preferred stock (29,969 shares)	9/29/2006	2,997	3,851	
		Common stock (15,393 shares)	9/29/2006	3	4	
				3,000	3,855	
				21,529	13,141	0.43%

Aerospace and Defense

AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (\$6,274 par due 10/2013)	4.02% (Libor + 3.75%/M)	11/18/2007	6,243	6,274(3)
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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Senior preferred stock (775 shares)	8.00%	1/17/2008	87	87	
		Common stock (1,885,195 shares)		1/17/2008	2,291	1,968	
					2,378	2,055	
					8,621	8,329	0.27%
Oil and Gas							
Geotrace Technologies, Inc.	Reservoir processing, development	Warrants to purchase up to 43,356 shares of common stock		4/1/2010	54		
		Warrants to purchase up to 26,622 shares of common stock		4/1/2010	33		
		Warrants to purchase up to 80,063 shares of preferred stock		4/1/2010	1,738	207	
		Warrants to purchase up to 130,390 shares of preferred stock		4/1/2010	1,067	337	
					2,892	544	
					2,892	544	0.02%
Housing Building Materials							
HB&G Building Products	Synthetic and wood product manufacturer	Senior subordinated loan (\$8,956 par due 3/2013)		10/8/2004	8,991	179(14)	
		Common stock (2,743 shares)		10/8/2004	753		
		Warrants to purchase up to 4,464 shares of common stock		10/8/2004	653		
					10,397	179	
					10,397	179	0.01%
					\$ 4,291,955	\$ 4,317,990	141.55%

(1) Other than our investments listed in footnote 7 below, we do not "Control" any of our portfolio companies, as defined in the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). In general, under the Investment Company Act, we would "Control" a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments, which as of December 31, 2010 represented 142% of the Company's net assets or 95% of the Company's total assets, are subject to legal restrictions on sales.

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The investments not otherwise pledged as collateral in respect of the Debt Securitization (as defined below) or the Revolving Funding Facility (as defined below) by the respective obligors thereunder are pledged as collateral by the Company and certain of its other subsidiaries for the Revolving Credit Facility (as defined below) (except for a limited number of exceptions as provided in the credit agreement governing the Revolving Credit Facility).

- (2) These assets are owned by the Company's wholly owned subsidiary Ares Capital CP Funding LLC ("Ares Capital CP"), are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).
- (3) Pledged as collateral for the Debt Securitization.
- (4) Has a payment-in-kind interest feature (see Note 2 to the consolidated financial statements).
- (5) Investments without an interest rate are non-income producing.
- (6) As defined in the Investment Company Act, we are deemed to be an "Affiliated Person" 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

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(including through a management agreement). Transactions during the year ended December 31, 2010 in which the issuer was an Affiliated company (but not a portfolio company that we "Control") are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend Income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
10th Street, LLC	\$ 23,171	\$	\$	\$ 2,465	\$	\$	\$	\$	\$ (16)
Air Medical Group	\$ 30,065	\$ 11,955	\$ 18,205	\$ 106	\$	\$	\$ 13	\$ 14,909	\$
Apple & Eve, LLC and US Juice Partners, LLC	\$ 3,500	\$ 5,022	\$ 2,816	\$ 3,753	\$	\$	\$ 47	\$	\$ 36
BB&T Capital Partners/Windsor Mezzanine Fund, LLC	\$ 13,943	\$ 2,043	\$	\$	\$	\$	\$	\$	\$ 3,804
Carador PLC	\$	\$	\$	\$	\$	\$ 616	\$	\$	\$ 2,844
Campus Management Corp. and Campus Management Acquisition Corp.	\$	\$ 43,462	\$	\$ 4,829	\$	\$	\$ 1	\$	\$ (197)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$	\$	\$ 297	\$	\$	\$	\$	\$ 3,070
Direct Buy Holdings, Inc. and Direct Buy Investors, LP	\$ 78,350	\$ 219	\$	\$ 10,767	\$	\$	\$	\$ 6	\$ 826
Driven Brands, Inc.	\$ 103,157	\$ 41	\$ 96,643	\$ 3,032	\$	\$	\$	\$ 843	\$ 1,473
DSI Renal, Inc.	\$ 1,505	\$ 5,346	\$ 7,991	\$ 13,449	\$	\$	\$ 57	\$ 3,863	\$ 24,699
The Dwyer Group	\$ 42,100	\$	\$	\$ 97	\$ 813	\$	\$	\$	\$
Firstlight Financial Corporation	\$	\$	\$	\$ 545	\$	\$	\$ 312	\$	\$ (1,295)
Growing Family, Inc. and GFH Holdings, LLC	\$	\$	\$	\$ 1,097	\$	\$	\$	\$ (7,659)	\$ 1,668
Imperial Capital Group, LLC	\$	\$	\$ 151	\$	\$	\$ 1,509	\$	\$	\$ 464
Industrial Container Services, LLC	\$ 1,446	\$ 10,692	\$	\$ 391	\$	\$	\$ 148	\$	\$ 7,049
Insight Pharmaceuticals Corporation	\$ 66,790	\$	\$	\$ 6,325	\$	\$	\$ 375	\$	\$ 1,362
Investor Group Services, LLC	\$ 100	\$ 100	\$	\$ 203	\$	\$	\$ 20	\$	\$ 64
Multi-Ad Services, Inc.	\$ 2,666	\$ 1,886	\$	\$ 149	\$	\$	\$ 17	\$	\$ 578
Pillar Processing LLC and PHL Holding Co.	\$	\$ 4,597	\$	\$ 2,564	\$	\$	\$ 36	\$	\$ (2,116)
Primis Marketing Group, Inc. and Primis Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (409)
Regency Healthcare Group, LLC	\$ 2,007	\$	\$	\$	\$	\$	\$	\$	\$ (335)
Service Champ, Inc.	\$ 28,463	\$ 26,585	\$ 28,463	\$ 969	\$	\$	\$ 75	\$	\$
Soteria Imaging Services, LLC	\$ 4,080	\$	\$ 142	\$ 348	\$	\$	\$	\$	\$ (636)
VSS-Tranzact Holdings, LLC	\$ 204	\$	\$	\$	\$	\$	\$	\$	\$ (1,579)
Universal Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$
Universal Trailer Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$
Wastequip, Inc.	\$	\$	\$ 449	\$	\$	\$	\$ 281	\$ 3	\$ (759)

(7)

As defined in the Investment Company Act, we are deemed to be an "Affiliated Person" 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

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portfolio company (including through a management agreement). Transactions during the period for the year ended December 31, 2010 in which the issuer was both an Affiliated company and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend Income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
AGILE Fund I, LLC	\$ 264	\$	\$	\$	\$	\$ 124	\$	\$	\$ (47)
Allied Capital REIT, Inc.	\$ 765	\$ 600	\$	\$	\$	\$ 40	\$	\$	\$ 569
AllBridge Financial, LLC	\$ 11,370	\$	\$	\$	\$	\$	\$ 29	\$	\$ 1,717
Avborne, Inc.	\$ 39	\$	\$ 39	\$	\$	\$	\$	\$ 41	\$
Aviation Properties Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$
BenefitMall Holdings, Inc.	\$ 93,837	\$	\$	\$ 5,525	\$	\$	\$ 375	\$	\$ (3,060)
Border Foods, Inc.	\$ 68,944	\$ 5,600	\$	\$ 3,107	\$	\$	\$ 25	\$	\$ (3,601)
Callidus Capital Corporation	\$ 20,120	\$ 16,000	\$ 4,120	\$	\$	\$	\$	\$ 2,580	\$ (2,354)
Ciena Capital LLC	\$ 98,012	\$	\$	\$ 429	\$	\$	\$	\$	\$ (6,058)
Citipostal, Inc.	\$ 63,961	\$ 1,020	\$	\$ 7,308	\$	\$	\$ 282	\$	\$ (504)
Coverall North America, Inc.	\$ 40,189	\$	\$	\$ 3,541	\$	\$	\$ 225	\$	\$ (7,624)
Crescent Hotels & Resorts, LLC and affiliates	\$ 6,653	\$	\$	\$ 532	\$	\$	\$	\$ 216	\$ (2,894)
Direct Capital Corporation	\$ 10,109	\$	\$	\$	\$	\$	\$	\$ (31)	\$
EarthColor, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Pacific Company	\$ 32,800	\$	\$ 32,899	\$ 3,191	\$	\$	\$ 500	\$ 1,592	\$ 1,543
HCI Equity, LLC	\$ 808	\$	\$	\$	\$	\$	\$	\$	\$ 186
HCP Acquisition Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 814
Hot Light Brands, Inc.	\$ 6,746	\$ 1,896	\$	\$ 2	\$	\$	\$	\$ 266	\$ (246)
Hot Stuff Foods, LLC	\$ 69,167	\$ 10,230	\$	\$ 3,201	\$	\$	\$ 71	\$	\$ 11,203
Huddle House Inc.	\$ 19,607	\$	\$	\$ 2,265	\$	\$	\$ 564	\$	\$ (3,830)
Industrial Air Tool, LP and affiliates	\$ 13,419	\$	\$	\$	\$	\$	\$ 130	\$	\$ 1,432
Ivy Hill Asset Management, L.P.	\$ 71,116	\$ 4,834	\$	\$	\$	\$ 7,320	\$	\$	\$ 21,633
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$	\$ 330	\$ 6,859	\$	\$	\$	\$	\$ 884
Knightsbridge CLO 2007-1 Ltd.	\$ 14,852	\$	\$	\$ 1,823	\$	\$	\$	\$	\$ (307)
Knightsbridge CLO 2008-1 Ltd.	\$ 36,996	\$	\$	\$ 2,189	\$	\$	\$	\$	\$ (3,108)
LVCG Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (330)
Making Memories Wholesale, Inc.	\$ 1,250	\$ 1,007	\$	\$ 1,062	\$	\$	\$ 188	\$ 73	\$ (3,883)
MVL Group, Inc.	\$ 60,707	\$ 4,837	\$	\$ 6,686	\$	\$	\$	\$ 80	\$ 1,086
Penn Detroit Diesel Allison, LLC	\$ 20,069	\$	\$	\$	\$	\$	\$ 375	\$	\$ 1,987
Reflexite Corporation	\$	\$	\$ 8,450	\$ 3,568	\$	\$	\$ 141	\$ 950	\$ 5,928
Senior Secured Loan Fund LLC*	\$ 391,571	\$ 15,410	\$	\$ 50,013	\$ 29,946	\$	\$ 6,096	\$ 796	\$ 24,235
Stag-Parkway, Inc.	\$ 36,810	\$	\$	\$ 2,131	\$	\$ 18	\$ 229	\$	\$ 15,513
Startec Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
The Thymes, LLC	\$	\$	\$	\$ 421	\$	\$ 401	\$	\$	\$ 797

*

Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), we co-invest through the Senior Secured Loan Fund LLC d/b/a the "Senior Secured Loan Program" (the "SSLP"). 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 GE and the Company; therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise).

