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# Section 1: N-2/A (N-2/A)

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As filed with the Securities and Exchange Commission on June 11, 2013

Registration No. 333-188175

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

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### FORM N-2

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

PRE-EFFECTIVE AMENDMENT NO. 1  
 POST-EFFECTIVE AMENDMENT NO.

### ARES CAPITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

245 Park Avenue, 44<sup>th</sup> Floor  
New York, New York 10167  
(Address of Principal Executive Offices)

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

Joshua M. Bloomstein  
General Counsel  
Ares Capital Corporation  
245 Park Avenue, 44<sup>th</sup> Floor  
New York, New York 10167  
(212) 750-7300  
(Name and Address of Agent for Service)

**Copies of information to:**

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

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

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

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

when declared effective pursuant to section 8(c).

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$0.001 par value per share(3)(4)				
Preferred Stock, \$0.001 par value per share(3)				
Subscription Rights(3)				
Warrants(5)				
Debt Securities(6)				
Units(7)				
<b>Total</b>			\$3,000,000,000(7)	\$409,200(8)

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

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

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

**Subject to Completion, dated June 11, 2013**

**PROSPECTUS**

**\$3,000,000,000**



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

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

We are externally managed by our investment adviser, 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 \$59 billion of total committed capital under management as of March 31, 2013. Ares Operations LLC, a wholly owned subsidiary of Ares Management LLC, provides certain administrative and other services necessary for us to operate.

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." On June 10, 2013 the last reported sales price of our common stock on The NASDAQ Global Select Market was \$17.00 per share. The net asset value per share of our common stock at March 31, 2013 (the last date prior to the date of this prospectus on which we determined net asset value) was \$15.98.

**Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 21 of this prospectus, including the risk of leverage.**

We may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 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](http://www.arescapitalcorp.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

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

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The date of this prospectus is \_\_\_\_\_, 2013.

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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 \$3,000,000,000 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.

## 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 "our investment adviser" refer to Ares Capital Management LLC; "Ares Operations" and "our administrator" refer 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).*

## 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 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 \$6.4 billion of total assets as of March 31, 2013.

We are externally managed by our investment adviser, Ares Capital Management, a wholly owned subsidiary of Ares Management, a global alternative asset manager and an SEC registered investment adviser with approximately \$59 billion of total committed capital under management as of March 31, 2013. Our administrator, Ares Operations, a wholly owned subsidiary of Ares Management, provides certain administrative and other 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 or smaller (in particular, for investments in early-stage and/or venture capital-backed) companies. 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.

We invest primarily in first lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior secured 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 in corporate borrowers generally range between \$30 million and \$400 million each, investments in project finance/power generation projects generally range between \$10 million and \$200 million each and investments in early-stage and/or venture capital-backed companies generally range between \$1 million and \$25 million each. However, the investment sizes may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro- and macro-economic factors.

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.

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment in which we are operating. 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 (including, without limitation, to vehicles managed by our portfolio company, Ivy Hill Asset Management, L.P. ("IHAM")), 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 secured 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 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), which, under the guidelines established by these entities, is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." 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 of Ares with financial sponsors, financial institutions, hedge funds and other investment firms 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 15 years and its senior partners have an average of over 23 years experience in leveraged finance, private equity, distressed debt, commercial real estate finance, investment banking and capital markets. The Company has access to Ares' investment professionals and administrative professionals, who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations. As of March 31, 2013, Ares had 232 investment professionals and 326 administrative professionals.

Since our initial public offering on October 8, 2004 through March 31, 2013, our realized gains have exceeded our realized losses by approximately \$206 million (excluding the one-time gain on the acquisition of Allied Capital Corporation (the "Allied Acquisition") and gains/losses from the extinguishment of debt and other assets). For this same time period, our exited investments have resulted in an aggregate cash flow realized internal rate of return to us of approximately 13% (based on original cash invested, net of syndications, of approximately \$7.0 billion and total proceeds from such exited investments of approximately \$8.5 billion). Approximately 72% of these exited investments resulted in an aggregate cash flow realized 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 a 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 rates 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.

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 by Allied Capital Corporation ("Allied Capital") and GE to co-invest in first lien senior secured loans of middle-market companies. In October 2009, we acquired from Allied Capital subordinated certificates issued by the SSLP and management rights in respect



thereto. As of March 31, 2013, the SSLP had available capital of \$9.0 billion of which approximately \$6.2 billion in aggregate principal amount was funded. As of March 31, 2013, we had agreed to make available to the SSLP approximately \$1.8 billion, of which approximately \$1.3 billion was funded. 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). As of March 31, 2013, our investment in the SSLP was approximately \$1.3 billion at fair value (including unrealized appreciation of \$24.8 million), which represented approximately 21% of our total portfolio at fair value.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured 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 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 located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

In the first quarter of 2011, the staff of the SEC (the "Staff") informally communicated to certain BDCs 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) under the Investment Company Act) (i.e., in a BDC's 70% basket of "qualifying assets"). Subsequently, in August 2011 the SEC issued a concept release (the "Concept Release") which stated 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 the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company." We provided a comment letter in respect of the Concept Release and continue to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC 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), we have, solely for purposes of calculating the composition of our portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non-qualifying assets" should the Staff ultimately take an official view that 3a-7 issuers are not "eligible portfolio companies."

As of March 31, 2013, our portfolio company, IHAM, which became an SEC registered investment adviser effective March 30, 2012, managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles (these vehicles managed or sub-managed/sub-serviced by IHAM are collectively referred to as the "IHAM Vehicles"), which are described in more detail under "Business—Investments—Ivy Hill Asset Management, L.P." below. As of March 31, 2013, IHAM had total committed capital under management of approximately \$3.3 billion, which included approximately \$0.2 billion invested by Ares Capital in IHAM. In connection with IHAM's registration as a registered investment adviser, on March 30, 2012, we received exemptive relief from the SEC allowing us to, subject to certain conditions, own directly or indirectly up to 100% of IHAM's outstanding equity interests and make additional investments in IHAM once IHAM became a registered investment adviser.

#### **Ares Capital Management**

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of 74 U.S.-based investment professionals as of March 31, 2013 and led by

the senior partners of the Ares Management 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 Capital Management's investment committee has eight members, including the senior partners of the Ares Management Private Debt Group, senior partners in the Ares Management Private Equity Group and a senior adviser to the Ares Management Capital Markets Group.

## **MARKET OPPORTUNITY**

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

- We believe that the disruption and volatility in the credit markets over the last several years has reduced capital available to certain specialty finance companies and other capital providers, causing a reduction in competition. These market conditions may continue to create opportunities to achieve attractive risk-adjusted returns.
- We believe that many commercial and investment banks 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, these lenders are limited in their ability to underwrite and hold bank loans and high yield securities for middle-market issuers as they seek to meet existing and future regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle-market companies and therefore more new-issue market opportunities for us.
- 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 having to syndicate them is a competitive advantage.
- We believe there is a large pool of un-invested 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 us.
- We believe that the scheduled expirations of reinvestment periods for a significant amount of collateralized loan obligation vehicles may reduce the amount of funding available for larger middle-market businesses over time.
- A significant volume of senior secured debt is expected to come due over the next several years and, accordingly, we believe that the volume of new financing opportunities could remain strong 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 March 31, 2013, Ares had approximately \$59 billion of total committed capital under management in the related asset classes of non-syndicated first and second lien corporate and commercial real estate loans, syndicated corporate and commercial real estate loans, high yield bonds, corporate and commercial real estate 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 us. In particular, we believe that the Ares platform provides us with 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 our 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**

The investment professionals in the Ares Management Private Debt Group and members of our investment adviser's investment committee also have significant experience investing across market cycles. This experience also provides us with a competitive advantage in identifying, originating, investing in and managing a portfolio of investments in middle-market companies.

### **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 portfolio 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.

### **Scale and Flexible Transaction Structuring**

We believe that being one of the largest BDCs makes us a more desirable and flexible capital provider, especially in competitive markets. We are flexible and have significant experience in structuring investments, including the types of investments and the terms associated with such investments. 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 a broader spectrum of 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.

### **Experience with 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 Management Private Debt Group works closely with Ares' other investment professionals. As of March 31, 2013, Ares oversaw a portfolio of investments in over 1,100 companies across over 30 industries, which provides 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 23 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;
- businesses and industries with cash flows that are dependable and predictable;
- 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 appropriate 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.

### **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 Amended and Restated Investment Advisory and Management Agreement with Ares Capital Management, referred to herein as 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." Ares Operations provides us with certain administrative and other services necessary for us to operate pursuant to an Amended and Restated Administration Agreement, referred to herein as our "administration agreement." See "Administration 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 a fund managed by Ares or any of its downstream affiliates (other than us and our downstream affiliates) currently has an investment. However, we may co-invest on a concurrent basis with funds managed by Ares or any of its downstream affiliates, subject to compliance with existing regulatory guidance, applicable regulations

and our allocation procedures. Certain types of co-investment transactions would only be permitted pursuant to an exemptive order from the SEC, for which we have applied. Any such order will be subject to certain terms and conditions. Further there is no assurance that this application for exemptive relief will be granted by the SEC.

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant aspects. See "Business—Operating and Regulatory Structure" and "Regulation." In particular, BDC's must have at least 200% asset coverage calculated pursuant to the Investment Company Act 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. Certain of our credit facilities also require that we maintain asset coverage of at least 200%.

In addition, as a consequence of our being a regulated investment company ("RIC") for U.S. federal income tax purposes, as well as our status as a BDC, our asset growth is dependent on our ability to raise equity 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 a RIC and avoid additional corporate-level income taxes. This requirement, in turn, generally prevents us from using earnings to support our operations including making new investments. See "Certain Material U.S. Federal Income Tax Considerations."

## **MARKET CONDITIONS**

Beginning in 2007, the global financial markets experienced stress, volatility, instability, illiquidity and disruption. While this volatility and disruption peaked in 2008 to 2009 and appears to have abated somewhat, 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. Given the instability in the global markets over the past several years and the uncertainty around the strength of the U.S. economic recovery, there can be no assurances that these activities will be successful since such market conditions could worsen again in the future. 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 been in a period of disruption and instability for an extended period of time. 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. Although we believe that we currently have sufficient capital to fund our investments and operations, we cannot assure you that the market pressures we may face in the future will not have a material adverse effect on our business, financial condition and results of operations.

## **ACQUISITION OPPORTUNITIES**

We believe the volatility in the credit markets over the past several years has increased the likelihood of further consolidation in our industry. To that end, we 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 have been in, and from time to time may 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 would 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, 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 such transaction would 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 March 31, 2013, we had approximately \$2.3 billion in aggregate principal amount of total outstanding indebtedness, approximately \$2.0 billion aggregate principal amount of which was unsecured indebtedness of Ares Capital and approximately \$0.3 billion of which was secured indebtedness of our consolidated subsidiaries.

As of March 31, 2013, of the approximately \$2.3 billion aggregate principal amount of total outstanding indebtedness: (i) no amounts were outstanding under our revolving credit facility (the "Revolving Credit Facility"), (ii) approximately \$280.0 million in aggregate principal amount was outstanding under the revolving funding facility of our consolidated subsidiary, Ares Capital CP Funding LLC ("Ares Capital CP") (as amended, the "Revolving Funding Facility"), (iii) no amounts were outstanding under the revolving funding facility of our consolidated subsidiary, Ares Capital JB Funding LLC ("ACJB"), with Sumitomo Mitsui Banking Corporation (the "SMBC Funding Facility" and, together with the Revolving Credit Facility and the Revolving Funding Facility, the "Facilities"), (iv) approximately \$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, (v) approximately \$230.0 million aggregate principal amount of our convertible senior unsecured notes that mature on June 1, 2016 (the "June 2016 Convertible Notes") were outstanding, (vi) approximately \$162.5 million aggregate principal amount of our convertible senior unsecured notes that mature on March 15, 2017 (the "2017 Convertible Notes") were outstanding, (vii) approximately \$270.0 million aggregate principal amount of our convertible senior unsecured notes that mature on January 15, 2018 (the "2018 Convertible Notes" and together with the February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes, the "Convertible Unsecured Notes") were outstanding, (viii) approximately \$143.8 million aggregate principal amount of our 7.00% senior notes that mature on February 15, 2022 (the "February 2022 Notes") were outstanding, (ix) approximately \$182.5 million aggregate principal amount of our 5.875% senior notes that mature on October 1, 2022 (the "October 2022 Notes") were outstanding, (x) approximately \$200.0 million aggregate principal amount of our 7.75% senior notes that mature on October 15, 2040 (the "2040 Notes") were outstanding and (xi) approximately \$230.0 million aggregate principal amount of our 6.875% senior notes due on April 15, 2047 (the "2047 Notes" and, together with the February 2022 Notes, the October 2022 Notes and the 2040 Notes, the "Unsecured 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" and "Recent Developments."

## **RECENT DEVELOPMENTS**

In April 2013, we completed a public add-on equity offering (the "April 2013 Offering") pursuant to which we sold 19,147,500 shares of common stock at a price of \$17.43 per share to the participating underwriters. Total proceeds from the April 2013 Offering, net of estimated offering expenses payable by us, were approximately \$333.2 million.

In May 2013, we entered into an amendment to the Revolving Credit Facility. The amendment, among other things, (1) extended the end of the revolving period from May 4, 2015 to May 4, 2017, (2) extended the stated maturity date from May 4, 2016 to May 4, 2018, (3) reduced the interest rate charged from LIBOR plus an applicable spread of 2.25% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.25% to LIBOR plus an applicable spread of 2.00% or a "base rate" plus an applicable spread of 1.00% and (4) increased total commitments to \$930 million as well as provided for a feature that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,400 million.

From April 1, 2013 through May 31, 2013, we made new investment commitments of \$994 million, of which \$929 million were funded. Of these new commitments, 75% were in first lien senior secured loans, 15% were investments in subordinated certificates of the SSLP, the proceeds of which were applied to co-investments with GE to fund first lien senior secured loans through the SSLP and 10% were in second lien senior secured loans. Of the \$994 million of new investment commitments, 92% were floating rate and 8% were fixed rate. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 9.8%. We may seek to syndicate a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From April 1, 2013 through May 31, 2013, we exited \$273 million of investment commitments. Of these investment commitments, 68% were second lien senior secured loans, 27% were first lien senior secured loans, 3% were senior subordinated debt and 2% were preferred equity securities. Of the \$273 million of exited investment commitments, 68% were fixed rate, 28% were floating rate, 3% were non-interest bearing and 1% were on non-accrual status. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 10.4%. On the \$273 million of investment commitments exited from April 1, 2013 through May 31, 2013, we recognized total net realized gains of approximately \$4 million.