- (8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (10) Public company with outstanding equity with a market value in excess of \$250 million and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (11)

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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 reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, we have provided the interest rate in effect on the date presented.

- (12) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 5% on \$40 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (13) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$25 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (14) Loan was on non-accrual status as of December 31, 2010.
- (15) Loan includes interest rate floor feature.
- (16) In addition to the interest earned based on the stated contractual interest rate of this security, the notes entitle us to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.

See accompanying notes to consolidated financial statements.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2011 (unaudited)

(in thousands, except per share data)

	Common Stock			Accumulated Overdistributed Net Investment Income	Accumulated Net Realized Loss on Investments, Foreign Currency Transactions, Extinguishment of Debt and Other Assets	Net Unrealized Gain (Loss) on Investments and Foreign Currency Transactions	Total Stockholders' Equity
	Shares	Amount	Capital in Excess of Par Value				
Balance at December 31, 2010	204,419	\$ 204	\$ 3,205,326	\$ (11,336)	\$ (169,696)	\$ 26,035	\$ 3,050,533
Shares issued in connection with dividend reinvestment plan	711	1	11,552				11,553
Issuance of the Convertible Notes (see Note 5)			54,717				54,717
Net increase in stockholders' equity resulting from operations				189,944	85,686	(74,302)	201,328
Dividends declared (\$1.05 per share)				(214,853)			(214,853)
Balance at September 30, 2011	205,130	\$ 205	\$ 3,271,595	\$ (36,245)	\$ (84,010)	\$ (48,267)	\$ 3,103,278

See accompanying notes to consolidated financial statements.

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(in thousands)

For the nine months ended

	September 30, 2011	September 30, 2010
	(unaudited)	(unaudited)

OPERATING ACTIVITIES:

Net increase in stockholders' equity resulting from operations	\$ 201,328	\$ 534,946
Adjustments to reconcile net increase in stockholders' equity resulting from operations:		
Gain on the acquisition of Allied Capital Corporation		(195,876)
Realized loss on extinguishment of debt	19,318	1,961
Net realized gains from investments	(105,004)	(8,654)
Net unrealized (gains) losses from investments and foreign currency transactions	74,302	(179,911)
Net accretion of discount on securities	(11,188)	(8,031)
Increase in accrued payment-in-kind interest and dividends	(25,522)	(34,117)
Collections of payment-in-kind interest and dividends	51,213	28,525
Amortization of debt issuance costs	9,653	6,802
Accretion of discount on the Allied Unsecured Notes	2,574	5,644
Accretion of discount on the Convertible Notes	5,996	
Depreciation	674	662
Proceeds from sales and repayments of investments	1,911,497	1,183,275
Purchase of investments	(2,369,031)	(1,126,780)
Acquisition of Allied Capital, net of cash acquired		(774,190)
Changes in operating assets and liabilities:		
Interest receivable	(11,831)	(19,712)
Other assets	(5,751)	4,515
Management and incentive fees payable	31,446	(33,254)
Accounts payable and accrued expenses	2,459	(48,676)
Interest and facility fees payable	(791)	(1)
Net cash used in operating activities	(218,658)	(662,872)
FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock		1,149,773
Borrowings on debt	2,018,888	1,192,264
Repayments and repurchases of debt	(1,570,356)	(1,461,693)
Debt issuance costs	(24,180)	(18,208)
Dividends paid in cash	(203,300)	(164,129)
Net cash provided by financing activities	221,052	698,007
CHANGE IN CASH AND CASH EQUIVALENTS	2,394	35,135

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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	100,752	99,227
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CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 103,146	\$ 134,362
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Supplemental Information:

Interest paid during the period	\$ 66,098	\$ 39,418
Taxes, including excise tax, paid during the period	\$ 8,818	\$ 1,683
Dividends declared during the period	\$ 215,005	\$ 180,873

See accompanying notes to consolidated financial statements.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2011 (unaudited)

**(in thousands, except per share data, percentages and as otherwise indicated;
for example, with the words "million," "billion," or otherwise)**

1. ORGANIZATION

Ares Capital Corporation (the "Company" or "ARCC" or "we") 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, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). We were incorporated on April 16, 2004 and were initially funded on June 23, 2004. On October 8, 2004, we completed our initial public offering. On the same date, we commenced substantial investment operations.

On April 1, 2010, we consummated our acquisition of Allied Capital Corporation ("Allied Capital"), in an all stock merger where each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock (the "Allied Acquisition"). 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 then-existing Allied Capital stockholders owning approximately 31% of the combined company (see Note 15).

The Company has elected to be treated as a regulated investment company, or a "RIC", under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code") and operates in a manner so as to qualify for the tax treatment applicable to RICs. 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. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio.

We are externally managed by Ares Capital Management LLC ("Ares Capital Management" or our "investment adviser"), a wholly owned subsidiary of Ares Management LLC ("Ares Management"), a global alternative asset manager and a Securities and Exchange Commission ("SEC") registered investment adviser. Ares Operations LLC ("Ares Operations" or our "administrator"), a wholly owned subsidiary of Ares Management, provides the administrative services necessary for us to operate.

Interim financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2011.

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2. SIGNIFICANT 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.

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.

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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 Accounting Standards Codification ("ASC") 820-10 (previously Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements), which expands the application of fair value accounting for investments (see Note 8). 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).

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

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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 payment-in-kind ("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. For the three and nine months ended September 30, 2011, \$6,803, and \$25,522, respectively, in PIK income were recorded. For the three and nine months ended September 30, 2010, \$13,345 and \$34,117 respectively, in PIK income were recorded. For the three and nine months ended September 30, 2010, \$3,126 and \$28,525 respectively, of PIK income were collected.

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.

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.

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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 such taxable income is earned. For the three and nine months ended September 30, 2011 a net expense of \$2,299 and \$4,069, respectively, were recorded for U.S. federal excise tax. For the three and nine months ended September 30, 2010, no amounts were recorded 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 nine months ended September 30, 2011, we recorded a tax (benefit) expense of approximately \$(1,616) and \$568, respectively, for these subsidiaries. For the three and nine months ended September 30, 2010, we recorded a tax (benefit) expense of approximately \$(164) and \$360, respectively, for these subsidiaries.

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 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.

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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.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 was issued concurrently with International Financial Reporting Standards No.13 ("IFRS 13"), Fair Value Measurements, to provide largely identical guidance about fair value measurement and disclosure requirements as is currently required under ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820). The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or GAAP. For GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. ASU 2011-04 eliminates the concepts of in-use and in-exchange when measuring fair value of all financial instruments. For Level 3 fair value measurements, the ASU requires that our disclosure include quantitative information about significant unobservable inputs, a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and the interrelationship between inputs, and a description of our valuation process. Public companies are required to apply ASU 2011-04 prospectively for interim and annual periods beginning after December 15, 2011. The Company is currently evaluating the impact of the adoption of ASU 2011-04 on its financial statements and disclosures.

3. AGREEMENTS

Investment Advisory and Management Agreement

The Company is party to an investment advisory and management agreement (the "investment advisory and management agreement") with Ares Capital Management. Subject to the overall supervision of our board of directors, Ares Capital Management provides investment advisory and management services to the Company. For providing these services, Ares Capital Management receives a fee from us consisting of two components a base management fee and an incentive fee. In connection with the Allied Acquisition, Ares Capital Management has committed to defer up to \$15,000 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.

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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.

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.

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 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.

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The second part of the incentive fee (the "Capital Gains Fee"), is determined and payable in arrears as of the end of each calendar year (or, upon termination of the 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.

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 (the "Capital Gains Amendment") 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 the Company for such investment plus (y) any amounts recorded in the Company's 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 the Company's financial statements, including payment-in-kind interest or additional amounts funded (net of repayments) minus (2) any amounts recorded in the Company's 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. Any deferred incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the investment advisory and management agreement.

The Capital Gains Fee due to our investment adviser as calculated under the investment advisory and management agreement (as described above) for the three and nine months ended September 30, 2011 was \$0. However, in accordance with GAAP, for the three months ended September 30, 2011, the Company recorded a net reduction of the capital gains incentive fee of \$11,544, and for the nine months ended September 30, 2011, the Company accrued a capital gains incentive fee of \$28,215, including \$26,012 recognized in the second quarter of 2011 as a result of the

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application of the Capital Gains Amendment described above with respect to the assets purchased in the Allied Acquisition, bringing the total GAAP accrual related to the capital gains incentive fee to \$43,823 as of September 30, 2011. 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 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. There was no similar GAAP expense for the three or nine months ended September 30, 2010.