In addition, as of May 31, 2013, we had an investment backlog and pipeline of approximately \$355 million and \$500 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: 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. In addition, we may syndicate a portion of these investments. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

## **RISK FACTORS**

Investing in Ares Capital involves risks. The following is a summary of the principal risks that you should carefully consider before investing in our securities. In addition, see "Risk Factors"

beginning on page 21 for a more detailed discussion of the principal risks as well as certain other risks you should carefully consider before deciding to invest in our securities.

- Capital markets have been in a period of disruption and instability for an extended period of time. 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. 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. Our ability to grow depends on our ability to raise capital.
- A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility and a failure to maintain our status as a RIC may subject us to additional corporate-level income taxes.
- We are dependent upon certain key personnel of Ares for our future success and upon their access to other Ares investment professionals.
- We borrow money, which magnifies the potential for gain or loss on amounts invested, subjects us to certain covenants with which we must comply and may increase the risk of investing with us.
- We operate in a highly competitive market for investment opportunities.
- We are exposed to risks associated with changes in interest rates.
- Most of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable. Additionally, to the extent that we need liquidity and need to sell assets, the lack of liquidity in our investments may adversely affect our business.
- There are significant potential conflicts of interest that could impact our investment returns.
- 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.
- Our investments, which are primarily in middle-market companies, may be risky and we could lose all or part of our investment.
- Our portfolio companies may be highly leveraged.
- Our credit ratings may not reflect all risks of an investment in our 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.



## OFFERINGS

We may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 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 2013 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 that began on June 4, 2013 and expires on the earlier of June 4, 2014 and the date of our 2014 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 (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 currently intend to distribute dividends or make distributions to our stockholders on a quarterly basis out of assets legally available for distribution. We may also distribute additional dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, 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 as a RIC for U.S. federal income tax purposes. As a RIC, we generally will not pay U.S. federal corporate-level income taxes on any income and gain that we distribute to our stockholders as dividends on a timely basis. Among other things, in order to maintain our RIC status, we must meet specified source of income 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 additional corporate-level income taxes if we fail to maintain our status 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, calculated pursuant to 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](http://www.arescapitalcorp.com). The information on our website is not deemed incorporated by reference in this prospectus. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains this information.

## FEEES AND EXPENSES

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

<b>Stockholder transaction expenses (as a percentage of offering price):</b>	
Sales load	— (1)
Offering expenses	— (2)
Dividend reinvestment plan expenses	None (3)
<b>Total stockholder transaction expenses paid</b>	<b>— (4)</b>

### **Annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):**

Management fees	2.36%(6)
Incentive fees	2.42%(7)
Interest payments on borrowed funds	4.00%(8)
Other expenses	1.35%(9)
Acquired fund fees and expenses	0.02%(10)
<b>Total annual expenses</b>	<b>10.15%(11)</b>

- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load (underwriting discount or commission). Purchases of shares of our common stock on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include any sales load that stockholders may have paid in connection with their purchase of shares of our common stock.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The expenses of the dividend reinvestment plan are included in "Other expenses."
- (4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.
- (5) The "consolidated net assets attributable to common stock" used to calculate the percentages in this table is our average net assets of \$4.0 billion for the three months ended March 31, 2013.
- (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). Our management fee has been estimated by multiplying our average total assets (assuming we maintain no cash or cash equivalents) for the three months ended March 31, 2013 by 1.5%. The 2.36% reflected on the table is higher than 1.5% because it is calculated on our average net assets (rather than our average total assets) for the same period. See "Management—Investment Advisory and Management Agreement."
- (7) This item represents our investment adviser's incentive fees estimated by annualizing our incentive fee related to our pre-incentive fee net investment income for the three months ended March 31, 2013 and any expense accrual in accordance with U.S. generally accepted accounting principles ("GAAP") of capital gains incentive fees for the three months ended March 31, 2013, even though

no capital gains incentive fee was actually payable under the investment advisory and management agreement as of March 31, 2013.

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 incentive fee actually payable under the investment advisory and management agreement (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 or that the amount accrued for will ultimately be paid.

For purposes of this table, we have assumed that these fees will be payable (in the case of the capital gains incentive fee) and that they will remain constant, although they are 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 March 31, 2013, the average quarterly incentive fee accrued (including capital gains incentive fees accrued under GAAP even though they may not be payable) has been approximately 0.77% of our weighted average net assets (3.10% on an annualized basis). For more detailed information on the calculation of our incentive fees, please see below. 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, 2012 and the three months ended March 31, 2013.

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 Gains 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.

See "Management—Investment Advisory and Management Agreement."

- (8) "Interest payments on borrowed funds" represents our interest expenses estimated by annualizing our actual interest and credit facility expenses incurred for the three months ended March 31, 2013. During the three months ended March 31, 2013, our average outstanding borrowings were approximately \$2,069.2 million and cash paid for interest expense was \$33.0 million. We had outstanding borrowings of approximately \$2,273.8 million (with a carrying value of approximately \$2,179.1 million) at March 31, 2013. 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 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, 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 estimated by annualizing "Other expenses" for the three months ended March 31, 2013. 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 estimated annual fees and expenses of Acquired Funds in which the Company is invested as of March 31, 2013. 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 estimates 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 estimates 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.
- (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. 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 below, is not included in the example, except as specifically set forth below. 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.

	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return(1)	\$ 79	\$ 231	\$ 374	\$ 696
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return(2)	\$ 89	\$ 259	\$ 418	\$ 769

- (1) Assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation.
- (2) Assumes no unrealized capital depreciation and 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gains incentive fee). However, cash payment of the capital gains 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%. 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.**

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

The following selected financial and other data as of and for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 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 three months ended March 31, 2013 and other quarterly financial information is 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 three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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.

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA**  
**As of and For the Three Months Ended March 31, 2013 and**  
**As of and For the Years Ended December 31, 2012, 2011, 2010, 2009 and 2008**  
**(dollar amounts in millions, except per share data and as otherwise indicated)**

	As of and For the Three Months Ended March 31, 2013	As of and For the Year Ended December 31, 2012	As of and For the Year Ended December 31, 2011	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
Total Investment						
Income	\$ 195.1	\$ 748.0	\$ 634.5	\$ 483.4	\$ 245.3	\$ 240.4
Total Expenses	92.2	387.9	344.6	262.2	111.3	113.2
Net Investment						
Income Before						
Income Taxes	102.9	360.1	289.9	221.2	134.0	127.2
Income Tax						
Expense, Including						
Excise Tax	3.8	11.2	7.5	5.4	0.6	0.2
Net Investment						
Income	99.1	348.9	282.4	215.8	133.4	127.0
Net Realized and						
Unrealized						
Gains (Losses)						
on						
Investments,						
Foreign						
Currencies,						
Extinguishmen						
of Debt and						
Other Assets	(18.8)	159.3	37.1	280.1	69.3	(266.5)
Gain on the						
Allied						
Acquisition(1)	—	—	—	195.9	—	—
Net Increase						
(Decrease) in						
Stockholders'						
Equity						
Resulting from						
Operations	\$ 80.3	\$ 508.2	\$ 319.5	\$ 691.8	\$ 202.7	\$ (139.5)
Per Share Data:						
Net Increase						
(Decrease) in						
Stockholder'						
Equity						
Resulting						
from						
Operations:						
Basic(2)	\$ 0.32	\$ 2.21	\$ 1.56	\$ 3.91	\$ 1.99	\$ (1.56)
Diluted(2)	\$ 0.32	\$ 2.21	\$ 1.56	\$ 3.91	\$ 1.99	\$ (1.56)
Cash Dividend						
Declared	\$ 0.38	\$ 1.60	\$ 1.41	\$ 1.40	\$ 1.47	\$ 1.68
Net Asset						
Value	\$ 15.98	\$ 16.04	\$ 15.34	\$ 14.92	\$ 11.44	\$ 11.27
Total Assets	\$ 6,353.1	\$ 6,401.2	\$ 5,387.4	\$ 4,562.5	\$ 2,313.5	\$ 2,091.3
Total Debt						
(Carrying						
Value)	\$ 2,179.1	\$ 2,195.9	\$ 2,073.6	\$ 1,378.5	\$ 969.5	\$ 908.8
Total Debt						
(Principal						
Amount)	\$ 2,273.8	\$ 2,293.8	\$ 2,170.5	\$ 1,435.1	\$ 969.5	\$ 908.8
Total						
Stockholders'						
Equity	\$ 3,978.6	\$ 3,988.3	\$ 3,147.3	\$ 3,050.5	\$ 1,257.9	\$ 1,094.9
Other Data:						
Number of						
Portfolio						
Companies						
at Period						
End(3)	156	152	141	170	95	91
Principal						
Amount of						
Investments						
Purchased	\$ 355.1	\$ 3,161.6	\$ 3,239.0	\$ 1,583.9	\$ 575.0	\$ 925.9
Principal						
Amount of						



Investments Acquired as part of the Allied Acquisition	\$	—	\$	—	\$	—	\$	1,833.8	\$	—	\$	—
Principal Amount of Investments Sold and Repayments	\$	225.7	\$	2,482.9	\$	2,468.2	\$	1,555.9	\$	515.2	\$	485.3
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value (4):		11.0%		11.3%		12.0%		12.9%		12.7%		12.8%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(4):		11.1%		11.4%		12.1%		13.2%		12.1%		11.7%
Total Return Based on Market Value(5)		5.6%		23.6%		2.3%		43.6%		119.9%		(45.3)%
Total Return Based on Net Asset Value(6)		2.0%		14.3%		10.5%		31.6%		17.8%		(11.2)%

(1) See Note 17 to our consolidated financial statements for the year ended December 31, 2012 for more information on the Allied Acquisition.

(2) In accordance with Accounting Standards Codification ("ASC") 260-10, 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.

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- (3) Includes commitments to portfolio companies for which funding had yet to occur.
  - (4) Weighted average yield of debt and other 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 and income producing securities, divided by (b) total debt and income producing securities at fair value. Weighted average yield of debt and other 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 and income producing securities, divided by (b) total debt and income producing securities at amortized cost.
  - (5) Total return based on market value for the three months ended March 31, 2013 equalled the increase of the ending market value at March 31, 2013 of \$18.10 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the declared dividends of \$0.38 per share for the three months ended March 31, 2013, divided by the market value at December 31, 2012. Total return based on market value for the year ended December 31, 2012 equalled the increase of the ending market value at December 31, 2012 of \$17.50 per share from the ending market value at December 31, 2011 of \$15.45 per share plus the declared dividends of \$1.60 per share for the year ended December 31, 2012. Total return based on market value for the year ended December 31, 2011 equalled the decrease of the ending market value at December 31, 2011 of \$15.45 per share from the ending market value at December 31, 2010 of \$16.48 per share plus the declared dividends of \$1.41 per share for the year ended December 31, 2011. Total return based on market value for the year ended December 31, 2010 equalled 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 equalled 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 equalled 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 is not annualized. Our shares fluctuate in value. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
  - (6) Total return based on net asset value for the three months ended March 31, 2013 equalled the change in net asset value during the period plus the declared dividends of \$0.38 per share for the three months ended March 31, 2013, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2012 equalled the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.60 per share for the year ended December 31, 2012, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2011 equalled the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.41 per share for the year ended December 31, 2011, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2010 equalled 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 equalled 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 equalled 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 is not annualized. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
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**SELECTED QUARTERLY DATA (Unaudited)**  
**(dollar amounts in thousands, except per share data)**

	2013			
	Q4	Q3	Q2	Q1
Total investment income	—	—	—	\$ 195,055
Net investment income before net realized and unrealized losses and incentive compensation	—	—	—	\$ 119,182
Incentive compensation	—	—	—	\$ 20,085
Net investment income before net realized and unrealized losses	—	—	—	\$ 99,097
Net realized and unrealized losses	—	—	—	\$ (18,755)
Net increase in stockholders' equity resulting from operations	—	—	—	\$ 80,342
Basic and diluted earnings per common share	—	—	—	\$ 0.32
Net asset value per share as of the end of the quarter	—	—	—	\$ 15.98

	2012			
	Q4	Q3	Q2	Q1
Total investment income	\$ 212,160	\$ 190,572	\$ 177,555	\$ 167,738
Net investment income before net realized and unrealized gains and incentive compensation	\$ 138,249	\$ 123,599	\$ 110,634	\$ 103,424
Incentive compensation	\$ 43,787	\$ 34,139	\$ 22,733	\$ 26,386
Net investment income before net realized and unrealized gains	\$ 94,462	\$ 89,460	\$ 87,901	\$ 77,038
Net realized and unrealized gains	\$ 80,682	\$ 47,095	\$ 3,031	\$ 28,509
Net increase in stockholders' equity resulting from operations	\$ 175,144	\$ 136,555	\$ 90,932	\$ 105,547
Basic and diluted earnings per common share	\$ 0.71	\$ 0.59	\$ 0.41	\$ 0.49
Net asset value per share as of the end of the quarter	\$ 16.04	\$ 15.74	\$ 15.51	\$ 15.47

	2011			
	Q4	Q3	Q2	Q1
Total investment income	\$ 187,123	\$ 167,365	\$ 144,307	\$ 135,691
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 121,990	\$ 108,517	\$ 85,509	\$ 78,764
Incentive compensation	\$ 29,531	\$ 10,159	\$ 41,746	\$ 30,941
Net investment income before net realized and unrealized gains (losses)	\$ 92,459	\$ 98,358	\$ 43,763	\$ 47,823
Net realized and unrealized gains (losses)	\$ 25,666	\$ (57,719)	\$ (6,840)	\$ 75,943
Net increase in stockholders' equity resulting from operations	\$ 118,125	\$ 40,639	\$ 36,923	\$ 123,766
Basic and diluted earnings per common share	\$ 0.58	\$ 0.20	\$ 0.18	\$ 0.61
Net asset value per share as of the end of the quarter	\$ 15.34	\$ 15.13	\$ 15.28	\$ 15.45

## RISK FACTORS

*You should carefully consider the risk factors described below, 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 been in a period of disruption and instability for an extended period of time. 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.**

The global capital markets have been in an extended period of instability as evidenced by periodic disruptions in 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 and foreign governments, 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 recent market conditions have improved, there have been continuing periods of volatility and there can be no assurance that adverse market conditions will not repeat themselves or worsen in the future.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions 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. We generally seek approval from our stockholders so that we have the flexibility to sell or otherwise issue shares of our common stock at a price below net asset value. Pursuant to approval granted at our 2013 annual stockholders meeting, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires the earlier of June 4, 2014 and the date of our 2014 annual stockholders meeting.