For the three and nine months ended September 30, 2011, base management fees were \$18,317 and \$52,461, respectively, incentive management fees related to pre-incentive fee net investment income were \$21,703 and \$54,631, respectively, and incentive management fees related to capital gains were \$(11,544) and \$28,215, respectively.

As of September 30, 2011, \$83,843 was included in "management and incentive fees payable" in the accompanying consolidated balance sheet, of which \$40,020 is currently payable to the Company's investment adviser under the investment advisory and management agreement.

For the three and nine months ended September 30, 2010, base management fees were \$15,436 and \$35,574, respectively, incentive management fees related to realized pre-incentive fee net investment income were \$17,805 and \$40,922, respectively, and there were no incentive management fees related to capital gains.

Administration Agreement

We are party to an amended and restated administration agreement, referred to herein as the "administration agreement", with our administrator, Ares Operations an affiliate of our investment adviser and a wholly owned subsidiary of Ares Management. 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 our 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

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administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three and nine months ended September 30, 2011, we incurred \$2,017 and \$6,901, respectively, in fees under the administrative agreement. For the three and nine months ended September 30, 2010, we incurred \$2,642 and \$6,251, respectively, in administrative fees. As of September 30, 2011, \$2,017 was unpaid and included in "accounts payable and accrued expenses" in the accompanying consolidated balance sheet.

4. INVESTMENTS

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

	September 30, 2011		December 31, 2010	
	Amortized Cost(1)	Fair Value	Amortized Cost(1)	Fair Value
Senior term debt	\$ 2,587,442	\$ 2,547,129	\$ 1,722,130	\$ 1,695,532
Subordinated Certificates of the SSLP(2)	777,406	796,513	537,439	561,674
Senior subordinated debt	599,126	529,809	1,055,440	1,014,514
Collateralized loan obligations	92,511	90,749	219,324	261,156
Preferred equity securities	243,977	236,353	137,424	143,546
Other equity securities	480,770	534,545	579,177	607,656
Commercial real estate	22,188	20,055	41,021	33,912
Total	\$ 4,803,420	\$ 4,755,153	\$ 4,291,955	\$ 4,317,990

(1) The amortized cost represents the original cost adjusted for the accretion of discounts and amortization of premiums on debt investments using the effective interest method.

(2) The proceeds from these certificates were applied to co-investments with GE Global Sponsor Finance LLC and General Electric Capital Corporation to fund first lien senior secured loans to 25 and 20 different borrowers as of September 30, 2011 and December 31, 2010, respectively.

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

Industry	As of	
	September 30, 2011	December 31, 2010
Investment Funds and Vehicles(1)	20.3%	21.4%
Healthcare Services	11.8	15.6
Business Services	11.2	12.6
Education	9.3	5.2
Restaurants and Food Services	8.4	8.8
Financial Services	7.2	6.7
Consumer Products	6.0	8.3
Aerospace and Defense	5.3	0.2
Containers and Packaging	3.6	0.5
Other Services	3.5	3.3
Telecommunications	2.5	2.6
Environmental Services	1.8	0.8
Manufacturing	1.4	3.5
Energy	1.2	0.0
Food and Beverage	1.2	2.4
Other	5.3	8.1
Total	100.0%	100.0%

(1)

Includes our investment in the SSLP (as defined below), which represented 16.8% and 13.0% of the Company's total portfolio at fair value as of September 30, 2011 and December 31, 2010, respectively. The SSLP had issued loans to 25 and 20 different borrowers as of September 30, 2011 and December 31, 2010, respectively. The portfolio companies in the SSLP are in industries similar to the companies in our portfolio.

Geographic Region	As of	
	September 30, 2011	December 31, 2010
West	43.4%	34.5%
Southeast	22.4	16.5
Midwest	15.4	20.2
Mid-Atlantic	15.3	24.4
Northeast	2.1	1.4
International	1.4	3.0
Total	100.0%	100.0%

As of September 30, 2011, 4.0% of total investments at amortized cost (or 1.6% of total investments at fair value), were on non-accrual status, including 2.6% of total investments at amortized cost (or 1.2% 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.

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SSLP

In October 2009, the Company completed its acquisition from Allied Capital of subordinated certificates (the "SSLP Certificates") issued by the Senior Secured Loan Fund LLC, which operates using the name "Senior Secured Loan Program" (the "SSLP"), an unconsolidated vehicle. The SSLP was 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 with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"). 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 the Company and GE.

As of September 30, 2011, the SSLP had available capital of approximately \$5.1 billion, approximately \$3.7 billion in aggregate principal amount of which was funded at September 30, 2011 (see Note 17 for subsequent events relating to the SSLP). At September 30, 2011, the Company had agreed to make available to the SSLP \$962,500, of which \$174,372 was unfunded. It is within the Company's discretion to make these additional amounts available to the SSLP.

The amortized cost and fair value of the SSLP Certificates held by the Company was \$777,406 and \$796,513, respectively, at September 30, 2011, and \$537,439 and \$561,674, respectively, at December 31, 2010. The SSLP Certificates pay a weighted average coupon of approximately LIBOR plus 8.0% and also entitle the Company to receive a portion of the excess cash flow from the loan portfolio, which may result in a return greater than the contractual coupon. The Company's yield on its investment in the SSLP at fair value was 15.6% and 15.8% at September 30, 2011 and December 31, 2010, respectively. For the three and nine months ended September 30, 2011, the Company earned interest income of \$30,749 and \$81,073, respectively, in respect of its SSLP investment. The Company is also entitled to certain other sourcing and management fees in connection with the SSLP.

As of September 30, 2011 and December 31, 2010, the SSLP had total assets of \$3.6 billion and \$2.6 billion, respectively. GE's investment in the SSLP consisted of senior notes of \$2.8 billion and \$1.9 billion and subordinated certificates of \$113 million and \$78 million at September 30, 2011 and December 31, 2010, respectively. The subordinated certificates are junior to the senior notes invested by GE and the Company owned 87.5% of the outstanding subordinated certificates as of September 30, 2011. The SSLP's portfolio consisted of senior and unitranche loans to 25 and 20 different issuers as of September 30, 2011 and December 31, 2010, respectively. At September 30, 2011 and December 31, 2010, the portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies and none of these loans were on non-accrual status. At September 30, 2011 and December 31, 2010, the largest loan to a single issuer in the SSLP's portfolio in aggregate principal amount was \$287.0 million and \$270.0 million, respectively, and loans to the top five issuers totaled \$1.3 billion and \$1.1 billion, respectively. The portfolio companies in the SSLP are in industries similar to the companies in Ares Capital's portfolio.

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In accordance with the Investment Company Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of September 30, 2011 our asset coverage was 272%.

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

	As of			
	September 30, 2011		December 31, 2010	
	Carrying Value(1)	Total Available(2)	Carrying Value(1)	Total Available(2)
Revolving Funding Facility	\$ 383,000	\$ 400,000	\$ 242,050	\$ 400,000
Revolving Credit Facility	189,820	810,000(3)	146,000	810,000(3)
Debt Securitization	91,808	91,808	155,297	183,190
2011 Notes (principal amount outstanding of \$0 and \$300,584, respectively)			296,258(4)	300,584
2012 Notes (principal amount outstanding of \$0 and \$161,210, respectively)			158,108(4)	161,210
February 2016 Convertible Notes (principal amount outstanding of \$575,000)	539,394(5)	575,000		
June 2016 Convertible Notes (principal amount outstanding of \$230,000)	215,252(5)	230,000		
2040 Notes (principal amount outstanding of \$200,000)	200,000	200,000	200,000	200,000
2047 Notes (principal amount outstanding of \$230,000)	180,938(4)	230,000	180,796(4)	230,000
	\$ 1,800,212(6)	\$ 2,536,808	\$ 1,378,509(6)	\$ 2,284,984

- (1) Except for the Allied Unsecured Notes and the Convertible Notes (each as defined below), 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 \$1,050,000.
- (4) Represents the aggregate principal amount outstanding of the applicable series of notes less the unaccreted discount initially recorded as a part of the Allied Acquisition. The total unaccreted discount on the Allied Unsecured Notes was \$49,062 and \$56,633 at September 30, 2011 and December 31, 2010, respectively.
- (5) Represents the aggregate principal amount outstanding of the Convertible Notes (as defined below) 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 \$35,606 and \$14,748, respectively, at September 30, 2011.
- (6) Total principal amount of debt outstanding totaled \$1,899,628 and \$1,435,141 at September 30, 2011 and December 31, 2010, respectively.

The weighted average stated interest rate of all our debt obligations at principal as of September 30, 2011 and December 31, 2010 was 5.0% and 5.2%, respectively.

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Revolving Funding Facility

In October 2004, we formed Ares Capital CP Funding LLC ("Ares Capital CP"), a wholly owned subsidiary of the Company, through which we established a revolving securitized facility (as amended, the "Revolving Funding Facility"). The Revolving Funding Facility allows Ares Capital CP to borrow up to \$400 million (see Note 17 for subsequent events relating to the Revolving Funding 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 (the "Loans") 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).

As part of the Revolving Funding Facility, we and Ares Capital CP are subject to limitations as to how borrowed funds may be used including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, collateral interests and investment ratings as well as regulatory restrictions on leverage which may affect the amount that we may borrow from time to time. There are also certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge offs, violation of which could result in the early amortization of the Revolving Funding Facility and limit further advances under the Revolving Funding Facility and in some cases could be an event of default. The Revolving Funding Facility is also subject to a borrowing base that applies different advance rates to assets held in Ares Capital CP. Such limitations, requirements, and associated defined terms are as provided for in the documents governing the Revolving Funding Facility. As of September 30, 2011, the Company and Ares Capital CP were in material compliance with the terms of the Revolving Funding Facility.

As of September 30, 2011 and December 31, 2010, there was \$383,000 and \$242,050 outstanding, respectively, under the Revolving Funding Facility.