In addition, we are limited in our options to raise capital because our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as calculated pursuant to the Investment Company Act, must equal at least 200% immediately after each time we incur indebtedness. 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 under similar terms and any failure to do so could have a material adverse effect on our business. 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.

Given the extreme volatility and dislocation in the capital markets over the past several years, many BDCs have faced, and may in the future face, a challenging environment in which to raise or access capital. At times, during significant changes in the capital markets, the pace of our investment activity may slow because of the resulting adverse effect on our ability to raise capital. In addition, significant changes in the capital markets, including the extreme volatility and disruption over the past

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several years, 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 that is required to register 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 Management 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 Management 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. Further, there can be no assurance 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.

### **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.

### **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 in excess of our repayments. 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, 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 calculated pursuant to 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 calculated pursuant to the Investment Company Act, equals at 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 March 31, 2013, our asset coverage calculated in accordance with the Investment Company Act was 283%. Also, to generate cash for funding new investments, we may in the future seek to issue additional debt or to securitize certain of our loans. The Investment Company Act may impose restrictions on the structure of any such securitization.

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

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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 2013 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, in an amount not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period that began on June 4, 2013 and expires on the earlier of June 4, 2014 and the date of our 2014 annual stockholders meeting.

### **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 the 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 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 March 31, 2013, we had approximately \$280.0 million of outstanding borrowings under the Facilities, approximately \$756.3 million in aggregate principal amount outstanding of the Unsecured Notes and approximately \$1,237.5 million in aggregate principal amount outstanding of the Convertible Unsecured Notes. In order for us to cover our annual interest payments on our outstanding indebtedness at March 31, 2013, we must achieve annual returns on our March 31, 2013 total assets of at least 2.0%. The weighted average stated interest rate charged on our outstanding indebtedness as of March 31, 2013 was 5.5%. 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). For more information on the Company's indebtedness, see "Liquidity." 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.

The Facilities, the Unsecured Notes and the Convertible Unsecured 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 the 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 5.5% as of

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March 31, 2013, together with (a) our total value of net assets as of March 31, 2013; (b) approximately \$2,273.8 million in aggregate principal amount of indebtedness outstanding as of March 31, 2013 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)	(27)%	(19)%	(11)%	(3)%	5%	13%	21%

- (1) The assumed portfolio return is required by SEC regulations 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 regulations, this table is calculated as of March 31, 2013. As a result, it has not been updated to take into account any changes in assets or leverage since March 31, 2013.
- (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 March 31, 2013 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 5.5% by the approximately \$2,273.8 million of principal debt) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of March 31, 2013 to determine the "Corresponding Return to Common Stockholders."

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

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

- 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 Unsecured Notes and the Convertible Unsecured 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, 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 Unsecured Notes and the Convertible Unsecured Notes. Failure to comply with these covenants could result in a default under the Facilities, the Unsecured Notes or the Convertible Unsecured Notes that, if we were unable to obtain a waiver from the lenders or holders of such indebtedness, as applicable, such lenders or holders could accelerate repayment under such indebtedness and thereby have a material adverse impact on our business, financial condition and results of operations.



**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, 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 (as defined below) 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 additional corporate-level income taxes if we fail to maintain our status as a RIC.**

We have elected to be treated as a RIC under 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 U.S. federal corporate-level income taxes on our income and net capital gains that we distribute to our stockholders as dividends on a timely basis. We will be subject to U.S. federal corporate-level income tax on any undistributed income and/or gains. To maintain our status as a RIC, we must meet certain source of income, asset diversification and annual distribution requirements. We may also be subject to certain U.S. federal excise taxes, as well as state, local and foreign taxes.

To satisfy the Annual Distribution Requirement (as defined below) for a RIC we must distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income for each year. We have the ability to pay a large portion of our dividends in shares of our stock, and as long as a portion of such dividend is paid in cash and other requirements are met, such stock dividends will be taxable as a dividend for U.S. federal income tax purposes. This may result in our U.S. stockholders having to pay tax on such dividends, even if no cash is received, and may result in our non-U.S. stockholders being subject to withholding tax in respect of amounts distributed in our stock. 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 maintain our status as a RIC and, thus, may be subject to corporate-level income tax on all of our income and/or gains.

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To maintain our status as a RIC, in addition to the Annual Distribution Requirement, we must also meet certain annual source of income requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements 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 maintain our status as a RIC for any reason and become subject to regular "C" corporation income tax, the resulting corporate-level income 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 on any investment in us. The "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 source of income 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 source of income 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 generally are required to include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise, for example, if we receive warrants in connection with the making of a loan, or payment-in-kind ("PIK") interest representing contractual interest added to the loan principal balance and due at the end of the loan term. Such original issue discount or PIK interest is 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 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 income taxes. Such a failure would have a material adverse effect on us and on any investment in us. See "Certain Material U.S. Federal Income Tax Considerations—Taxation as a RIC."

### **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.

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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 common stock. 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.

**Most 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 (with certain de minimis exceptions). 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 these 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 registered public accounting firm reviews 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 (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, 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 would trade in their principal markets 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 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 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, Mr. Rosenthal is required to devote a substantial majority of his business time to the affairs of the Ares Management Private Equity Group. 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 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. Ares and our investment adviser endeavor 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 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.

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We have from time to time sold assets to certain of the vehicles managed by IHAM 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 base 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 to our investment adviser 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 directors who are not "interested persons" of the Company as defined in Section 2(a)(19) of the Investment Company Act. 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. 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 with our administrator, Ares Operations, a wholly owned subsidiary of Ares Management, pursuant to which our administrator furnishes us with certain administrative and other 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.

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

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administration agreement, IHAM was party to a services agreement with our investment adviser, pursuant to which our investment adviser provided similar services.

We are party to a New York office lease that will expire in February 2026 pursuant to which we are leasing office facilities from a third party. We are also party to an office sublease with Ares Commercial Real Estate Management LLC ("ACREM"), a wholly owned subsidiary of Ares Management and the manager of Ares Commercial Real Estate Corporation, pursuant to which we are subleasing approximately 12% of ACREM's Chicago office space for a fixed rent equal to 12% of the basic annual rent payable by ACREM under its Chicago office lease, plus certain additional costs and expenses. 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 our New York office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under our 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 yours, 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 had extended implementation periods and delayed effective dates and have required extensive rulemaking by regulatory authorities. While many of the rules required to be written have been promulgated, some have not yet been implemented. Many of these rules will be implemented in 2013. Although the full 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

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the 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."

**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 and income taxes related to realized gains that we may incur in the fiscal quarter, even if such capital losses or depreciation and income taxes related to realized gains 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 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. 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.

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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.

### **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 (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), 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 would trade in their principal markets 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 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 economic downturn that began in 2007 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.



**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 Exchange Act (as defined below) 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;
- changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects; 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), which under the guidelines established by these entities, is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." Therefore, our investments may result in an above average amount of risk and volatility or loss of principal.

Our investment portfolio includes our investment in the SSLP, which as of March 31, 2013 represented approximately 21% of our portfolio at fair value. While the SSLP's portfolio is comprised of 37 separate first lien senior secured loans, any material degradation of the performance of these loans in the aggregate could have a material adverse effect on our business, financial condition and results of operations. We also may 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.

**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 lien senior secured loans (including unitranche loans), second lien senior secured 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

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investment funds and, to the extent we so invest, will bear our ratable share of any such company's 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.

### **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 (including agreements governing "first out" and "last out" structures) 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.

### **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

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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.

**Our investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments.**

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,

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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 may expose ourselves to risks if we engage in hedging transactions.**

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."

### **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 senior secured loans and mezzanine debt.**

We may initially invest a portion of the net proceeds of offerings pursuant to this prospectus primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities generally earn yields substantially lower than the income that we

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anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not, for a time, be able to achieve our investment objective and/or we may need to, for a time, decrease the amount of any dividend that we may pay to our stockholders to a level that is substantially lower than the level that we expect to pay when the net proceeds of offerings are fully invested in accordance with our investment objective. 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.

**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 2013 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, in an amount not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period that began on June 4, 2013 and expires on the earlier of June 4, 2014 and the date of our 2014 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 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

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directors. We are subject to the Maryland Business Combination Act (the "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 or disinterested directors do 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 into 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 into one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter from time to time, without stockholder approval, 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. 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 your best interest.

### **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 periods of extreme volatility and disruption over the past several years. The market price and liquidity of the market for shares of our common stock may 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;

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- 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 Unsecured Notes;
- uncertainty surrounding the strength of the U.S. economic recovery;
- concerns regarding European sovereign debt;
- general economic trends and other external factors; 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.

### **We may in the future determine to issue preferred stock, which could adversely affect the market value of our common stock.**

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock we issue must be cumulative. Payment of dividends and repayment of the liquidation preference of preferred stock must take preference over any dividends or other payments to our common stockholders, and holders of preferred stock 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 (other than convertible preferred stock that converts into common stock). In addition, under the Investment Company Act, preferred stock constitutes a "senior security" for purposes of the 200% asset coverage test.

### **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 2013 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, in an amount not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period that began on June 4, 2013 and expires on the earlier of June 4, 2014 and the date of our 2014 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 issue warrants or securities to subscribe for or convertible into shares of our common stock has no expiration.



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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."

**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 our 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 Unsecured Notes.**

The February 2016 Convertible Notes are convertible into shares of our common stock beginning August 15, 2015 or, under certain circumstances, earlier. The June 2016 Convertible Notes are convertible into shares of our common stock beginning on December 15, 2015 or, under certain circumstances, earlier. The 2017 Convertible Notes are convertible into shares of our common stock beginning on September 15, 2016 or, under certain circumstances, earlier. The 2018 Convertible Notes are convertible into shares of our common stock beginning on July 15, 2017 or, under certain circumstances, earlier. Upon conversion of the Convertible Unsecured 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 effectively \$18.86 per share of common stock, the current conversion price of the June 2016 Convertible Notes is effectively \$18.77 per share, the current conversion price of the 2017 Convertible Notes is effectively \$19.20 per share and the current conversion price of the 2018 Convertible Notes is effectively \$19.81 per share, in each case taking into account certain de minimis adjustments that will be made on the conversion date and subject to further 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 Unsecured 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 20%) 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 Unsecured Notes into common stock), could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it 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.

## 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 the 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 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 and its impact on the industries in which we invest;
- the uncertainty surrounding the strength of the U.S. economic recovery;
- 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 complete and 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 expressed in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and the other information included in this prospectus.

We have based the forward-looking statements included in this prospectus 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

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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, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

## 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. We also expect to use the net proceeds of an offering to repay or repurchase outstanding indebtedness, which may include indebtedness (approximately \$2.5 billion aggregate principal amount outstanding as of May 31, 2013) under (a) the Revolving Credit Facility (approximately \$168.0 million outstanding as of May 31, 2013), (b) the Revolving Funding Facility (approximately \$387.0 million aggregate principal amount outstanding as of May 31, 2013), (c) the SMBC Funding Facility (no amounts outstanding as of May 31, 2013), (d) the February 2016 Convertible Notes (approximately \$575.0 million aggregate principal amount outstanding as of May 31, 2013), (e) the June 2016 Convertible Notes (approximately \$230.0 million aggregate principal amount outstanding as of May 31, 2013), (f) the 2017 Convertible Notes (approximately \$162.5 million aggregate principal amount outstanding as of May 31, 2013), (g) the 2018 Convertible Notes (approximately \$270.0 million aggregate principal amount outstanding as of May 31, 2013), (h) the February 2022 Notes (approximately \$143.8 million aggregate principal amount outstanding as of May 31, 2013), (i) the October 2022 Notes (approximately \$182.5 million aggregate principal amount outstanding as of May 31, 2013), (j) the 2040 Notes (approximately \$200.0 million aggregate principal amount outstanding as of May 31, 2013) and (k) the 2047 Notes (approximately \$230.0 million aggregate principal amount outstanding as of May 31, 2013).

Subject to certain exceptions, 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 2.00% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. As of May 31, 2013, one, two, three and six month LIBOR were 0.19%, 0.23%, 0.28% and 0.41%, respectively. The Revolving Credit Facility matures on May 4, 2018. Subject to certain exceptions, the interest charged on the indebtedness incurred under the Revolving Funding Facility is based on LIBOR plus applicable spreads ranging from 2.25% to 2.50% and ranging from 1.25% to 1.50% over "base rate" (as defined in the agreements governing the Revolving Funding Facility), in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the facility. The Revolving Funding Facility is scheduled to expire on April 18, 2017 (subject to extension exercisable upon mutual consent). Subject to certain exceptions, the interest charged on the indebtedness incurred under the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.125% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.125%. The SMBC Funding Facility is scheduled to expire on September 14, 2020 (subject to two one-year extension options exercisable upon mutual consent). The interest charged on the Convertible Unsecured Notes and the Unsecured Notes is as follows: (a) 5.75% in the case of the February 2016 Convertible Notes, (b) 5.125% in the case of the June 2016 Convertible Notes, (c) 4.875% in the case of the 2017 Convertible Notes, (d) 4.75% in the case of the 2018 Convertible Notes, (e) 7.00% in the case of the February 2022 Notes, (f) 5.875% in the case of the October 2022 Notes, (g) 7.75% in the case of the 2040 Notes and (h) 6.875% in the case of the 2047 Notes. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes and the 2018 Convertible Notes mature on February 1, 2016, June 1, 2016, March 15, 2017 and January 15, 2018, respectively. The February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes mature on February 15, 2022, October 1, 2022, October 15, 2040 and April 15, 2047, 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, but no longer than within six months of any such offerings.

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Our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured 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 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 located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under 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 generally 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, for a time, be able to achieve our investment objective and/or we may need to, for a time, decrease the amount of any dividend that we may pay to our stockholders to a level that is substantially lower than the level that we expect to pay when the net proceeds of offerings are fully invested in accordance with our investment objective. 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.

## 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, 2011, 2012 and 2013, 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 premium (discount) to net asset value and the dividends or distributions declared by us. On June 10, 2013, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$17.00 per share, which represented a premium of approximately 6.4% to the net asset value per share reported by us as of March 31, 2013.

	Net Asset Value(1)	Price Range		High Sales Price Premium (Discount) to Net Asset Value(2)	Low Sales Price Premium (Discount) to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
<b>Year ended December 31, 2011</b>						
First Quarter	\$ 15.45	\$ 17.83	\$ 16.08	15.4%	4.1%	\$ 0.35
Second Quarter	\$ 15.28	\$ 17.71	\$ 15.70	15.9%	2.7%	\$ 0.35
Third Quarter	\$ 15.13	\$ 16.30	\$ 13.07	7.7%	(13.6)%	\$ 0.35
Fourth Quarter	\$ 15.34	\$ 15.95	\$ 13.26	4.0%	(13.6)%	\$ 0.36
<b>Year ended December 31, 2012</b>						
First Quarter	\$ 15.47	\$ 16.70	\$ 15.51	8.0%	0.3%	\$ 0.37
Second Quarter	\$ 15.51	\$ 16.55	\$ 14.67	6.7%	(5.4)%	\$ 0.37
Third Quarter	\$ 15.74	\$ 17.68	\$ 16.04	12.3%	1.9%	\$ 0.43(4)
Fourth Quarter	\$ 16.04	\$ 17.74	\$ 16.08	10.6%	0.2%	\$ 0.43(4)
<b>Year ended December 31, 2013</b>						
First Quarter	\$ 15.98	\$ 18.54	\$ 17.66	16.0%	10.5%	\$ 0.38
Second Quarter (through June 10, 2013)	*	\$ 18.27	\$ 16.64	*	*	\$ 0.38

- (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 less net asset value, divided by net asset value (in each case, as of the applicable quarter).
  - (3) Represents the dividend or distribution declared in the relevant quarter.
  - (4) Consists of a quarterly dividend of \$0.38 per share and an additional dividend of \$0.05 per share.
- \* Net asset value has not yet been calculated for this period.

We currently intend to distribute dividends or make distributions to our stockholders on a quarterly basis out of assets legally available for distribution. We may also distribute additional



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dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, if any, will be determined by our board of directors.

The following table summarizes our dividends declared for the fiscal years ended December 31, 2011 and 2012 and for the first and second quarters of the fiscal year ending December 31, 2013:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
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 31, 2011	\$ 0.36
Total declared for 2011			\$ 1.41
February 28, 2012	March 15, 2012	March 30, 2012	\$ 0.37
May 8, 2012	June 15, 2012	June 29, 2012	\$ 0.37
August 7, 2012	September 14, 2012	September 28, 2012	\$ 0.38
August 7, 2012	September 14, 2012	September 28, 2012	\$ 0.05(1)
November 5, 2012	December 14, 2012	December 28, 2012	\$ 0.38
November 5, 2012	December 14, 2012	December 28, 2012	\$ 0.05(1)
Total declared for 2012			\$ 1.60
February 27, 2013	March 15, 2013	March 29, 2013	\$ 0.38
May 7, 2013	June 14, 2013	June 28, 2013	\$ 0.38
Total declared for the first and second quarters of 2013			\$ 0.76

(1) Represents an additional dividend.

Of the \$1.60 per share in dividends declared during the year ended December 31, 2012, \$1.56 per share was comprised of ordinary income and \$0.04 per share was comprised of long-term capital gains.

To maintain our status as a regulated investment company, or a RIC, under 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 addition, we generally will be required to pay an excise tax equal to 4% on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during a calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31<sup>st</sup> in that calendar year and (iii) any income recognized, but not distributed, in preceding years. The taxable income on which we pay excise tax is generally distributed to our 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 three months ended March 31, 2013, we recorded an excise tax expense of \$3.0 million. For the years ended December 31, 2012 and 2011, we recorded an excise tax expense of \$7.9 million and \$6.6 million, respectively. 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, 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."

## RATIOS OF EARNINGS TO FIXED CHARGES

For the three months ended March 31, 2013 and the years ended December 31, 2012, 2011, 2010, 2009 and 2008, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the Three Months Ended March 31, 2013	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Earnings to Fixed Charge (1)	3.1	4.6(2)	3.7(3)	9.8(4)	9.4(5)	(2.8)

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 and the capital gains incentive fee expense accrued in accordance with GAAP. Net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP can vary substantially from period to period.
  - Excluding the net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP, the earnings to fixed charges ratio would be 3.5 for the three months ended March 31, 2013, 3.7 for the year ended December 31, 2012, 3.6 for the year ended December 31, 2011, 4.0 for the year ended December 31, 2010, 6.5 for the year ended December 31, 2009, and 4.5 for the year ended December 31, 2008.
- (2) Earnings for the year ended December 31, 2012 included a net realized loss on the extinguishment of debt of \$2.7 million.
- (3) Earnings for the year ended December 31, 2011 included a net realized loss on the extinguishment of debt of \$19.3 million.
- (4) Earnings for year ended December 31, 2010, included 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.
- (5) Earnings for the year ended December 31, 2009, included a net realized gain on the extinguishment of debt of \$26.5 million.

## 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 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 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 our investment advisory and management agreement. Ares Operations, a wholly owned subsidiary of Ares Management, provides certain administrative and other 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 first lien senior secured loans (including unitranche loans), second lien senior secured 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.

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. We also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. 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 located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

We have elected to be treated as a RIC under the Code, and operate 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 U.S. federal corporate-level income taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

**PORTFOLIO AND INVESTMENT ACTIVITY**

The Company's investment activity for the three months ended March 31, 2013 and 2012 and the years ended December 31, 2012, 2011 and 2010 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	Three Months Ended		Year Ended December 31,		
	March 31,		2012	2011	2010
	2013	2012	2012	2011	2010
<b>New investment commitments(1):</b>					
New portfolio companies	\$ 90.5	\$ 235.9	\$ 1,794.7	\$ 1,778.0	\$ 774.3
Existing portfolio companies(2)	319.5	148.4	1,402.3	1,896.4	933.8
Total new investment commitments	410.0	384.3	3,197.0	3,674.4	1,708.1
<b>Less:</b>					
Investment commitments exited	221.7	331.4	2,614.5	2,603.1	1,644.5
Net investment commitments	\$ 188.3	\$ 52.9	\$ 582.5	\$ 1,071.3	\$ 63.6
<b>Principal amount of investments funded:</b>					
Senior term debt	\$ 290.5	\$ 314.1	\$ 2,686.4	\$ 2,484.2	\$ 1,376.4
Subordinated Certificates of the SSLP(3)	21.0	66.0	270.0	496.8	391.6
Senior subordinated debt	40.5	—	101.3	51.8	1,055.3
Collateralized loan obligations	—	—	—	—	166.1
Preferred equity securities	1.0	—	—	164.1	91.7
Other equity securities	2.1	2.4	103.9	41.2	295.4
Commercial real estate	—	—	—	0.9	41.2
Total	\$ 355.1	\$ 382.5	\$ 3,161.6	\$ 3,239.0	\$ 3,417.7
<b>Principal amount of investments sold or repaid:</b>					
Senior term debt	\$ 208.6	\$ 289.5	\$ 1,786.9	\$ 1,607.5	\$ 987.4
Subordinated Certificates of the SSLP	14.1	—	66.3	—	15.4
Senior subordinated debt	0.3	20.9	409.0	463.2	461.9
Collateralized loan obligations	—	—	55.5	166.3	6.8
Preferred equity securities	—	1.2	26.2	43.5	21.5
Other equity securities	2.7	6.9	126.0	166.1	61.9
Commercial real estate	—	0.6	13.0	21.6	1.0
Total	\$ 225.7	\$ 319.1	\$ 2,482.9	\$ 2,468.2	\$ 1,555.9
<b>Number of new investment commitments(4)</b>	17	12	82	72	63
<b>Average new investment commitment amount</b>	\$ 24.1	32.0	\$ 39.0	\$ 51.0	\$ 27.1
<b>Weighted average term for new investment commitments (in months)</b>	70	69	66	63	61
<b>Percentage of new investment commitments at floating rates</b>	77%	99%	88%	94%	71%
<b>Percentage of new investment commitments at fixed rates</b>	21%	—%	8%	5%	23%
<b>Weighted average yield of debt and other income producing securities (5):</b>					
Funded during the period at fair value(6)	8.9%	10.6%	9.9%	10.9%	13.1%
Funded during the period at amortized cost	8.9%	10.6%	9.9%	10.9%	13.2%
Exited or repaid during the period at fair value(6)	9.9%	9.1%	9.6%	10.1%	12.9%
Exited or repaid during the period at amortized cost	9.8%	9.2%	9.7%	10.2%	12.9%

(1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.

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- (2) Includes investment commitments to the SSLP to make co-investments with GE in first lien senior secured loans of middle market companies of \$21.0 million and \$66.0 million for the three months ended March 31, 2013 and 2012, respectively, and \$270.0 million, \$496.8 million and \$391.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.
- (3) See "Senior Secured Loan Program" below and Note 4 to our consolidated financial statements for the three months ended March 31, 2013 for more detail on the SSLP.
- (4) Number of new investment commitments represents each commitment to a particular portfolio company.
- (5) "Weighted average yield of debt and other income producing securities 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 other income producing securities, divided by (b) total debt and other income producing securities at fair value. "Weighted average yield of debt and other income producing securities 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 other income producing securities, divided by (b) total debt and other income producing securities at amortized cost.
- (6) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.

As of March 31, 2013 and December 31, 2012, our investments consisted of the following:

(in millions)	As of			
	March 31, 2013		December 31, 2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior term debt	\$ 3,673.1	\$ 3,635.4	\$ 3,587.8	\$ 3,555.1
Subordinated Certificates of the SSLP(1)	1,244.8	1,269.7	1,237.9	1,263.6
Senior subordinated debt	364.6	302.8	321.3	259.8
Preferred equity securities	240.4	259.4	238.8	250.1
Other equity securities	429.7	550.3	430.4	584.1
Commercial real estate	7.2	12.9	7.3	11.9
<b>Total</b>	<b>\$ 5,959.8</b>	<b>\$ 6,030.5</b>	<b>\$ 5,823.5</b>	<b>\$ 5,924.6</b>

- (1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 37 and 36 different borrowers as of March 31, 2013 and December 31, 2012, respectively.

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The weighted average yields at fair value and amortized cost of the following portions of our portfolio as of March 31, 2013 and December 31, 2012 were as follows:

	As of			
	March 31, 2013		December 31, 2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities	11.1%	11.0%	11.4%	11.3%
Total portfolio	9.9%	9.8%	10.1%	10.0%
Senior term debt	9.3%	9.4%	9.5%	9.6%
First lien senior term debt	8.7%	8.7%	9.0%	9.0%
Second lien senior term debt	10.4%	10.6%	10.5%	10.7%
Subordinated Certificates of the SSLP(1)	15.5%	15.2%	15.8%	15.4%
Senior subordinated debt	11.3%	13.6%	11.7%	14.5%
Income producing equity securities	10.0%	8.7%	9.9%	8.8%

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

Ares Capital Management, 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 initial cost basis 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 initial cost basis 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 anticipated that we will not recoup our initial cost basis and may realize a substantial loss of our initial cost basis upon exit. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company. Grades of a portfolio investment may be reduced or increased over time.

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Set forth below is the grade distribution of our portfolio companies as of March 31, 2013 and December 31, 2012:

(dollar amounts in millions)	As of							
	March 31, 2013				December 31, 2012			
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 78.6	1.3%	9	5.8%	\$ 75.1	1.3%	9	5.9%
Grade 2	187.5	3.1%	11	7.0%	136.7	2.3%	9	5.9%
Grade 3	5,184.8	86.0%	123	78.9%	5,108.8	86.2%	121	79.7%
Grade 4	579.6	9.6%	13	8.3%	604.0	10.2%	13	8.5%
	<u>\$ 6,030.5</u>	<u>100.0%</u>	<u>156</u>	<u>100.0%</u>	<u>\$ 5,924.6</u>	<u>100.0%</u>	<u>152</u>	<u>100.0%</u>

As of March 31, 2013 and December 31, 2012, the weighted average grade of the investments in our portfolio at fair value was 3.0 and 3.1, respectively.

As of March 31, 2013, loans on non-accrual status represented 2.3% and 0.6% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2012, loans on non-accrual status represented 2.3% and 0.6% of the total investments at amortized cost and at fair value, respectively.

### **Senior Secured Loan Program**

The Company co-invests in first lien senior secured loans of middle market companies with GE through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a "The Senior Secured Loan Program") or 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The Company provides capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

As of March 31, 2013 and December 31, 2012, the SSLP had available capital of \$9.0 billion of which approximately \$6.2 billion and \$6.3 billion in aggregate principal amount was funded, respectively. As of March 31, 2013 and December 31, 2012, the Company had agreed to make available to the SSLP approximately \$1.8 billion, of which approximately \$1.3 billion and \$1.2 billion was funded, respectively. Investment of any unfunded amount must still be approved by the investment committee of the SSLP as described above.

As of March 31, 2013 and December 31, 2012, the SSLP had total assets of \$6.2 billion and \$6.3 billion, respectively. As of March 31, 2013 and December 31, 2012, GE's investment in the SSLP consisted of senior notes of \$4.7 billion and \$4.8 billion, respectively, and SSLP Certificates of \$179 million and \$178 million, respectively. The SSLP Certificates are junior in right of payment to the senior notes held by GE. As of March 31, 2013 and December 31, 2012, the Company and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

As of March 31, 2013 and December 31, 2012, the SSLP's portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies and none of these loans was on non-accrual status. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

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Below is a summary of the SSLP's portfolio, followed by a listing of the individual first lien senior secured loans in the SSLP's portfolio as of March 31, 2013 and December 31, 2012:

<u>(dollar amounts in millions)</u>	<u>As of</u>	
	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Total first lien senior secured loans(1)	\$ 6,129.6	\$ 5,998.1
Weighted average yield on first lien senior secured loans (2)	7.7%	8.0%
Number of borrowers in the SSLP	37	36
Largest loan to a single borrower(1)	\$ 327.9	\$ 330.0
Total of five largest loans to borrowers(1)	\$ 1,446.9	\$ 1,441.4

(1) At principal amount.