Prior to the January 22, 2010 amendment, the interest rate charged on the Revolving Funding Facility was the commercial paper rate plus 3.50%. After January 22, 2010, 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. As of September 30, 2011, for the nine months ended September 30, 2011 and for the period from January 22, 2010 through September 30, 2010, the effective LIBOR spread under the Revolving Funding Facility was 2.75%. As of September 30, 2011 and December 31, 2010, the rate in effect was one month LIBOR, which was 0.24% and 0.26%, respectively.

We are also 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 which is included in facility fees below.

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The components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Funding Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Stated interest expense	\$ 2,804	\$ 2,119	\$ 3,929	\$ 5,106
Facility fees	37	285	2,178	1,319
Amortization of debt issuance costs	545	454	1,613	1,330
 Total interest and credit facility fees expense	 \$ 3,386	 \$ 2,858	 \$ 7,720	 \$ 7,755
Cash paid for interest expense	\$ 448	\$ 1,497	\$ 3,477	\$ 5,106
Average stated interest rate	3.03%	3.11%	3.00%	2.99%
Average outstanding balance	\$ 370,667	\$ 272,558	\$ 174,649	\$ 227,838

Revolving Credit Facility

In December 2005, we entered into a senior secured revolving credit facility (as amended and restated, 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 \$810,000. 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 \$1,050,000. The Revolving Credit Facility generally requires payments of interest at the end of each LIBOR interest period, but no less frequently than quarterly, on LIBOR-based loans, and monthly payments of interest on other loans. All principal is due upon maturity.

Under the Revolving Credit Facility, we are required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets (less total liabilities) to total indebtedness, of the Company and its subsidiaries, of not less than 2.0:1.0, (f) maintaining minimum liquidity, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and its subsidiaries. As of September 30, 2011, the Company was in material compliance with the terms of the Revolving Credit Facility.

In addition to the asset coverage ratio described above, borrowings under the Revolving Credit Facility (and the incurrence of certain other permitted debt) will be subject to compliance with a borrowing base that will apply different advance rates to different types of assets in our portfolio.

As of September 30, 2011, and December 31, 2010, there was \$189,820 and \$146,000 outstanding, respectively, under the Revolving Credit Facility. The Revolving Credit Facility also provides for a sub-limit for the issuance of letters of credit for up to an aggregate amount of \$100,000 as of September 30, 2011 and December 31, 2010. As of September 30, 2011 and December 31, 2010, the Company had \$43,789 and \$7,281 in standby letters of credit issued, respectively, through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any standby letters of credit issued. At September 30, 2011, subject to borrowing base availability, there was \$576,391 available for borrowing (net of standby letters of credit issued) under the Revolving Credit Facility.

Prior to amending and restating the Revolving Credit Facility on January 22, 2010, subject to certain exceptions, pricing on the Revolving Credit Facility was based on LIBOR plus 1.00% or on an

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"alternate base rate" (which was the highest of a prime rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%). After January 22, 2010, 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 September 30, 2011, for the nine months ended September 30, 2011 and for the period from January 22, 2010 through September 30, 2010, the effective LIBOR spread under the Revolving Credit Facility was 3.00%. As of September 30, 2011, the one, two, three and six month LIBOR was 0.24%, 0.30%, 0.37% and 0.56%, respectively. As of December 31, 2010, the one, two, three and six month LIBOR was 0.26%, 0.28%, 0.30% and 0.46%, respectively.

In addition to the stated interest expense on the Revolving Credit Facility, the Company is required to pay a commitment fee of 0.50% per annum on any unused portion of the Revolving Credit Facility and a letter of credit fee of 3.25% per annum on letters of credit issued, both of which are payable quarterly and included in facility fees below. The letter of credit fee is also based on a pricing grid depending on our credit rating. In connection with the expansion and extension of the Revolving Credit Facility in January 2010, we paid arrangement fees totaling approximately \$15,600.

With certain exceptions, the Revolving Credit Facility is secured by substantially all of the assets in our portfolio (other than investments held by Ares Capital CP under the Revolving Funding Facility, those held as a part of the Debt Securitization, discussed below, and certain other investments).

The components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Credit Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Stated interest expense(1)	\$ 2,161	\$ 2,264	\$ 2,383	\$ 8,328
Facility fees	839	708	2,957	2,199
Amortization of debt issuance costs	1,640	1,553	4,873	5,036
Total interest and credit facility fees expense	\$ 4,640	\$ 4,525	\$ 10,213	\$ 15,563
Cash paid for interest expense(1)	\$ 2,161	\$ 1,837	\$ 2,724	\$ 7,796
Average stated interest rate(1)	3.48%	4.66%	3.43%	4.09%
Average outstanding balance	\$ 248,579	\$ 194,570	\$ 92,558	\$ 271,637

(1)

The stated interest expense, cash paid for interest expense and average stated interest rate for the three and nine months ended September 30, 2010 reflect the impact of the interest rate swap agreement entered into by the Company in October 2008 and terminated in December 2010 whereby the Company paid a fixed interest rate of 2.985% and received a floating rate based on the prevailing three-month LIBOR. See Note 6 for more information on the interest rate swap agreement.

Debt Securitization

In July 2006, through ARCC Commercial Loan Trust 2006, a vehicle serviced by our wholly owned subsidiary, ARCC CLO 2006 LLC, the Company completed a \$400,000 debt securitization (the "Debt Securitization") and issued approximately \$314,000 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. The Company initially retained approximately \$86,000 of

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aggregate principal amount of certain "BBB" and non-rated securities in the Debt Securitization and has subsequently repurchased \$34,790 of the CLO Notes, bringing our total holdings of CLO Notes to \$120,790 (the "Retained Notes"). The CLO Notes are included in the consolidated balance sheet.

During the nine months ended September 30, 2011, we repaid \$25,483, \$34,126, \$20,819 and \$14,715 of the Class A-1-A, Class A-1A-VFN, Class A-2A Notes and Class A-2B Notes, respectively. The CLO Notes mature on December 20, 2019, and, as of September 30, 2011, there was \$91,808 outstanding under the CLO Notes (excluding the Retained Notes).

During the first five years from the closing date, principal collections received on the underlying collateral could be used to purchase new collateral. This reinvestment period expired on June 17, 2011. Because the reinvestment period expired, all principal collections received on the underlying collateral will be used to paydown the CLO Notes outstanding in their order of legal priority.

All of the CLO Notes are secured by the assets of ARCC Commercial Loan Trust 2006, including commercial loans totaling \$308,100 as of the closing date, which were sold to the trust by the Company, the originator and servicer of the assets. Additional commercial loans have been purchased by the trust from the Company primarily using the proceeds from the Class A-1A VFN Notes as well as proceeds from loan repayments. The pool of commercial loans in the trust must meet certain requirements, including, but not limited to, asset mix and concentration, collateral coverage, term, agency rating, minimum coupon, minimum spread and sector diversity requirements. Under the terms of the Debt Securitization, up to 15% of the collateral may be subordinated loans that are neither first nor second lien loans. As of September 30, 2011, the Company was in material compliance with the terms of the Debt Securitization.

The classes, amounts and interest rates (expressed as a spread to LIBOR) of the CLO Notes as of September 30, 2011 and December 31, 2010 are as follows:

Class	As of			
	September 30, 2011		December 31, 2010	
	Amount	LIBOR Spread (basis points)	Amount	LIBOR Spread (basis points)
A-1A	\$ 7,678	25	\$ 33,161	25
A-1A VFN	19,635	28	22,107	28
A-1B	14,000	37	14,000	37
A-2A		22	20,819	22
A-2B	18,285	35	33,000	35
B	9,000	43	9,000	43
C	23,210	70	23,210	70
Total	\$ 91,808		\$ 155,297	

The interest charged under the Debt Securitization is based on 3-month LIBOR, which as of September 30, 2011 was 0.37% and as of December 31, 2010 was 0.30%. The blended pricing of the CLO Notes, excluding fees, at September 30, 2011, was approximately 3-month LIBOR plus 43 basis points and at December 31, 2010, was approximately 3-month LIBOR plus 36 basis points.

The Company was also required to pay a commitment fee of 0.175% for any unused portion of the Class A-1A VFN Notes through June 17, 2011 which is included in facility fees below.

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The components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Debt Securitization are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Stated interest expense	\$ 219	\$ 469	\$ 709	\$ 1,248
Facility fees		7	25	11
Amortization of debt issuance costs	89	90	266	268
 Total interest and credit facility fees expense	 \$ 308	 \$ 566	 \$ 1,000	 \$ 1,527
Cash paid for interest expense	\$ 222	\$ 476	\$ 722	\$ 1,250
Average stated interest rate	0.66%	0.91%	0.69%	0.68%
Average outstanding balance	\$ 132,759	\$ 209,996	\$ 141,450	\$ 246,364

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 6.625% Notes due on July 15, 2011 (the "2011 Notes"), 6.000% Notes due on April 1, 2012 (the "2012 Notes") and 6.875% Notes due on April 15, 2047 (the "2047 Notes" and, together with the 2011 Notes and the 2012 Notes, the "Allied Unsecured Notes").

As of September 30, 2011 and December 31, 2010, the Company had the following outstanding Allied Unsecured Notes:

	As of			
	September 30, 2011		December 31, 2010	
	Outstanding Principal	Carrying Value(1)	Outstanding Principal	Carrying Value(1)
2011 Notes	\$	\$	\$ 300,584	\$ 296,258
2012 Notes			161,210	158,108
2047 Notes	230,000	180,938	230,000	180,795
 Total	 \$ 230,000	 \$ 180,938	 \$ 691,794	 \$ 635,161

- (1) Represents the principal amount of the Allied Unsecured Notes less the unaccreted discount initially recorded as a part of the Allied Acquisition

On March 16, 2011, we redeemed the remaining balance of the 2011 Notes for a total redemption price (including a redemption premium) of \$306,800 in accordance with the terms of the indenture governing the 2011 Notes, which resulted in a loss on the extinguishment of debt of \$8,860. On April 27, 2011, we redeemed the remaining balance of the 2012 Notes for a total redemption price (including a redemption premium) of \$169,338 in accordance with the terms of the indenture governing the 2012 Notes, which resulted in a loss on the extinguishment of debt of \$10,458.