(2) Computed as the (a) annual stated interest rate on accruing first lien senior secured loans, divided by (b) total first lien senior secured loans at principal amount.



**SSLP Loan Portfolio as of March 31, 2013**

<b>(dollar amounts in millions)</b>				
<b>Portfolio Company</b>	<b>Business Description</b>	<b>Maturity Date</b>	<b>Stated Interest Rate(1)</b>	<b>Principal Amount</b>
Access CIG, LLC(2)	Records and information management services provider	10/2017	7.0%	\$ 153.5
ADG, LLC	Dental services	10/2016	8.8%	198.9
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	239.4
BECO Holding Company, Inc.(4)	Wholesale distributor of first response fire protection equipment and related parts	12/2017	8.3%	156.5
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	87.5
CCS Group Holdings, LLC(4)	Correctional facility healthcare operator	4/2016	8.0%	142.8
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	146.0
CIBT Holdings, Inc.(4)	Expedited travel document processing services	12/2018	6.8%	183.1
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(2)(4)	Healthcare analysis services	3/2017	7.8%	284.2
CWD, LLC	Supplier of automotive aftermarket brake parts	3/2014	8.8%	118.8
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	137.7
Driven Holdings, LLC(4)	Automotive aftermarket car care franchisor	3/2017	7.0%	160.4
Excelligence Learning Corporation(4)	Developer, manufacturer and retailer of educational products	8/2016	8.0%	115.5
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.2%	76.5
Fox Hill Holdings, LLC	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	292.5
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	202.4
Implus Footcare, LLC(4)	Provider of footwear and other accessories	10/2016	9.0%	177.6
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(4)	Private school operator	6/2015	10.5%	164.3
Intermedix Corporation(3)	Revenue cycle management provider to the emergency healthcare industry	12/2018	6.3%	327.9
JHP Pharmaceuticals, LLC(4)	Manufacturer of specialty pharmaceutical products	2/2019	6.3%	100.0
LJSS Acquisition, Inc.	Fluid power distribution company in the industrial and mobile equipment markets	10/2017	6.8%	162.8
MWI Holdings, Inc.(2)	Highly engineered springs, fasteners, and other precision components	3/2019	7.4%	262.2
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	6/2016	6.5%	113.2
Oak Parent, Inc.(2)	Manufacturer of athletic apparel	4/2018	8.0%	280.1
Opinionology, LLC and Survey Sampling International LLC	Provider of outsourced data collection to the market research industry	7/2017	8.5%	152.3
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.1%	65.3
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	162.4
Power Buyer, LLC	Provider of emergency maintenance services for power transmission, distribution, and substation infrastructure	12/2018	8.8%	208.0
Powersport Auctioneer Holdings, LLC(4)	Powersport vehicle auction operator	12/2016	8.5%	40.5
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(2)	Provider of highly-customized and tailored protective packaging solutions	3/2017	7.8%	125.6
PSSI Holdings, LLC	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2017	6.5%	156.7
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	3/2019	6.5%	159.6
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	199.0
Strategic Partners, Inc.	Designer, manufacturer and distributor of medical uniforms	8/2018	7.8%	233.8
Talent Partners G.P. and Print Payroll Services, G.P.	Provider of technology-enabled payroll to the advertising industry	10/2017	8.0%	65.5
The Teaching Company, LLC and The Teaching Company Holdings, Inc.(2)(4)	Education publications provider	3/2017	9.0%	113.3
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	163.8
				<u>\$ 6,129.6</u>

- (1) Represents the weighted average annual stated interest rate as of March 31, 2013. All interest rates are payable in cash.
- (2) The Company also holds a portion of this company's first lien senior secured loan.
- (3) The Company also holds this company's second lien senior secured loan.
- (4) The Company holds an equity investment in this portfolio company.



**SSLP Loan Portfolio as of December 31, 2012**

<b>(dollar amounts in millions)</b>		<b>Maturity</b>	<b>Stated</b>	<b>Principal</b>	<b>Fair</b>
<b>Portfolio Company</b>	<b>Business Description</b>	<b>Date</b>	<b>Interest Rate(1)</b>	<b>Amount</b>	<b>Value(2)</b>
Access CIG, LLC(3)	Records and information management services provider	10/2017	7.0%	\$ 152.8	\$ 152.8
ADG, LLC	Dental services	10/2016	8.8%	199.4	199.4
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	240.0	240.0
BECO Holding Company, Inc.(5)	Wholesale distributor of first response fire protection equipment and related parts	12/2017	8.3%	160.0	160.0
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	88.3	83.9
CCS Group Holdings, LLC(5)	Correctional facility healthcare operator	4/2016	8.0%	142.8	142.8
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2018	8.8%	146.8	146.8
CIBT Holdings, Inc.(5)	Expedited travel document processing services	12/2017	8.5%	146.4	146.4
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(3)(5)	Healthcare analysis services	3/2017	7.8%	284.9	273.5
CWD, LLC	Supplier of automotive aftermarket brake parts	3/2014	8.8%	119.8	110.2
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	138.1	138.1
Driven Holdings, LLC(5)	Automotive aftermarket car care franchisor	3/2017	7.0%	160.4	160.4
Excelligence Learning Corporation(5)	Developer, manufacturer and retailer of educational products	8/2016	8.0%	115.8	115.8
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.9%	59.6	59.6
Fox Hill Holdings, LLC	Operating company that develops middle market manufacturing and industrial distribution companies	12/2017	8.0%	292.5	292.5
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	202.9	202.9
Implus Footcare, LLC(5)	Provider of footwear and other accessories	10/2016	9.5%	178.0	178.0
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(5)	Private school operator	6/2015	10.5%	165.6	165.6
Intermedix Corporation(4)	Revenue cycle management provider to the emergency healthcare industry	12/2018	6.3%	330.0	330.0
LJSS Acquisition, Inc.	Fluid power distribution company in the industrial and mobile equipment markets	9/2017	6.8%	163.9	163.9
MWI Holdings, Inc.(3)	Highly engineered springs, fasteners, and other precision components	6/2017	8.0%	251.2	251.2
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	6/2016	7.0%	113.2	113.2
Oak Parent, Inc.(3)	Manufacturer of athletic apparel	4/2018	8.0%	282.8	282.8
Opinionology, LLC and Survey Sampling International LLC	Provider of outsourced data collection to the market research industry	7/2017	8.5%	152.3	152.3
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%	65.3	65.3
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	162.4	162.4
Power Buyer, LLC	Provider of emergency maintenance services for power transmission, distribution, and substation infrastructure	12/2018	8.8%	208.0	208.0
Powersport Auctioneer Holdings, LLC(5)	Powersport vehicle auction operator	12/2016	8.5%	40.7	40.7
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(3)	Provider of highly-customized and tailored protective packaging solutions	3/2017	7.8%	125.9	125.9
PSSI Holdings, LLC	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2017	6.8%	161.7	161.7
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	7/2018	7.8%	169.6	169.6
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	199.0	199.0
Strategic Partners, Inc.	Designer, manufacturer and distributor of medical uniforms	8/2018	7.8%	234.4	234.4
Talent Partners G.P. and Print Payroll Services, G.P.	Provider of technology-enabled payroll to the advertising industry	10/2017	8.0%	65.5	65.5
The Teaching Company, LLC and The Teaching Company Holdings, Inc.(3)(5)	Education publications provider	3/2017	9.0%	113.9	113.9
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	164.2	164.2
				<u>\$ 5,998.1</u>	<u>\$ 5,972.7</u>

(1) Represents the weighted average annual stated interest rate as of December 31, 2012. All interest rates are payable in cash.

(2) Represents the fair value in accordance with ASC 820-10. The determination of such fair value is not included in the Company's board of directors valuation process

described elsewhere herein.

- (3) The Company also holds a portion of this company's first lien senior secured loan.
- (4) The Company also holds this company's second lien senior secured loan.
- (5) The Company holds an equity investment in this portfolio company.

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The amortized cost and fair value of the SSLP Certificates held by the Company was \$1.2 billion and \$1.3 billion, respectively, as of March 31, 2013 and December 31, 2012. The SSLP Certificates pay a weighted average contractual coupon of three month LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the underlying loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than both the contractual coupon on the SSLP Certificates as well as the weighted average yield on the SSLP's portfolio of 7.7% and 8.0% as of March 31, 2013 and December 31, 2012, respectively. The Company's yield on its investment in the SSLP at fair value was 15.2% and 15.4% as of March 31, 2013 and December 31, 2012, respectively. For the three months ended March 31, 2013 and 2012, the Company earned interest income of \$48.6 million and \$43.3 million, respectively, from its investment in the SSLP Certificates.

The Company is also entitled to certain fees in connection with the SSLP. For the three months ended March 31, 2013 and 2012, in connection with the SSLP, the Company earned capital structuring service fees and sourcing, management and other fees totaling \$7.9 million and \$13.9 million, respectively.

Effective March 30, 2012, Ares Capital Management assumed from the Company the role of co-manager of the SSLP. However, this change did not impact the Company's economics in respect of its participation in the SSLP and Ares Capital Management does not receive any remuneration in respect of its co-manager role.

Selected financial information for the SSLP as of and for the year ended December 31, 2012 is as follows:

<u>(in millions)</u>	<u>As of and for the Year Ended December 31, 2012</u>
<b>Selected Balance Sheet Information:</b>	
Investments in loans receivable, net of discount for loan origination fees	\$ 5,952.3
Cash and other assets	\$ 369.2
Total assets	\$ 6,321.5
Senior notes	\$ 4,840.4
Other liabilities	\$ 46.9
Total liabilities	\$ 4,887.3
Subordinated certificates and members' capital	\$ 1,434.2
Total liabilities and members' capital	\$ 6,321.5
<b>Selected Statement of Operations Information:</b>	
Total revenues	\$ 479.4
Total expenses	\$ 258.7
Net income	\$ 220.7

**RESULTS OF OPERATIONS*****For the three months ended March 31, 2013 and 2012***

Operating results for the three months ended March 31, 2013 and 2012 are as follows:

<u>(in millions)</u>	<b>For the three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Total investment income	\$ 195.1	\$ 167.7
Total expenses	92.2	88.0
Net investment income before income taxes	102.9	79.7
Income tax expense, including excise tax	3.8	2.7
Net investment income	99.1	77.0
Net realized gains (losses) on investments	11.7	(7.7)
Net unrealized gains (losses) on investments	(30.4)	36.2
Net increase in stockholders' equity resulting from operations	\$ 80.4	\$ 105.5

Net income can vary substantially from period to period due to various factors, including acquisitions, the level of new investment commitments, 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**

<u>(in millions)</u>	<b>For the three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Interest income from investments	\$ 144.2	\$ 132.9
Capital structuring service fees	6.0	17.7
Dividend income	32.1	9.2
Management and other fees	4.5	4.9
Other income	8.3	3.0
Total investment income	\$ 195.1	\$ 167.7

The increase in interest income from investments for the three months ended March 31, 2013 from the comparable period in 2012 was primarily due to the increase in the size of the portfolio, which increased from an average of \$5.1 billion at amortized cost for the three months ended March 31, 2012 to an average of \$5.9 billion at amortized cost for the comparable period in 2013. Even though new investment commitments increased slightly from \$384 million for the three months ended March 31, 2012 to \$410 million for the comparable period in 2013, capital structuring service fees decreased for the three months ended March 31, 2013 as compared to the comparable period in 2012 primarily due to the decrease in the average capital structuring service fees received as a percentage of total new investment commitments, which decreased from 4.6% for the three months ended March 31, 2012 to 1.5% for the comparable period in 2013. The decrease in the average capital structuring service fees percentage during the three months ended March 31, 2013 as compared to the comparable period in 2012 was primarily due to a higher amount of refinancing activity in existing portfolio companies as opposed to investments made in new portfolio companies. For the three months ended March 31, 2013, dividend income included \$27.4 million from the Company's investment in IHAM as compared to \$4.7 million for the comparable period in 2012. The dividend from IHAM for the three months ended

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March 31, 2013 included an additional dividend of \$17.4 million that was paid in addition to the quarterly dividend generally paid by IHAM. IHAM paid the additional dividend out of accumulated earnings that had previously been retained by IHAM. The increase in other income for the three months ended March 31, 2013 from the comparable period in 2012 was primarily attributable to higher amendment fees.

### Operating Expenses

<u>(in millions)</u>	<b>For the three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Interest and credit facility fees	\$ 39.4	\$ 32.8
Base management fees	23.2	20.0
Incentive fees related to pre-incentive fee net investment income	23.8	20.7
Incentive fees related to capital gains per GAAP	(3.8)	5.7
Professional fees	3.2	3.7
Administrative fees	2.6	2.3
Other general and administrative	3.8	2.8
Total operating expenses	<u>\$ 92.2</u>	<u>\$ 88.0</u>

Interest and credit facility fees for the three months ended March 31, 2013 and 2012, were comprised of the following:

<u>(in millions)</u>	<b>For the three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Stated interest expense	\$ 29.9	\$ 25.5
Facility fees	2.6	1.3
Amortization of debt issuance costs	3.5	3.4
Accretion of discount on notes payable	3.4	2.6
Total interest and credit facility fees expense	<u>\$ 39.4</u>	<u>\$ 32.8</u>

Stated interest expense for the three months ended March 31, 2013 increased from the comparable period in 2012 due to the increase in the average principal amount of debt outstanding and an increase in our weighted average stated interest rate. For the three months ended March 31, 2013, our average principal debt outstanding was \$2.1 billion as compared to \$2.0 billion for the comparable period in 2012, and the weighted average stated interest rate on our debt was 5.8% for the three months ended March 31, 2013 as compared to 5.1% for the comparable period in 2012. The higher weighted average stated interest rate for the three months ended March 31, 2013 relates to having borrowed, on a relative basis, less from our lower-cost floating rate revolving debt facilities and having more debt outstanding under our fixed rate term debt obligations.

The increase in base management fees and incentive fees related to pre-incentive fee net investment income for the three months ended March 31, 2013 from the comparable period in 2012 was primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in pre-incentive fee net investment income.