The 2047 Notes 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.

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In accordance with ASC 805-10, the initial carrying value of the Allied Unsecured Notes was equal to the fair value as of April 1, 2010 resulting in an initial unaccreted discount from the principal value of the Allied Unsecured Notes of approximately \$49,062. Accretion expense related to this discount is included in "interest and credit facility fees" in the accompanying consolidated statement of operations.

The components of interest expense and cash paid for interest expense for the Allied Unsecured Notes are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Stated interest expense	\$ 3,953	\$ 11,838	\$ 19,125	\$ 23,964
Accretion of discount	49	2,968	2,574	5,644
Total interest expense	\$ 4,002	\$ 14,806	\$ 21,699	\$ 29,608
 Cash paid for interest expense	 \$ 3,953	 \$ 15,278	 \$ 30,725	 \$ 25,266

2040 Notes

On October 21, 2010, we issued \$200,000 in aggregate principal amount of senior unsecured notes that mature on October 15, 2040 (the "2040 Notes") 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. For the three and nine months ended September 30, 2011, the Company incurred \$3,875 and \$11,625, respectively, of interest expense on the 2040 Notes and the cash paid for interest on the 2040 Notes was \$3,875 and \$11,368, respectively. Also for the three and nine months ended September 30, 2011, the Company incurred \$62 and \$181, respectively, in amortization of debt issuance costs related to the 2040 Notes.

The 2047 Notes and the 2040 Notes contain certain covenants, including covenants requiring Ares Capital to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of such notes under certain circumstances. These covenants are subject to important limitations and exceptions. As of September 30, 2011, the Company was in material compliance with the terms of the 2047 Notes and the 2040 Notes.

Convertible Notes

In January 2011, we issued \$575,000 of unsecured convertible senior notes that mature on February 1, 2016 (the "February 2016 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In March 2011, we issued \$230,000 of unsecured convertible senior notes that mature on June 1, 2016 (the "June 2016 Convertible Notes" and, together with the February 2016 Convertible Notes, the "Convertible Notes"), unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Notes prior to maturity. The February 2016 Convertible Notes and the June 2016 Convertible Notes bear interest at a rate of 5.75% and 5.125%, respectively, per year, payable semi-annually.

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In certain circumstances, the February 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 52.2766 shares of common stock per one thousand dollar principal amount of the February 2016 Convertible Notes, which is 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 of the February 2016 Convertible Notes was approximately 17.5% above the \$16.28 per share closing price of our common stock on January 19, 2011. 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 one thousand dollar principal amount of the June 2016 Convertible Notes, which is 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 of the June 2016 Convertible Notes was approximately 17.5% above the \$16.20 per share closing price of our common stock on March 22, 2011. At September 30, 2011, the principal amounts of both the February 2016 Convertible Notes and the June 2016 Convertible Notes exceeded the value of the underlying shares multiplied times the per share closing price of our common stock.

The Convertible Notes are Ares Capital's 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.

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. 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 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.

In addition, if we engage in certain corporate events as described in both the February 2016 Indenture and the June 2016 Indenture (collectively, the "Convertible Notes Indentures"), holders of the Convertible Notes may require us to repurchase for cash all or part of the Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

The Convertible Notes Indentures contain certain covenants, including covenants requiring us to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of the Convertible Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Notes Indentures. As September 30, 2011, the Company was in material compliance with the terms of the Convertible Notes Indentures.

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The Convertible Notes are accounted for in accordance with ASC 470-20 (previously FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)"). Upon conversion of any of the Convertible Notes, we intend to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, we have the option to pay in cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Convertible Notes Indentures. The Company has determined that the embedded conversion options in both the February 2016 Convertible Notes and the June 2016 Convertible Notes are not required to be separately accounted for as a derivative under GAAP. In accounting for the February 2016 Convertible Notes, we estimated at the time of issuance that the values of the debt and equity components of the February 2016 Convertible Notes were approximately 93% and 7%, respectively. In accounting for the June 2016 Convertible Notes, we estimated at the time of issuance that the values of the debt and equity components of the June 2016 Convertible Notes were approximately 93% and 7%, respectively. The original issue discount equal to the equity component of 7% of both the June 2016 Convertible Notes and the February 2016 Convertible Notes was recorded in "capital in excess of par value" in the accompanying consolidated balance sheet. As a result, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount. Additionally, the issuance costs associated with the Convertible Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

At the time of issuance, the debt issuance costs and equity issuance costs for the February 2016 Convertible Notes were \$14,672 and \$1,104, respectively, and for the June 2016 Convertible Notes were \$5,348 and \$403, respectively. At the time of issuance and as of September 30, 2011, the equity component, net of issuance costs as recorded in the "capital in excess of par value" in the consolidated balance sheet for the February 2016 Convertible Notes and the June 2016 Convertible Notes was \$39,062 and \$15,655, respectively.

As of September 30, 2011, the components of the carrying value of the Convertible Notes were as follows:

	February 2016 Convertible Notes	June 2016 Convertible Notes
Principal amount of debt	\$ 575,000	\$ 230,000
Original issue discount, net of accretion	(35,606)	(14,748)
Carrying value of debt	\$ 539,394	\$ 215,252

For the three and nine months ended September 30, 2011, the components of interest expense and cash paid for interest expense for the February 2016 Convertible Notes were as follows:

	For the three months ended September 30, 2011	For the nine months ended September 30, 2011
Stated interest expense	\$ 8,266	\$ 22,593
Accretion of original issue discount	1,726	4,644
Amortization of debt issuance cost	802	2,136
Total interest expense	\$ 10,794	\$ 29,373
Cash paid for interest expense	\$ 17,082	\$ 17,082

The estimated effective interest rate of the debt component of the February 2016 Convertible Notes, equal to the stated interest of 5.75% plus the accretion of the original issue discount, was

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approximately 7.51% and 7.48%, respectively, for the three and nine months ended September 30, 2011.

For the three and nine months ended September 30, 2011, the components of interest expense and cash paid for interest expense for the June 2016 Convertible Notes were as follows:

	For the three months ended September 30, 2011		For the nine months ended September 30, 2011	
Stated interest expense	\$	2,947	\$	5,992
Accretion of original issue discount		667		1,352
Amortization of debt issuance cost		290		584
 Total interest expense	 \$	 3,904	 \$	 7,928
 Cash paid for interest expense	 \$		 \$	

The estimated effective interest rate of the debt component of the June 2016 Convertible Notes equal to the stated interest of 5.125% plus the accretion of the original issue discount, was approximately 6.79% and 6.78%, respectively, for the three and nine months ended September 30, 2011.

6. DERIVATIVE INSTRUMENTS

In October 2008, we entered into an interest rate swap agreement that terminated on December 20, 2010 to mitigate our exposure to adverse fluctuations in interest rates for a total notional amount of \$75,000. Under the interest rate swap agreement, we paid a fixed interest rate of 2.985% and receive a floating rate based on the prevailing three-month LIBOR. For the three and nine months ended September 30, 2010, we recognized \$401 and \$1,293, respectively, in unrealized appreciation related to this swap agreement. Upon termination of this swap agreement in 2010, no realized gain or loss was recognized.

7. COMMITMENTS AND CONTINGENCIES*Portfolio Company Commitments*

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

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

	As of	
	September 30, 2011	December 31, 2010
Total revolving and delayed draw commitments	\$ 713,677	\$ 260,691
Less: funded commitments	(107,069)	(59,980)
 Total unfunded commitments	 606,608	 200,711
Less: commitments substantially at discretion of the Company	(11,932)	(19,922)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(63,203)	(6,738)
 Total net adjusted unfunded revolving and delayed draw commitments	 \$ 531,473	 \$ 174,051

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Included within the total revolving and delayed draw commitments as of September 30, 2011 are commitments to issue up to \$73,422 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 September 30, 2011, the Company had \$41,477 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, \$175 expire in December 2011, \$163 expire in January 2012, \$65 expire in February 2012, \$778 expire in April 2012, \$647 expire in July 2012, \$12,547 expire in August 2012 and \$27,102 expire in September 2012.

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

	As of	
	September 30, 2011	December 31, 2010
Total private equity commitments	\$ 181,318	\$ 537,600
Less: funded private equity commitments	(68,295)	(104,300)
Total unfunded private equity commitments	113,023	433,300
Less: private equity commitments substantially at discretion of the Company	(103,741)	(400,400)
Total net adjusted unfunded private equity commitments	\$ 9,282	\$ 32,900

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 September 30, 2011 and December 31, 2010, the Company had outstanding guarantees or similar obligations totaling \$800.

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 September 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 September 30, 2011, there are no known issues or claims with respect to this performance guaranty.

Table of Contents**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Effective January 1, 2008, the Company adopted ASC 825-10 (previously SFAS No. 159, the Fair Value Option for Financial Assets and Liabilities), which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "other assets" and "debt," which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the line items entitled "interest receivable," "receivable for open trades," "payable for open trades," "accounts payable and accrued expenses," "management and incentive fees payable" and "interest and facility fees payable" approximate fair value due to their short maturity.

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. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. 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. ASC 820-10 requires the Company to assume that the portfolio investment is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, 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. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur. In addition to using the above inputs in investment valuations, we continue to employ the net asset valuation policy approved by our board of directors that is consistent with ASC 820-10 (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. Our valuation policy considers the fact that because there is not a readily available market value for most of the investments in our portfolio, the fair value of the investments must typically be determined using unobservable inputs.

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

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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.

The following table presents fair value measurements of cash and cash equivalents and investments as of September 30, 2011:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 103,146	\$ 103,146	\$	\$
Investments	\$ 4,755,153	\$	\$ 10,080	\$ 4,745,073

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2011:

	As of and for the three months ended September 30, 2011
Balance as of June 30, 2011	\$ 4,630,043
Net realized and unrealized losses	(54,999)
Purchases	1,131,704
Sales	(216,608)
Redemptions	(756,491)
Payment-in-kind interest and dividends	8,086
Accretion of discount on securities	3,338
Net transfers in and/or out of Level 3	
Balance as of September 30, 2011	\$ 4,745,073

	As of and for the nine months ended September 30, 2011
Balance as of December 31, 2010	\$ 4,312,657
Net realized and unrealized gains	44,231
Purchases	2,344,429
Sales	(620,041)
Redemptions	(1,348,793)
Payment-in-kind interest and dividends	26,042
Accretion of discount on securities	11,188
Net transfers in and/or out of Level 3	(24,640)
Balance as of September 30, 2011	\$ 4,745,073

As of September 30, 2011, the net unrealized depreciation on the investments that use Level 3 inputs was \$27,556.

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The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2010:

	As of and for the three months ended September 30, 2010
Balance as of June 30, 2010	\$ 3,790,038
Net realized and unrealized gains	58,131
Net purchases, sales or redemptions	297,035
Net transfers in and/or out of Level 3	
Balance as of September 30, 2010	\$ 4,145,204

	As of and for the nine months ended September 30, 2010
Balance as of December 31, 2009	\$ 2,166,687
Net realized and unrealized gains	186,029
Net purchases, sales or redemptions	1,792,488
Net transfers in and/or out of Level 3	
Balance as of September 30, 2010	\$ 4,145,204

As of September 30, 2010, the net unrealized depreciation on the investments that use Level 3 inputs was \$19,900. Transfers between levels, if any, are recognized at the beginning of the quarter in which transfers occur.

Following are the carrying and fair values of our debt instruments as of September 30, 2011 and December 31, 2010. Fair value is estimated by discounting remaining payments using applicable

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current market rates, which take into account changes in the Company's marketplace credit ratings, or market quotes, if available.

	As of			
	September 30, 2011		December 31, 2010	
	Carrying value(1)	Fair value	Carrying value(1)	Fair value
Revolving Funding Facility	\$ 383,000	383,000	\$ 242,050	\$ 242,000
Revolving Credit Facility	189,820	189,820	146,000	146,000
Debt Securitization	91,808	81,280	155,297	133,000
2011 Notes (principal amount outstanding of \$0 and \$300,584, respectively)			296,258(2)	297,290
2012 Notes (principal amount outstanding of \$0 and \$161,210, respectively)			158,108(2)	164,595
February 2016 Convertible Notes (principal amount outstanding of \$575,000)	539,394(3)	545,106		
June 2016 Convertible Notes (principal amount outstanding of \$230,000)	215,252(3)	214,169		
2040 Notes (principal amount outstanding of \$200,000)	200,000	193,288	200,000	184,986
2047 Notes (principal amount outstanding of \$230,000)	180,938(2)	201,638	180,796(2)	197,314
	\$ 1,800,212(4)	\$ 1,808,301	\$ 1,378,509(4)	\$ 1,365,185

- (1) Except for the Allied Unsecured Notes, the 2040 Notes and the Convertible Notes, all carrying values are the same as the principal amounts outstanding.
- (2) Represents the aggregate principal amount of the applicable series of notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.
- (3) Represents the aggregate principal amount outstanding of the Convertible Notes less the unaccreted discount initially recorded upon issuance of the Convertible Notes.
- (4) Total principal amount of debt outstanding totaled \$1,899,628 and \$1,435,141 as of September 30, 2011 and December 31, 2010, respectively.

9. STOCKHOLDERS' EQUITY

There were no sales of our equity securities during the nine months ended September 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 nine months ended September 30, 2010:

	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
February 2010 public offering	22,958	\$ 12.75	\$ 277,207
Total for the nine months ended September 30, 2010	22,958		\$ 277,207

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.

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The following information sets forth the computations of basic and diluted net increase in stockholders' equity per share resulting from operations for the three and nine months ended September 30, 2011 and 2010:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net increase in stockholders' equity resulting from operations available to common stockholders:	\$ 40,639	\$ 128,377	\$ 201,328	\$ 534,946
Weighted average shares of common stock outstanding basic and diluted:	205,130	192,167	204,770	169,500
Basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 0.20	\$ 0.67	\$ 0.98	\$ 3.16

For the purposes of calculating diluted earnings per share, since the average closing price of the Company's common stock for the period from the time of issuance of both the February 2016 Convertible Notes and the June 2016 Convertible Notes through September 30, 2011 was less than the current conversion price for each respective series of the Convertible Notes, the underlying shares for the intrinsic value of the embedded options had no impact.

11. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes our dividends declared during the nine months ended September 30, 2011 and 2010:

Date Declared	Record Date	Payment Date	Per Share Amount	Total Amount
August 4, 2011	September 15, 2011	September 30, 2011	\$ 0.35	\$ 71,795
May 5, 2011	June 15, 2011	June 30, 2011	\$ 0.35	\$ 71,663
March 1, 2011	March 15, 2011	March 31, 2011	\$ 0.35	\$ 71,547
Total declared for the nine months ended September 30, 2011			\$ 1.05	\$ 215,005
August 5, 2010	September 15, 2010	September 30, 2010	\$ 0.35	\$ 67,266
May 10, 2010	June 15, 2010	June 30, 2010	\$ 0.35	\$ 67,091
February 25, 2010	March 15, 2010	March 31, 2010	\$ 0.35	\$ 46,516

Total declared for the nine months ended September 30, 2010

\$ 1.05 \$ 180,873

The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. If the Company issues new shares, the issue price is equal to closing price on the record date.

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Dividend reinvestment plan activity for the nine months ended September, 2011 and 2010, was as follows:

	For the nine months ended September 30,	
	2011	2010
Shares issued	711	1,171
Average price per share	\$ 16.24	\$ 14.29
Shares purchased by plan agent for shareholders	372	
Average price per share	\$ 13.92	\$

12. RELATED PARTY TRANSACTIONS

In accordance with the investment advisory and management agreement, we bear all costs and expenses of the operation of the Company and reimburse our investment adviser for certain of such costs and expenses incurred in the operation of the Company. For the three and nine months ended September 30, 2011, the investment adviser incurred such expenses totaling \$698 and \$3,810, respectively. For the three and nine months ended September 30, 2010, the investment adviser incurred such expenses totaling \$721 and \$2,253, respectively. As of September 30, 2011, \$412 was unpaid and such payable is included in "accounts payable and accrued expenses" in the accompanying consolidated balance sheet.

We have entered into separate subleases with Ares Management and Ivy Hill Asset Management, L.P. ("IHAM"), a wholly owned portfolio company, pursuant to which Ares Management and IHAM sublease approximately 15% and 20%, respectively, of the Company's New York office space for a fixed rent equal to 15% and 20%, respectively, of the base annual rent payable by us under the Company's lease for this space, plus certain additional costs and expenses. For the three and nine months ended September 30, 2011, such amounts payable to the Company totaled \$340 and \$477, respectively. Under our previous lease that expired on February 27, 2011, we were party to a sublease agreement with Ares Management whereby Ares Management subleased approximately 25% of such 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 nine months ended September 30, 2011, such amounts payable to the Company totaled \$396. For the three and nine months ended September 30, 2010, such amounts payable to the Company totaled \$1,231 and \$1,917, respectively.

As of September 30, 2011, Ares Investments Holdings LLC, an affiliate of Ares Management, (the sole member of our investment adviser) owned approximately 2.9 million shares of the Company's common stock representing approximately 1.4% of the total shares outstanding as of September 30, 2011.

See Notes 3 and 13 for descriptions of other related party transactions.

13. IVY HILL ASSET MANAGEMENT, L.P. AND OTHER MANAGED FUNDS

In November 2007, the Company established IHAM to serve as a manager for a middle-market credit fund, Ivy Hill Middle Market Credit Fund, Ltd. ("Ivy Hill I"), an unconsolidated investment vehicle focusing on investments in middle-market loans. From inception until the second quarter of 2009, IHAM's financial results were consolidated with those of the Company. In June 2009, because of a shift in activity from being primarily a manager, with no dedicated employees, of funds in which the Company has invested debt and equity, to a manager with individuals dedicated to managing an increasing number of third party funds, the Company concluded that GAAP requires the financial results of IHAM to be reported as a portfolio company in the schedule of investments rather than as a consolidated subsidiary in the Company's financial results. The Company made an equity investment of

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\$3,816 into IHAM in June 2009. As of September 30, 2011, the Company's total investment in IHAM at fair value was \$186,823, including an unrealized gain of \$73,947. As of December 31, 2010, the Company's total investment in IHAM at fair value was \$136,235, including an unrealized gain of \$32,777. For the three and nine months ended September 30, 2011, the Company received distributions from IHAM consisting entirely of dividend income of \$4,762 and \$14,286, respectively. For the three and nine months ended September 30, 2010, the Company received distributions from IHAM consisting entirely of dividend income of \$2,500 and \$4,296 respectively.

Ivy Hill I primarily invests in first and second lien bank debt of middle-market companies. Ivy Hill I was initially funded with \$404,000 of capital including a \$56,000 investment by the Company, consisting of \$40,000 of Class B notes and \$16,000 of subordinated notes. For the three and nine months ended September 30, 2011, the Company earned \$1,256 and \$3,589, respectively, from its investments in Ivy Hill I. For the three and nine months ended September 30, 2010, the Company earned \$1,723 and \$5,208, respectively, from its investments in Ivy Hill I.