For the three months ended March 31, 2013, we recorded a reduction of \$3.8 million in the capital gains incentive fee expense accrual calculated in accordance with GAAP. For the three months ended March 31, 2012, the capital gains incentive fee expense accrual calculated in accordance with

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GAAP was \$5.7 million. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. 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. As of March 31, 2013, the total capital gains incentive fee liability calculated in accordance with GAAP was \$65.5 million (included in management and incentive fees payable in the consolidated balance sheet). However, as of March 31, 2013, there was no capital gains fee actually payable under our investment advisory and management agreement. See Note 3 to the Company's consolidated financial statements for the three months ended March 31, 2013 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, director's fees and other costs.

### **Income Tax Expense, Including Excise Tax**

The Company has elected to be treated as a RIC under 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 corporate-level 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 as such taxable income is earned. For the three months ended March 31, 2013 and 2012, a net expense of \$3.0 million and \$2.0 million was recorded for U.S. federal excise tax, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three months ended March 31, 2013 and 2012, we recorded a tax expense of approximately \$0.8 million and \$0.7 million, respectively, for these subsidiaries.

### **Net Realized Gains/Losses**

During the three months ended March 31, 2013, the Company had \$235.7 million of sales, repayments or exits of investments resulting in \$11.7 million of net realized gains. Net realized gains of \$11.7 million on investments were comprised of \$11.7 million of gross realized gains and \$0.0 million of gross realized losses.



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The realized gains and losses on investments during the three months ended March 31, 2013 consisted of the following:

<u>(in millions)</u> <u>Portfolio Company</u>	<u>Net Realized</u> <u>Gains (Losses)</u>
Performant Financial Corporation	\$ 8.6
Other, net	3.1
Total	<u>\$ 11.7</u>

During the three months ended March 31, 2012, the Company had \$311.1 million of sales, repayments or exits of investments resulting in \$7.7 million of net realized losses. These sales, repayments or exits included \$6.2 million of investments sold to IHAM or certain vehicles managed by IHAM. There were no realized gains or losses on these transactions. Net realized losses of \$7.7 million on investments were comprised of \$0.6 million of gross realized gains and \$8.3 million of gross realized losses.

The realized gains and losses on investments during the three months ended March 31, 2012 consisted of the following:

<u>(in millions)</u> <u>Portfolio Company</u>	<u>Net Realized</u> <u>Gains (Losses)</u>
Huddle House, Inc.	\$ (1.7)
LVCG Holdings LLC	(6.6)
Other, net	0.6
Total	<u>\$ (7.7)</u>

### Net Unrealized Gains/Losses

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses. Net unrealized gains and losses for the Company's portfolio were comprised of the following:

<u>(in millions)</u>	<u>For the three</u> <u>months ended</u> <u>March 31,</u>	
	<u>2013</u>	<u>2012</u>
Unrealized appreciation	\$ 31.3	\$ 63.2
Unrealized depreciation	(56.9)	(35.8)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	(4.8)	8.8
Total net unrealized gains (losses) from investments	<u>\$ (30.4)</u>	<u>\$ 36.2</u>

- (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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The changes in unrealized appreciation and depreciation during the three months ended March 31, 2013 consisted of the following:

(in millions) <u>Portfolio Company</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Apple & Eve, LLC	\$ 3.6
Matrixx Initiatives, Inc.	3.0
La Paloma Generating Company, LLC	2.3
American Broadband Communications, LLC	2.2
Orion Food, LLC	(2.4)
ADF Capital, Inc.	(2.5)
Ciena Capital LLC	(4.1)
CitiPostal Inc.	(5.3)
UL Holding Co., LLC	(6.2)
Ivy Hill Asset Management, L.P.(1)	(26.4)
Other, net	10.2
Total	<u>\$ (25.6)</u>

- (1) See "Results of Operations—Investment Income" for discussion of the dividend income from IHAM during the period.

The changes in unrealized appreciation and depreciation during the three months ended March 31, 2012 consisted of the following:

(in millions) <u>Portfolio Company</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Ivy Hill Asset Management, L.P.	\$ 6.6
Firstlight Financial Corporation	6.2
ADF Restaurant Group, LLC	4.4
Savers, Inc.	4.2
Ciena Capital LLC	3.0
ICSH, Inc.	2.4
The Teaching Company, LLC	2.2
The Dwyer Group	2.1
Community Education Centers, Inc.	(2.4)
American Broadband Communications, LLC	(2.5)
RE Community Holdings II, Inc.	(2.5)
Orion Foods, LLC	(3.3)
Prommis Solutions, LLC	(4.3)
eInstruction Corporation	(6.3)
Other, net	17.6
Total	<u>\$ 27.4</u>

[Table of Contents](#)**For the years ended December 31, 2012, 2011 and 2010**

Operating results for the years ended December 31, 2012, 2011 and 2010 are as follows:

<u>(in millions)</u>	<b>For the Years Ended</b>		
	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total investment income	\$ 748.0	\$ 634.5	\$ 483.4
Total expenses	387.9	344.6	262.2
Net investment income before income taxes	360.1	289.9	221.2
Income tax expense, including excise tax	11.2	7.5	5.4
Net investment income	348.9	282.4	215.8
Net realized gains on investments	46.7	96.6	45.5
Net unrealized gains (losses) on investments	115.3	(40.2)	230.7
Gain from the acquisition of Allied Capital	—	—	195.9
Realized losses on extinguishment of debt	(2.7)	(19.3)	(2.0)
Realized gain on sale of other assets	—	—	5.9
Net increase in stockholders' equity resulting from operations	\$ 508.2	\$ 319.5	\$ 691.8

**Investment Income**

<u>(in millions)</u>	<b>For the Years Ended</b>		
	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Interest income from investments	\$ 571.5	\$ 473.2	\$ 393.6
Capital structuring service fees	102.1	97.4	54.7
Dividend income	39.7	38.4	14.4
Management and other fees	18.9	16.7	14.4
Other income	15.8	8.8	6.3
Total investment income	\$ 748.0	\$ 634.5	\$ 483.4

The increase in interest income from investments for the year ended December 31, 2012 from the comparable period in 2011 was primarily due to the increase in the size of the portfolio, which increased from an average of \$4.6 billion at amortized cost for the year ended December 31, 2011 to an average of \$5.5 billion at amortized cost for the comparable period in 2012. Even though new investment commitments decreased from \$3.7 billion for the year ended December 31, 2011 to \$3.2 billion for the comparable period in 2012, capital structuring service fees increased for the year ended December 31, 2012 from the comparable period in 2011 primarily due to the increase in the average capital structuring service fees received on new investments, which increased from 2.7% in 2011 to 3.2% in 2012. For the year ended December 31, 2012, dividend income included \$19.9 million from the Company's investment in IHAM as well as \$2.2 million of dividend income that was non-recurring in nature from non-income producing equity securities. The increase in other income for the year ended December 31, 2012 from the comparable period in 2011 was primarily attributable to higher amendment, letter of credit and agency fees.

The increase in interest income from investments for the year ended December 31, 2011 from the comparable period in 2010 was primarily due to the increase in the size of the portfolio, which increased from an average of \$3.7 billion at amortized cost for the year ended December 31, 2010 to an average of \$4.6 billion at amortized cost from the comparable period in 2011. The increase in capital structuring service fees for the year ended December 31, 2011 from the comparable period in

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2010 was primarily due to the increase in new investment commitments, which increased from \$1.7 billion for the year ended December 31, 2010 to \$3.7 billion for the comparable period in 2011. The increase in dividend income for the year ended December 31, 2011 from the comparable period in 2010 is primarily attributable to the increase in dividend income from IHAM, which was \$7.3 million for the year ended December 31, 2010 and \$19.0 million for the comparable period in 2011, which resulted from the growth of and increased earnings of IHAM. In addition, there was an increase in dividends from certain portfolio companies in which we have an equity investment. Total dividend income for the year ended December 31, 2011 included \$10.3 million of dividend income that was non-recurring in nature from non-income producing equity securities.

## Operating Expenses

(in millions)	For the Years Ended		
	December 31,		
	2012	2011	2010
Interest and credit facility fees	\$ 143.0	\$ 122.5	\$ 79.3
Incentive fees related to pre-incentive fee net investment income	95.2	79.0	61.3
Incentive fees related to capital gains per GAAP	31.9	33.3	15.6
Base management fees	86.2	71.6	52.0
Professional fees	12.0	16.7	29.9
Administrative fees	9.3	9.5	10.9
Other general and administrative	10.3	12.0	13.2
Total operating expenses	<u>\$ 387.9</u>	<u>\$ 344.6</u>	<u>\$ 262.2</u>

Interest and credit facility fees for the years ended December 31, 2012, 2011 and 2010, were comprised of the following:

(in millions)	For the Years Ended		
	December 31,		
	2012	2011	2010
Stated interest expense	\$ 113.1	\$ 92.2	\$ 57.7
Facility fees	5.6	6.1	4.6
Amortization of debt issuance costs	13.0	13.2	8.8
Accretion of discount on notes payable	11.3	11.0	8.2
Total interest and credit facility fees expense	<u>\$ 143.0</u>	<u>\$ 122.5</u>	<u>\$ 79.3</u>

Stated interest expense for the year ended December 31, 2012 increased from the comparable period in 2011 due to the increase in the average principal amount of debt outstanding and an increase in our weighted average stated interest rate of our debt. For the year ended December 31, 2012, our average principal debt outstanding was \$2.2 billion as compared to \$1.8 billion for the comparable period in 2011, and the weighted average stated interest rate on our debt was 5.2% for the year ended December 31, 2012 as compared to 5.1% for the comparable period in 2011.

Stated interest expense for the year ended December 31, 2011 increased from the comparable period in 2010 due to the increase in our average principal debt outstanding and an increase in our weighted average stated interest rate of our debt. For the year ended December 31, 2011, our average principal debt outstanding was \$1.8 billion as compared to \$1.5 billion for the comparable period in 2010, and the weighted average stated interest rate on our debt was 5.1% as compared to 3.9% for the comparable period in 2010. Our weighted average stated interest rate of our debt for the year ended December 31, 2011 increased from 2010 due to having higher amounts of unsecured indebtedness, with

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longer durations to maturity and higher stated interest rates, outstanding during the comparable period in 2011. Amortization of debt issuance costs for the year ended December 31, 2011 increased from the comparable period in 2010 primarily due to the debt issuance costs associated with convertible notes that we issued in early 2011.

The increase in base management fees and incentive fees related to pre-incentive fee net investment income for the year ended December 31, 2012 from the comparable period in 2011 and for the year ended December 31, 2011 from the comparable period in 2010 were both primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in pre-incentive fee net investment income.

For the year ended December 31, 2012, 2011 and 2010 the capital gains incentive fee accrual calculated in accordance with GAAP was \$31.9 million, \$33.3 million and \$15.6 million, respectively. As a result of an amendment to the capital gains portion of the incentive fee under our investment advisory and management agreement that was approved on June 6, 2011 (the "Capital Gains Amendment"), we accrued \$26.0 million of capital gains incentive fees in accordance with GAAP for the year ended December 31, 2011 as a result of the application of the Capital Gains Amendment with respect to the assets purchased in the Allied Acquisition. The capital gains incentive fees accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the Capital Gains Fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. 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. As of December 31, 2012, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$80.8 million (included in management and incentive fees payable in the consolidated balance sheet). However, the Capital Gains Fee actually payable under our investment advisory and management agreement for the year ended December 31, 2012 was \$11.5 million. For the years ended December 31, 2011 and 2010, there was no Capital Gains Fee payable under our investment advisory and management agreement.

See Note 3 to the Company's consolidated financial statements for the year ended December 31, 2012 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. The decrease in professional fees for the year ended December 31, 2012 from the comparable period in 2011 as well as the decrease from the year ended December 31, 2011 from the comparable period in 2010 primarily resulted from declines in professional fees related to the Allied Acquisition following its completion in 2010 and having substantially completed the integration of Allied Capital by early 2011. 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, director's fees and other costs.

### **Income Tax Expense, Including Excise Tax**

The Company has elected to be treated as a RIC under 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

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its stockholders which will generally relieve the Company from U.S. federal corporate-level 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 as such taxable income is earned. For the years ended December 31, 2012, 2011 and 2010, a net expense of \$7.9 million, \$6.6 million and \$2.2 million was recorded for U.S. federal excise tax, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the years ended December 31, 2012, 2011 and 2010, we recorded a tax expense of approximately \$3.2 million, \$0.9 million and \$3.2 million, respectively, for these subsidiaries.

### Net Realized Gains/Losses

During the year ended December 31, 2012, the Company had \$2.5 billion of sales, repayments or exits of investments resulting in \$46.7 million of net realized gains. These sales, repayments or exits included \$256.9 million of investments sold to IHAM and certain vehicles managed by IHAM. A net realized gain of \$2.3 million was recorded on these transactions. See Note 14 to the Company's consolidated financial statements for the year ended December 31, 2012 for more detail on IHAM and its managed vehicles. Net realized gains of \$46.7 million on investments were comprised of \$172.0 million of gross realized gains and \$125.3 million of gross realized losses. Additionally, during the year ended December 31, 2012, in connection with the repayment in full of the \$60 million aggregate principal amount of the Company's asset-backed notes (the "CLO Notes") issued under its 2006 debt securitization (the "Debt Securitization") ahead of their scheduled maturities, \$2.7 million of unamortized debt issuance costs were expensed and recorded as a realized loss on the extinguishment of debt.

The realized gains and losses on investments during the year ended December 31, 2012 consisted of the following:

(in millions)	Net Realized
<u>Portfolio Company</u>	<u>Gains (Losses)</u>
Reed Group, Ltd.	\$ 41.5
Stag-Parkway, Inc.	30.0
R3 Education, Inc. and EIC Acquisitions Corp.	18.3
Savers, Inc. and SAI Acquisition Corporation	15.2
BenefitMall Holdings Inc.	12.5
Things Remembered Inc. and TRM Holdings Corporation	9.6
Sunquest Information Systems, Inc.	9.1
Norwesco	5.7
OTG Management, Inc.	4.0
Crescent Hotels & Resorts, LLC and affiliates	(5.5)
LVCG Holdings LLC	(6.6)
Direct Buy Holdings, Inc. and Direct Buy Investors, LP	(8.3)
Aquila Binks Forest Development, LLC	(9.5)
Making Memories Wholesale, Inc.	(12.3)
Firstlight Financial Corporation	(26.0)
Prommis Solutions, LLC	(46.8)
Other, net	15.8
Total (net)	<u>\$ 46.7</u>

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During the year ended December 31, 2011, the Company had \$2.5 billion of sales, repayments or exits of investments resulting in \$96.6 million of net realized gains. These sales, repayments or exits included \$261.3 million of investments sold to IHAM or certain vehicles managed by IHAM. A net realized gain of \$0.1 million was recorded on these transactions. Net realized gains of \$96.6 million on investments were comprised of \$249.1 million of gross realized gains and \$152.5 million of gross realized losses. Additionally, during the year ended December 31, 2011, in connection with the redemptions of all of the Company's outstanding 6.000% notes due on April 1, 2012 (the "2012 Notes") and all the Company's outstanding 6.625% notes due on July 15, 2011 (the "2011 Notes"), the Company recognized a realized loss on the extinguishment of debt of \$19.3 million.

The realized gains and losses on investments during the year ended December 31, 2011 consisted of the following:

(in millions) <u>Portfolio Company</u>	<u>Net Realized Gains (Losses)</u>
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
Penn Detroit Diesel Allison, LLC	18.4
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
Driven Brands, Inc.	4.5
Callidus Debt Partners CLO Fund III, Ltd.	4.4
Sigma International Group, Inc.	(4.3)
AWTP, LLC	(7.6)
Universal Trailer Corporation	(7.9)
HB&G Building Products, Inc.	(9.1)
Summit Business Media, LLC	(10.1)
Wastequip, Inc.	(10.2)
Coverall North America, Inc.	(12.3)
Primis Marketing Group, Inc.	(14.1)
Cook Inlet Alternative Risk, LLC	(15.7)
Direct Buy Holdings, Inc.	(17.7)
MPBP Holdings, Inc.	(27.7)
Other, net	21.6
Total (net)	<u>\$ 96.6</u>

During the year ended December 31, 2010, the Company had \$1.6 billion of sales, repayments or exits of investments resulting in \$45.5 million of net realized gains. These sales, repayments or exits included \$113.1 million of investments sold to IHAM or certain vehicles managed by IHAM. A net realized loss of \$1.3 million was recorded on these transactions. Net realized gains of \$45.5 million on investments were comprised of \$64.6 million of gross realized gains and \$19.1 million of gross realized losses. Additionally, during the year ended December 31, 2010, the Company purchased \$19.4 million aggregate principal amount of the 2011 Notes and \$34.4 million aggregate principal amount of the 2012 Notes. As a result of these transactions, the Company recognized a realized loss on the extinguishment of debt of \$2.0 million.

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The realized gains and losses on investments during the year ended December 31, 2010 consisted of the following:

<u>(in millions)</u> <u>Portfolio Company</u>	<u>Net Realized</u> <u>Gains (Losses)</u>
Air Medical Group Holdings, LLC	\$ 14.9
Bumble Bee Foods, LLC	6.1
Growing Family, Inc.	(7.7)
Other, net	32.2
Total (net)	<u>\$ 45.5</u>

### Net Unrealized Gains/Losses

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses. Net unrealized gains and losses for the Company's portfolio for the years ended December 31, 2012, 2011 and 2010, were comprised of the following:

<u>(in millions)</u>	<u>For the Years Ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Unrealized appreciation	\$ 151.0	\$ 144.1	\$ 317.5
Unrealized depreciation	(126.7)	(205.1)	(85.3)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	91.0	20.8	(1.5)
Total net unrealized gains (losses) from investments	<u>\$ 115.3</u>	<u>\$ (40.2)</u>	<u>\$ 230.7</u>

- (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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The changes in unrealized appreciation and depreciation during the year ended December 31, 2012 consisted of the following:

(in millions) <u>Portfolio Company</u>	Net Unrealized Appreciation (Depreciation)
Ivy Hill Asset Management, L.P.	\$ 41.6
ADF Restaurant Group, LLC	12.2
R3 Education, Inc.	6.9
Performant Financial Corporation	6.5
Tradesmen International, Inc.	6.5
AWTP, LLC	6.2
Financial Pacific Company	6.0
ELC Acquisition Corp.	5.1
The Dwyer Group	5.0
Campus Management Corp.	(4.5)
Community Education Centers, Inc.	(4.6)
Matrixx Initiatives, Inc.	(4.8)
HCP Acquisition Holdings, LLC	(6.2)
UL Holding Co., LLC	(7.0)
RE Community Holdings II, Inc.	(7.3)
American Broadband Communications, LLC	(8.5)
Orion Foods, LLC	(10.4)
eInstruction Corporation	(16.7)
MVL Group, Inc	(27.9)
Other, net	26.2
Total (net)	<u>\$ 24.3</u>

The changes in unrealized appreciation and depreciation during the year ended December 31, 2011 consisted of the following:

(in millions) <u>Portfolio Company</u>	Net Unrealized Appreciation (Depreciation)
Ivy Hill Asset Management, L.P.	\$ 48.9
Firstlight Financial Corporation	15.4
BenefitMall Holdings, Inc.	9.5
Things Remembered Inc.	5.5
American Broadband Holding Company	5.3
Insight Pharmaceuticals Corporation	4.9
Savers, Inc.	4.9
The Step2 Company, LLC	(4.5)
Direct Buy Holdings, Inc.	(5.6)
VSS-Tranzact Holdings, LLC	(6.3)
Orion Foods, LLC	(6.8)
Making Memories Wholesale, Inc.	(7.0)
Reed Group, Ltd.	(8.3)
CitiPostal Inc.	(11.0)
Pillar Processing, LLC	(12.6)
Ciena Capital LLC	(27.0)
eInstruction Corporation	(27.9)
Prommis Solutions, LLC	(43.2)
Other, net	4.8
Total (net)	<u>\$ (61.0)</u>

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The changes in unrealized appreciation and depreciation during the year ended December 31, 2010 consisted of the following:

(in millions) <u>Portfolio Company</u>	Net Unrealized Appreciation (Depreciation)
DSI Renal Inc.	\$ 24.7
Senior Secured Loan Fund LLC	24.3
Ivy Hill Asset Management, L.P.	21.6
R3 Education, Inc.	16.3
Stag-Parkway, Inc.	15.5
Callidus Debt Partners CDO Fund VI, Ltd.	12.7
Hot Stuff Foods, LLC	11.3
Things Remembered, Inc.	11.1
Dryden XVIII Leveraged Loan 2007 Limited	8.2
Vantage Oncology, Inc.	7.8
Tradesmen International, Inc.	7.7
Industrial Container Services, LLC	7.0
Callidus Debt Partners CDO Fund VII, Ltd.	7.0
S.B. Restaurant Company	6.8
Callidus MAPS CLO Fund I, Ltd.	6.2
Reflexite Corporation	5.9
Callidus MAPS CLO Fund II, Ltd.	5.7
Component Hardware Group, Inc.	5.5
Woodstream Corporation	5.2
American Broadband Holding Company	4.8
Callidus Debt Partners CDO Fund IV, Ltd.	4.7
Direct Buy Holdings, Inc.	4.2
The Step2Company, LLC	4.0
MPBP Holdings, Inc.	(4.7)
Reed Group, Ltd.	(5.6)
Ciena Capital LLC	(6.1)
Aquila Binks Forest Development, LLC	(6.5)
ADF Restaurant Group, LLC	(6.7)
Coverall North America, Inc.	(7.6)
Other, net	41.2
Total (net)	<u>\$ 232.2</u>

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generated primarily from the net proceeds of public offerings of equity and debt securities, advances from the Facilities, net proceeds from the issuance of other securities, including convertible notes, as well as cash flows from operations.

As of March 31, 2013, the Company had \$102.5 million in cash and cash equivalents and \$2.2 billion in total debt outstanding at carrying value (\$2.3 billion at principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$1.6 billion available for additional borrowings under the Facilities as of March 31, 2013.

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 debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases

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or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowing.

### Equity Issuances

The following table summarizes the total shares issued and proceeds we received in underwritten public offerings of our common stock net of underwriting discounts and offering costs for the years ended December 31, 2012 and 2010. There were no sales of our equity securities during the three months ended March 31, 2013 and the year ended December 31, 2011. See "Recent Developments" as well as Note 15 to our consolidated financial statements for the three months ended March 31, 2013 for more information on an equity offering completed subsequent to March 31, 2013.

<u>(in millions, except per share data)</u>	<u>Shares issued</u>	<u>Offering price per share</u>	<u>Proceeds net of underwriting discounts and offering costs</u>
<b>2012</b>			
August 2012 public offering	25.9	\$ 16.55(1)	\$ 427.6
January 2012 public offering	16.4	\$ 15.41(2)	\$ 252.4
Total for the year ended December 31, 2012	42.3		\$ 680.0
<b>2010</b>			
November 2010 public offering	11.5	\$ 16.50	\$ 180.6
February 2010 public offering	23.0	\$ 12.75	\$ 277.2
Total for the year ended December 31, 2010	34.5		\$ 457.8

- (1) The shares were sold to the underwriters for a price of \$16.55 per share, which the underwriters were then permitted to sell at variable prices to the public.
- (2) The shares were sold to the underwriters for a price of \$15.41 per share, which the underwriters were then permitted to sell at variable prices to the public.

The Company used the net proceeds from these public equity offerings in 2012 and 2010 to repay outstanding debt and for general corporate purposes, which included funding investments in accordance with our investment objective.

As of March 31, 2013, total equity market capitalization for the Company was \$4.5 billion compared to \$4.4 billion as of December 31, 2012.

**Debt Capital Activities**

Our debt obligations consisted of the following as of March 31, 2013 and December 31, 2012:

(in millions)	As of					
	March 31, 2013			December 31, 2012		
	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value
Revolving Credit Facility	\$ 900.0(2)	\$ —	\$ —	\$ 900.0(2)	\$ —	\$ —
Revolving Funding Facility	620.0(3)	280.0	280.0	620.0(3)	300.0	300.0
SMBC Funding Facility	400.0	—	—	400.0	—	—
February 2016 Convertible Notes	575.0	575.0	550.4(4)	575.0	575.0	548.5(4)
June 2016 Convertible Notes	230.0	230.0	219.5(4)	230.0	230.0	218.8(4)
2017 Convertible Notes	162.5	162.5	158.5(4)	162.5	162.5	158.3(4)
2018 Convertible Notes	270.0	270.0	263.1(4)	270.0	270.0	262.8(4)
February 2022 Notes	143.8	143.8	143.8	143.8	143.8	143.8
October 2022 Notes	182.5	182.5	182.5	182.5	182.5	182.5
2040 Notes	200.0	200.0	200.0	200.0	200.0	200.0
2047 Notes	230.0	230.0	181.3(5)	230.0	230.0	181.2(5)
	<u>\$ 3,913.8</u>	<u>\$ 2,273.8</u>	<u>\$ 2,179.1</u>	<u>\$ 3,913.8</u>	<u>\$ 2,293.8</u>	<u>\$ 2,195.9</u>

- (1) Subject to borrowing base and leverage restrictions. Represents the total aggregate amount committed or outstanding, as applicable, under such instrument.
- (2) Provides for a feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,350.0 million as of March 31, 2013. See Note 15 for subsequent events relating to the Revolving Credit Facility.
- (3) Provides for a feature that allows the Company and Ares Capital CP, under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865.0 million.
- (4) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less the unaccreted discount initially recorded upon issuance of the Convertible Unsecured Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, and the 2018 Convertible was \$24.6 million, \$10.5 million, \$4.0 million and \$6.9 million, respectively, as of March 31, 2013. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes and the 2018 Convertible Notes was \$26.5 million, \$11.2 million, \$4.2 million and \$7.2 million, respectively, as of December 31, 2012.
- (5) Represents the aggregate principal amount outstanding less the unaccreted purchased discount. The total unaccreted purchased discount on the 2047 Notes was \$48.7 million and \$48.8 million as of March 31, 2013 and December 31, 2012.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our debt outstanding as of March 31, 2013 were 5.5% and 9.6 years, respectively and as of December 31, 2012 were 5.5% and 9.8 years, respectively. The ratio of total carrying value of debt outstanding to stockholders' equity as of March 31, 2013 and December 31, 2012 was 0.55:1.00.

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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 calculated in accordance with the Investment Company Act, is at least 200% after such borrowing. As of March 31, 2013, our asset coverage was 283%.

### ***Revolving Credit Facility***

In December 2005, we entered into the Revolving Credit Facility, which as of March 31, 2013 allowed us to borrow up to \$900 million at any one time outstanding. As of March 31, 2013, the end of the revolving period and the stated maturity date for the Revolving Credit Facility were May 4, 2015 and May 4, 2016, respectively. The Revolving Credit Facility also provides for a feature that as of March 31, 2013 allows us, under certain circumstances, to increase the size of the facility to a maximum of \$1.35 billion. As of March 31, 2013, the interest rate charged on the Revolving Credit Facility was based on LIBOR plus an applicable spread of 2.25% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.25%. Additionally, we are required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. As of March 31, 2013, there were no amounts outstanding under the Revolving Credit Facility and we were in compliance in all material respects with the terms of the Revolving Credit Facility. See "Recent Developments", as well as Note 15 to our consolidated financial statements for the three months ended March 31, 2013 for more information on a recent amendment to the Revolving Credit Facility.