Ivy Hill I purchased investments from the Company of \$10,205 during the nine months ended September 30, 2011, and may from time to time purchase additional investments from the Company. A realized gain of \$4 was recorded on these transactions for the nine months ended September 30, 2011.

In November 2008, the Company established a second middle-market credit fund, Ivy Hill Middle Market Credit Fund II, Ltd. ("Ivy Hill II" and, together with Ivy Hill I and Ivy Hill SDF (as defined below), the "Ivy Hill Funds"), which is also managed by IHAM.

In December 2009, the Company made an additional cash investment of approximately \$33,000 in IHAM to facilitate IHAM's acquisition of Allied Capital's management rights in respect of, and interests in, the Allied Capital Senior Debt Fund, L.P. (now referred to as Ivy Hill Senior Debt Fund, L.P. or the "Ivy Hill SDF"). In October 2010, the Company made an additional cash investment of approximately \$4,000 in IHAM to facilitate IHAM's acquisition of an equity interest in Ivy Hill SDF.

In March 2010, the Company made an additional cash investment of approximately \$48,000 in IHAM to facilitate IHAM's acquisition of Allied Capital's management rights in respect of, and equity interests in, the Knightsbridge CLO 2007-1, Ltd. and Knightsbridge CLO 2008-1, Ltd. (the "Knightsbridge Funds"). At the time, the Company also acquired from Allied Capital certain debt investments of the Knightsbridge Funds for approximately \$52,000. The Knightsbridge Funds purchased \$15,800 of investments from the Company during the nine months ended September 30, 2011. A realized loss of \$174 was recorded on these transactions for the nine months ended September 30, 2011.

The Company, through its wholly owned subsidiary, A.C. Corporation, previously managed Emporia Preferred Funding I, Ltd., Emporia Preferred Funding II, Ltd. and Emporia Preferred Funding III, Ltd. (collectively, the "Emporia Funds"). In August 2010, the Company made an additional cash investment of approximately \$8,000 in IHAM to facilitate IHAM's acquisition of an equity interest in Emporia Preferred Funding III, Ltd. In November 2010, the Company made an additional cash investment of \$7,900 in IHAM, which IHAM then used to purchase these management rights and related receivables in respect of the Emporia Funds from A.C. Corporation for \$7,900. This amount represented the fair value of those management rights as of the date of the sale. A realized gain of \$5,882 was recognized on this transaction. In January 2011, the Company made an additional cash investment of approximately \$9,400 in IHAM to facilitate IHAM's acquisition of equity interests in certain of the Emporia Funds. The Emporia Funds purchased \$32,817 of investments from the Company during the nine months ended September 30, 2011. A realized loss of \$336 was recorded on these transactions for the nine months ended September 30, 2011.

In addition to the Ivy Hill Funds and the Knightsbridge Funds, IHAM also serves as the sub-adviser/sub-manager to four other funds: CoLTS 2005-1 Ltd., CoLTS 2005-2 Ltd., CoLTS

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2007-1 Ltd. (collectively, the "CoLTS Funds") and FirstLight Funding I, Ltd. ("FirstLight"), which is affiliated with the Company's portfolio company, Firstlight Financial Corporation. The CoLTS Funds purchased \$5,225 of investments from the Company during the nine months ended September 30, 2011. A realized loss of \$52 was recorded on these transactions for the nine months ended September 30, 2011.

In addition, IHAM serves as the general partner of, and manages, Ares Private Debt Strategies Fund II, L.P. ("Ares PDS II") and Ares Private Debt Strategies Fund III, L.P. (together with Ares PDS II, the "PDS Funds"). The PDS Funds purchased \$109,849 of investments from the Company during the nine months ended September 30, 2011. A realized loss of \$2,422 was recorded on these transactions for the nine months ended September 30, 2011. Additionally, IHAM purchased \$4,949 of investments from the Company during the nine months ended September 30, 2011. A realized loss of \$48 was recorded on these transactions for the nine months ended September 30, 2011. Lastly, the Company purchased \$3,777 of investments from FirstLight during the nine months ended September 30, 2011. IHAM or the funds managed by IHAM may, from time to time, buy or sell additional investments from or to the Company. For any such purchases or sales by IHAM or by funds managed by IHAM from or to the Company, approval is obtained from third parties unaffiliated with the Company or IHAM or funds managed by IHAM, as applicable.

Beginning in November 2008, IHAM was party to a separate services agreement, referred to herein as the "services agreement," with Ares Capital Management. Pursuant to the services agreement, Ares Capital Management provided IHAM with office facilities, equipment, clerical, bookkeeping and record keeping services, services of investment professionals and others to perform investment advisory, 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 services agreement, IHAM reimbursed Ares Capital Management for all of the actual costs associated with such services, including Ares Capital Management's allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the services agreement. The services agreement was terminated effective June 30, 2010 and replaced with a different services agreement with similar terms between IHAM and the Company's administrator.

Also as part of the Allied Acquisition, the Company acquired the management rights for an unconsolidated fund, the AGILE Fund I, LLC, which had \$64 million of total committed capital under management as of September 30, 2011. The Company's investment in AGILE Fund I, LLC was \$130 at fair value, including an unrealized loss of \$115 as of September 30, 2011.

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The following is a schedule of financial highlights for the nine months ended September 30, 2011 and 2010:

Per Share Data:	For the nine months ended	
	September 30, 2011	September 30, 2010
Net asset value, beginning of period(1)	\$ 14.92	\$ 11.44
Issuance of common stock		1.15
Issuances of the Convertible Notes	0.27	
Effect of antidilution		(0.27)
Net investment income for period(2)	0.93	0.90
Gain on the acquisition of Allied Capital Corporation		1.16
Net realized and unrealized gains for period(2)	0.06	1.10
Net increase in stockholders' equity	0.99	3.16
Total distributions to stockholders	(1.05)	(1.05)
Net asset value at end of period(1)	\$ 15.13	\$ 14.43
Per share market value at end of period	\$ 13.77	\$ 15.65
Total return based on market value(3)	7.14%	34.14%
Total return based on net asset value(4)	6.57%	24.10%
Shares outstanding at end of period	205,130	192,566
Ratio/Supplemental Data:		
Net assets at end of period	\$ 3,103,278	\$ 2,778,476
Ratio of operating expenses to average net assets(5)(6)	10.69%	10.51%
Ratio of net investment income to average net assets(5)(7)	8.04%	9.24%
Portfolio turnover rate(5)	56%	48%

(1) The net assets used equals the total stockholders' equity on the consolidated balance sheets.

(2) Weighted average basic per share data.

(3) For the nine months ended September 30, 2011, the total return based on market value equals the decrease of the ending market value at September 30, 2011 of \$13.77 per share from the ending market value at December 31, 2010 of \$16.48 per share, plus the declared dividends of \$1.05 per share for the nine months ended September 30, 2011, divided by the market value at December 31, 2010. For the nine months ended September 30, 2010, the total return based on market value equals the increase of the ending market value at September 30, 2010 of \$15.65 per share over the ending market value at December 31, 2009 of \$12.45 per share, plus the declared dividend of \$1.05 per share for the nine months ended September 30, 2010, divided by the market value at December 31, 2009. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4) For the nine months ended September 30, 2011, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$1.05 per share for the nine months ended September 30, 2011, divided by the beginning net asset value at January 1, 2011. For the nine months ended September 30, 2010, the total

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return based on net asset value equals the change in net asset value during the period plus the declared dividend of \$1.05 per share for the nine months ended September 30, 2010, divided by the beginning net asset value at January 1, 2010. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan and the issuance of common stock in connection with any equity offerings. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5) The ratios reflect an annualized amount.

(6) For the nine months ended September 30, 2011, the ratio of operating expenses to average net assets consisted of 2.22% of base management fees, 3.50% of incentive management fees, 3.80% of the cost of borrowing and 1.17% of other operating expenses. For the nine months ended September 30, 2010, the ratio of operating expenses to average net assets consisted of 2.16% of base management fees, 2.48% of incentive management fees, 3.30% of the cost of borrowing and 2.57% of other operating expenses. These ratios reflect annualized amounts.

(7) The ratio of net investment income to average net assets excludes income taxes related to realized gains.

15. ALLIED ACQUISITION

On April 1, 2010, the Company 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 the Allied 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 (previously SFAS No. 141(R)), Business Combinations. 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 (see Notes 2 and 8).

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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:

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

(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.

16. LITIGATION

The Company is party to certain lawsuits in the normal course of business. In addition, Allied Capital was involved in various legal proceedings which the Company assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, the Company does not expect that these legal proceedings will materially affect its business, financial condition or results of operations.

17. SUBSEQUENT EVENTS

The Company's management evaluated subsequent events through the date of issuance of these consolidated financial statements. There have been no subsequent events that occurred during such period that would require disclosure in, or would be required to be recognized in, the Consolidated Financial Statements as of and for the nine months ended September 30, 2011, except as disclosed below.

In October 2011, we and Ares Capital CP Funding LLC amended the Revolving Funding Facility to, among other things, increase the commitment size from \$400 million to \$500 million.

In October 2011, the total available capital for the SSLP was increased from \$5.1 billion to \$7.7 billion. In connection with this increase, GE and Ares Capital agreed to make available to the SSLP up to \$6.2 billion and \$1.5 billion, respectively.

In January 2012, we and Ares Capital CP Funding LLC amended the Revolving Funding Facility to, among other things, (i) extend the reinvestment period by one year to January 18, 2015, (ii) extend the maturity date by one year to January 18, 2017, and (iii) replace the pricing grid with an applicable spread over LIBOR of 2.50% and an applicable spread over "base rate" of 1.50%.

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PROSPECTUS

\$2,000,000,000

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

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 24, 2011 the last reported sales price of our common stock on The NASDAQ Global Select Market was \$15.32 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 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. The SEC also maintains a website at www.sec.gov that contains such information.

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.

The date of this prospectus is October 28, 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, and the rules promulgated thereunder, 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 entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies outside of the United States, entities that are operating pursuant to certain exceptions to the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for in the Investment Company Act.

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, as of June 30, 2011, had 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 \$972 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 \$972 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 \$972 million of investments exited since June 30, 2011, we recognized total net realized gains of approximately \$49 million. Included within the \$972 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.

In October 2011, the total available capital for the SSLP was increased from \$5.1 billion to \$7.7 billion. In connection with this increase, GE and Ares Capital agreed to make available to the SSLP up to \$6.2 billion and \$1.5 billion, respectively.

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

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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 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

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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 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

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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.

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

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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 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

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outstanding, (iii) \$138.3 million aggregate principal amount of our CLO Notes (as defined below) were 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.

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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.

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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 www.arescapitalcorp.com . The SEC also maintains a website at www.sec.gov that contains this information.

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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.

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid by us	(1)
Offering expenses	(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses paid	(4)
Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):	
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)
Total annual expenses (estimated)	9.31%(11)

-
- (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
Per Share Data:						
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
Other Data:						
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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	2008			
	Q4	Q3	Q2	Q1
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)

	For the Year Ended December 31, 2010
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.

	For the Year Ended December 31, 2010			
	Ares Capital	Allied Capital	Pro forma Combined Ares Capital	Per Equivalent Allied Capital Share(2)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:				
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;

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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
Performance Data:				
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.

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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)
Total purchase price	\$	907,738
Assets acquired:		
Investments	\$	1,833,766
Cash and cash equivalents		133,548
Other assets		80,078
Total assets acquired		2,047,392
Debt and other liabilities assumed		(943,778)
Net assets acquired		1,103,614
Gain on acquisition of Allied Capital		(195,876)
	\$	907,738

(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

Table of Contents**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 24, 2011, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$15.32 per share, which represented a premium of approximately 0.3% 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			
Year ended December 31, 2009						
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
Year ended December 31, 2010						
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
Year ending December 31, 2011						
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 24, 2011)	*	\$ 15.32	\$ 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:

Date Declared	Record Date	Payment Date	Amount
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 31st 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:

	For the Six Months Ended June 30, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006
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
New investment commitments(1):					
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
Principal amount of investments funded excluding investments acquired as part of the Allied Acquisition:					
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
Principal amount of investments sold or repaid excluding investments acquired as part of the Allied Acquisition:					
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
Principal amount of investments acquired as part of the Allied Acquisition:					
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	\$	\$
Principal amount of investments acquired as part of the Allied Acquisition sold or repaid:					
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	\$	\$
Number of new investment commitments(4)(7)	34	29	63	33	39
Average new investment commitment amount(4)	\$ 40.9	\$ 24.4	\$ 27.1	\$ 14.5	\$ 23.2
Weighted average term for new investment commitments (in months)(4)	64	57	61	74	66
Percentage of new investment commitments at floating rates(4)	90.6%	50.3%	70.8%	65.2%	27.0%
Percentage of new investment commitments at fixed rates(4)	6.1%	41.1%	23.0%	22.2%	65.5%
Weighted average yield of debt and income producing securities(4)(8):					
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%
Weighted average yield of debt and income producing securities acquired as part of the Allied Acquisition(8):					
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
Total	\$ 4,584.9	\$ 4,643.2	\$ 4,292.0	\$ 4,318.0

- (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	\$
Investments with yields less than 10%							
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)
Total	\$ 769.2	42.0%	1.2%	\$ 284.0	30.3%	0.7%	\$ (485.2)
Investments with yields equal to or greater than 10%							
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)
Total	\$ 1,064.6	58.0%	14.8%	\$ 654.5	69.7%	16.0%	\$ (410.1)
Total	\$ 1,833.8	100.0%	9.1%	\$ 938.5	100.0%	11.4%	\$ (895.3)

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
Total	\$ (6.4)

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
Total	\$ 7.4

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)
Total net unrealized gains	\$ 10.0	\$ 72.8	\$ 32.2	\$ 122.4

- (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) Portfolio Company	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
Total	\$ 16.9

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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
Total	\$ 752.3

- (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.

In October 2011, the total available capital for the SSLP was increased from \$5.1 billion to \$7.7 billion. In connection with this increase, GE and Ares Capital agreed to make available to the SSLP up to \$6.2 billion and \$1.5 billion, respectively.

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

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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, 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

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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).

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.

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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.

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.

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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 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.

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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 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)

Basis Point Change	Interest Income	Interest Expense(1)	Net Income
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)

Basis Point Change	Interest Income	Interest Expense	Net Income
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)
Revolving Credit Facility				
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
Revolving Funding Facility				
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
Revolving Funding II Facility				
Fiscal 2009	\$	\$	\$	N/A
Debt Securitization				
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
2011 Notes				
Fiscal 2010	\$ 296,258	\$ 3,212.92	\$	\$ 1,018
2012 Notes				
Fiscal 2010	\$ 158,108	\$ 3,212.92	\$	\$ 1,018
2040 Notes				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 200,000	\$ 2,934.57	\$	\$ 981
Fiscal 2010	\$ 200,000	\$ 3,212.92	\$	\$ 952
2047 Notes				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 180,890	\$ 2,934.57	\$	\$ 924
Fiscal 2010	\$ 180,795	\$ 3,212.92	\$	\$ 847
February 2016 Convertible Notes				
Fiscal 2011 (as of June 30, 2011, unaudited)	\$ 537,668	\$ 2,934.57	\$	\$ 1,053
June 2016 Convertible Notes				
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 entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies outside of the United States, entities that are operating pursuant to certain exceptions to the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for in the Investment Company Act.

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, as of June 30, 2011, had 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 investments in private middle-market companies, usually in conjunction with a concurrent debt investment.

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

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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. Specifically, our investment adviser's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment and financial markets

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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
Total	100.0%	100.0%

-
- (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
Total	100.0%	100.0%

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)
Total purchase price	\$ 907.7
Assets acquired:	
Investments	\$ 1,833.8
Cash and cash equivalents	133.5
Other assets	80.1
Total assets acquired	2,047.4
Debt and other liabilities assumed	(943.8)
Net assets acquired	1,103.6
Gain on Allied Acquisition	(195.9)
	\$ 907.7

(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			0.50%	\$ 150
AllBridge Financial, LLC(4) 13760 Noel Road, Suite 1100 Dallas, TX 75240	Asset management services	Equity interest			100.00%	\$ 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			80.00% 100.00%	\$ 429 \$
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			16.75%	\$ 14,431
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			1.41%	\$ 878
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			14.28%	\$ 2,512
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			5.44%	\$ 4,728
EarthColor, Inc.(4) 249 Pomeroy Road Parsippany, NJ 07054	Printing management services	Common stock				\$ 86.30%
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		14.84% 14.84%	\$ 7,665 \$

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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		2/1/2011		\$ 3,663	
					Common stock		100.00%
Huddle House, Inc.(4) 5901-B Peachtree-Dunwoody Road, Suite 450 Atlanta, GA 30328	Restaurant owner and operator	Senior subordinated loan	12.00% Cash, 3.00% PIK	12/21/2015		\$ 18,077	
		Common stock				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 manufactuer	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 19.59% \$ 1,918 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 th 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				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				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			\$	
						4.00%
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
						39.49%
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% Cash, 2.00% PIK/Q)	7/16/2012	\$	34,884
		Preferred stock			\$	117
		Warrants			\$	(2)
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	12.00%	2/27/2015	\$ 43,650	
		Common stock			\$ 2,081	
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	8.00% PIK		\$ 91	
		Common stock			\$ 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, as of June 30, 2011, had 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:

Name	Age	Position	Director Since	Expiration of Term
Independent Directors				
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
Interested Directors				
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, 44th Floor, New York, New York 10167. The address for each other director is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Executive Officers Who Are Not Directors

Information regarding our executive officers who are not directors is as follows:

Name	Age	Position
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, 44th 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:

Name	Age	Position
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	39	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, 44th 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, 12th Floor, Los Angeles, California 90067. The principal business address for Mr. Watters is c/o Ares Management LLC, 1 Finsbury Square, 7th 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. 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. 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 24, 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)
Independent Directors(3)	
Ann Torre Bates	Over \$100,000
Kenneth R. Heitz	None
Frank E. O'Bryan	Over \$100,000
Gregory W. Penske	None
Eric B. Siegel	Over \$100,000
Interested Directors	
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 24, 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.

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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.

Name	Fees Earned or Paid in Cash(1)	Total
Independent Directors		
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
Interested Directors		
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.

Name	Position	Length of Service with Ares (years)	Principal Occupation(s) During Past 5 Years
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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Name	Position	Length of Service with Ares (years)	Principal Occupation(s) During Past 5 Years
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 24, 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 = $100\% \times \text{"Catch-Up"}$ + the greater of 0% **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.

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To our knowledge, as of October 24, 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 24, 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 24, 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, 44th 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, 12th 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>		
Interested Directors		
Michael J. Arougheti	253,679(2)	*
Antony P. Ressler	1,150,707(2)(3)	*
Robert L. Rosen	15,000	*
Bennett Rosenthal	75,000(2)(4)	
Independent Directors		
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)	*
Named Executive Officers Who Are Not Directors		
Penni F. Roll	49,452	*
Richard S. Davis	None	
All Directors and Executive Officers as a Group (16 persons)	1,609,202(2)(8)	*

*

Represents less than 1%.

(1)

Based on 205,129,966 shares of common stock outstanding as of October 24, 2011.

(2)

Ares Investments, whose indirect parent is APMC, owned 2,859,882 shares of our common stock as of October 24, 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, 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, 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, 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 24, 2011, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$15.32 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 24, 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
Preferred Stock			

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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