### ***Revolving Funding Facility***

In October 2004, we established through our consolidated subsidiary, Ares Capital CP, the Revolving Funding Facility, which as of March 31, 2013 allowed Ares Capital CP to borrow up to \$620 million at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and its membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are April 18, 2015 and April 18, 2017, respectively. The Revolving Funding Facility also provides for a feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$865 million. The interest rate charged on the Revolving Funding Facility is one month LIBOR plus an applicable spread ranging from 2.25% to 2.50% over LIBOR and ranging from 1.25% to 1.50% over "base rate," (as defined in the agreements governing the Revolving Funding Facility) in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the facility. Additionally, we are required to pay a commitment fee of between 0.50% and 1.75% depending on the size of the unused portion of the Revolving Funding Facility. As of March 31, 2013, the principal amount outstanding under the Revolving Funding Facility was \$280.0 million and we and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

### ***SMBC Funding Facility***

In January 2012, we established through our consolidated subsidiary, ACJB, the SMBC Funding Facility, which as of March 31, 2013 allowed ACJB to borrow up to \$400 million at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 14, 2015 and September 14, 2020, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement. The interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.125% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.125%. ACJB is not required to pay a commitment fee until September 15, 2013, at which time ACJB is required to pay a commitment fee of 0.50% depending on the size of the unused portion of the

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SMBC Funding Facility. As of March 31, 2013, there were no amounts outstanding under the SMBC Funding Facility and we and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

### *Convertible Unsecured Notes*

In January 2011, we issued \$575 million aggregate principal amount of unsecured convertible senior notes that mature on February 1, 2016, unless previously converted or repurchased in accordance with their terms. In March 2011, we issued \$230 million aggregate principal amount of unsecured convertible senior notes that mature on June 1, 2016, unless previously converted or repurchased in accordance with their terms. In March 2012, we issued \$162.5 million aggregate principal amount of unsecured convertible senior notes that mature on March 15, 2017, unless previously converted or repurchased in accordance with their terms. In the fourth quarter of 2012, we issued \$270.0 million aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2018, unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Unsecured Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes and the 2018 Convertible Notes bear interest at a rate of 5.750%, 5.125%, 4.875% and 4.750%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Unsecured 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 their respective conversion rates (listed below as of March 31, 2013) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the "Convertible Unsecured Notes Indentures"). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the respective Convertible Unsecured Notes Indenture. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require us to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

Certain key terms related to the convertible features for each of the Convertible Unsecured Notes are listed below.

	<u>February 2016</u> <u>Convertible Notes</u>	<u>June 2016</u> <u>Convertible Notes</u>	<u>2017</u> <u>Convertible Notes</u>	<u>2018</u> <u>Convertible Notes</u>
Conversion premium	17.5%	17.5%	17.5%	17.5%
Closing stock price at issuance	\$16.28	\$16.20	\$16.46	\$16.91
Closing stock price date	January 19, 2011	March 22, 2011	March 8, 2012	October 3, 2012
Conversion price as of March 31, 2013 (1)	\$18.86	\$18.77	\$19.20	\$19.81
Conversion rate as of March 31, 2013 (shares per one thousand dollar principal amount) (1)	53.0167	53.2786	52.0894	50.4731
Conversion dates	August 15, 2015	December 15, 2015	September 15, 2016	July 15, 2017

- (1) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

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*Unsecured Notes*

*February 2022 Notes*

In February 2012, we issued \$143.8 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 7.00% per year and mature on February 15, 2022. The February 2022 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 at our option on or after February 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

*October 2022 Notes*

In September 2012 and October 2012, we issued \$182.5 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 5.875% per year and mature on October 1, 2022. The October 2022 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 at our option on or after October 1, 2015, at a par redemption price of \$25.00 per security plus accrued interest and unpaid interest.

*2040 Notes*

In October 2010, we issued \$200.0 million in aggregate principal amount of senior unsecured notes which bear interest at a rate of 7.75% and mature on October 15, 2040. The 2040 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 at our option on or after October 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

*2047 Notes*

As part of the Allied Acquisition, we assumed \$230.0 million aggregate principal amount of senior unsecured 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 at our option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest and upon the occurrence of certain tax events as described in the indenture governing the 2047 Notes.

As of March 31, 2013 we were in compliance in all material respects with the terms of the indentures governing the Unsecured Notes.

The Convertible Unsecured Notes and the Unsecured 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 Unsecured Notes and the Unsecured 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.

See Note 5 to our consolidated financial statements for the three months ended March 31, 2013 for more detail on the Company's debt obligations.

[Table of Contents](#)**OFF BALANCE SHEET ARRANGEMENTS**

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

As of March 31, 2013 and December 31, 2012, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) the Company's discretion:

<u>(in millions)</u>	<u>As of</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Total revolving and delayed draw commitments	\$ 517.0	\$ 466.6
Less: funded commitments	(98.5)	(107.1)
Total unfunded commitments	418.5	359.5
Less: commitments substantially at discretion of the Company	(28.2)	(6.0)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(2.2)	(0.6)
Total net adjusted unfunded revolving and delayed draw commitments	<u>\$ 388.1</u>	<u>\$ 352.9</u>

Included within the total revolving and delayed draw commitments as of March 31, 2013 were commitments to issue up to \$63.9 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 March 31, 2013, the Company had \$43.1 million in standby letters of credit issued and outstanding under these commitments 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, \$43.0 million expire in 2013 and \$0.1 million expire in 2014.

As of March 31, 2013 and December 31, 2012, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

<u>(in millions)</u>	<u>As of</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Total private equity commitments	\$ 134.7	\$ 131.0
Less: funded private equity commitments	(71.0)	(66.5)
Total unfunded private equity commitments	63.7	64.5
Less: private equity commitments substantially at discretion of the Company	(48.0)	(53.1)
Total net adjusted unfunded private equity commitments	<u>\$ 15.7</u>	<u>\$ 11.4</u>

In addition, as of March 31, 2013 and December 31, 2012, the Company had outstanding guarantees or similar obligations on behalf of certain portfolio companies totaling \$0.8 million.

In the ordinary course of business, we may sell certain of our investments to third party purchasers. In particular, in connection with the sale of certain controlled portfolio company equity investments (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.



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As of March 31, 2013, 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 March 31, 2013, there were no known issues or claims with respect to this performance guaranty.

## **RECENT DEVELOPMENTS**

In April 2013, we completed the April 2013 Offering pursuant to which we sold 19,147,500 shares of common stock at a price of \$17.43 per share to the participating underwriters. Total proceeds from the April 2013 Offering, net of estimated offering expenses payable by us, were approximately \$333.2 million.

In May 2013, we entered into an amendment to the Revolving Credit Facility. The amendment, among other things, (1) extended the end of the revolving period from May 4, 2015 to May 4, 2017, (2) extended the stated maturity date from May 4, 2016 to May 4, 2018, (3) reduced the interest rate charged from LIBOR plus an applicable spread of 2.25% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.25% to LIBOR plus an applicable spread of 2.00% or a "base rate" plus an applicable spread of 1.00% and (4) increased total commitments to \$930 million as well as provided for a feature that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,400 million.

From April 1, 2013 through May 31, 2013, we made new investment commitments of \$994 million, of which \$929 million were funded. Of these new commitments, 75% were in first lien senior secured loans, 15% were investments in subordinated certificates of the SSLP, the proceeds of which were applied to co-investments with GE to fund first lien senior secured loans through the SSLP and 10% were in second lien senior secured loans. Of the \$994 million of new investment commitments, 92% were floating rate and 8% were fixed rate. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 9.8%. We may seek to syndicate a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From April 1, 2013 through May 31, 2013, we exited \$273 million of investment commitments. Of these investment commitments, 68% were second lien senior secured loans, 27% were first lien senior secured loans, 3% were senior subordinated debt and 2% were preferred equity securities. Of the \$273 million of exited investment commitments, 68% were fixed rate, 28% were floating rate, 3% were non-interest bearing and 1% were on non-accrual status. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 10.4%. On the \$273 million of investment commitments exited from April 1, 2013 through May 31, 2013, we recognized total net realized gains of approximately \$4 million.

In addition, as of May 31, 2013, we had an investment backlog and pipeline of approximately \$355 million and \$500 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of

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the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may syndicate a portion of these investments. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

### **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 consolidated 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 (with certain de minimis exceptions) 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 registered public accounting firm reviews 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 (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), 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

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environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets 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 unrealized 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 ultimately 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.

### ***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.

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

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

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

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

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

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

### ***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 fluctuations 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.

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### ***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 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 corporate-level 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.

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

### ***Dividends to Common Stockholders***

Dividends and distributions to common stockholders are recorded on the ex-dividend 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, 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. We intend to use primarily newly issued shares to implement the dividend reinvestment plan (so long as we are trading at a premium to net asset value). 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. However, we reserve the right to issue new shares of our common stock in connection with our obligations under the dividend reinvestment plan even if our shares are trading below net asset value.

### ***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 our 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—We are exposed to risks associated with changes in interest rates."

As of March 31, 2013, approximately 14% of the investments at fair value in our portfolio bore interest at fixed rates, approximately 75% bore interest at variable rates, 10% were non-interest earning and 1% were on non-accrual status. Additionally, for the variable rate investments, 70% of these investments contained interest rate floors (representing 53% of total investments at fair value). The Facilities all bear interest at variable rates with no interest rate floors, while the Unsecured Notes and the Convertible Unsecured 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. In addition, there can be no assurance that we will be able to effectively hedge our interest rate risk.

Based on our March 31, 2013 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	\$ 72.0	\$ 8.4	\$ 63.6	
Up 200 basis points	\$ 28.8	\$ 5.6	\$ 23.2	
Up 100 basis points	\$ (12.4)	\$ 2.8	\$ (15.2)	
Down 100 basis points	\$ 4.8	\$ (0.6)	\$ 5.4	
Down 200 basis points	\$ 4.7	\$ (0.6)	\$ 5.3	
Down 300 basis points	\$ 4.7	\$ (0.6)	\$ 5.3	

Based on our December 31, 2012 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	\$ 62.8	\$ 9.0	\$ 53.8	
Up 200 basis points	\$ 22.1	\$ 6.0	\$ 16.1	
Up 100 basis points	\$ (14.8)	\$ 3.0	\$ (17.8)	
Down 100 basis points	\$ 5.8	\$ (0.6)	\$ 6.4	
Down 200 basis points	\$ 5.8	\$ (0.6)	\$ 6.4	
Down 300 basis points	\$ 5.6	\$ (0.6)	\$ 6.2	

**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 March 31, 2013. The report of our independent registered public accounting firm, KPMG LLP, on the senior securities table as of December 31, 2012, is attached as an exhibit to the registration statement of which this prospectus is a part. The "—" indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
<b>Revolving Credit Facility</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ —	\$ —	\$ —	N/A
Fiscal 2012	\$ —	\$ —	\$ —	N/A
Fiscal 2011	\$ 395,000	\$ 2,518	\$ —	N/A
Fiscal 2010	\$ 146,000	\$ 3,213	\$ —	N/A
Fiscal 2009	\$ 474,144	\$ 2,298	\$ —	N/A
Fiscal 2008	\$ 480,486	\$ 2,205	\$ —	N/A
Fiscal 2007	\$ 282,528	\$ 2,650	\$ —	N/A
Fiscal 2006	\$ 193,000	\$ 2,638	\$ —	N/A
Fiscal 2005	\$ —	\$ —	\$ —	N/A
<b>Revolving Funding Facility</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 280,000	\$ 2,826	\$ —	N/A
Fiscal 2012	\$ 300,000	\$ 2,816	\$ —	N/A
Fiscal 2011	\$ 463,000	\$ 2,518	\$ —	N/A
Fiscal 2010	\$ 242,050	\$ 3,213	\$ —	N/A
Fiscal 2009	\$ 221,569	\$ 2,298	\$ —	N/A
Fiscal 2008	\$ 114,300	\$ 2,205	\$ —	N/A
Fiscal 2007	\$ 85,000	\$ 2,650	\$ —	N/A
Fiscal 2006	\$ 15,000	\$ 2,638	\$ —	N/A
Fiscal 2005	\$ 18,000	\$ 32,645	\$ —	N/A
Fiscal 2004	\$ 55,500	\$ 3,878	\$ —	N/A
<b>Revolving Funding II Facility</b>				
Fiscal 2009	\$ —	\$ —	\$ —	N/A
<b>SMBC Revolving Funding Facility</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ —	\$ —	\$ —	N/A
Fiscal 2012	\$ —	\$ —	\$ —	N/A
<b>Debt Securitization</b>				
Fiscal 2011	\$ 77,531	\$ 2,518	\$ —	N/A
Fiscal 2010	\$ 155,297	\$ 3,213	\$ —	N/A
Fiscal 2009	\$ 273,752	\$ 2,298	\$ —	N/A
Fiscal 2008	\$ 314,000	\$ 2,205	\$ —	N/A
Fiscal 2007	\$ 314,000	\$ 2,650	\$ —	N/A
Fiscal 2006	\$ 274,000	\$ 2,638	\$ —	N/A
<b>February 2016 Convertible Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 550,450	\$ 2,826	\$ —	N/A
Fiscal 2012	\$ 548,521	\$ 2,816	\$ —	N/A
Fiscal 2011	\$ 541,153	\$ 2,518	\$ —	N/A

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<u>Class and Year</u>	<u>Total Amount Outstanding Exclusive of Treasury Securities(1)</u>	<u>Asset Coverage Per Unit(2)</u>	<u>Involuntary Liquidating Preference Per Unit(3)</u>	<u>Average Market Value Per Unit(4)</u>
<b>June 2016 Convertible Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 219,499	\$ 2,826	\$ —	N/A
Fiscal 2012	\$ 218,761	\$ 2,816	\$ —	N/A
Fiscal 2011	\$ 215,931	\$ 2,518	\$ —	N/A
<b>2017 Convertible Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 158,534	\$ 2,826	\$ —	N/A
Fiscal 2012	\$ 158,312	\$ 2,816	\$ —	N/A
<b>2018 Convertible Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 263,139	\$ 2,826	\$ —	N/A
Fiscal 2012	\$ 262,829	\$ 2,816	\$ —	N/A
<b>2011 Notes</b>				
Fiscal 2010	\$ 296,258	\$ 3,213	\$ —	\$ 1,018
<b>2012 Notes</b>				
Fiscal 2010	\$ 158,108	\$ 3,213	\$ —	\$ 1,018
<b>February 2022 Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 143,750	\$ 2,826	\$ —	\$ 1,064
Fiscal 2012	\$ 143,750	\$ 2,816	\$ —	\$ 1,035
<b>October 2022 Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 182,500	\$ 2,826	\$ —	\$ 998
Fiscal 2012	\$ 182,500	\$ 2,816	\$ —	\$ 986
<b>2040 Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 200,000	\$ 2,826	\$ —	\$ 1,070
Fiscal 2012	\$ 200,000	\$ 2,816	\$ —	\$ 1,041
Fiscal 2011	\$ 200,000	\$ 2,518	\$ —	\$ 984
Fiscal 2010	\$ 200,000	\$ 3,213	\$ —	\$ 952
<b>2047 Notes</b>				
Fiscal 2013 (as of March 31, 2013, unaudited)	\$ 181,255	\$ 2,826	\$ —	\$ 1,000
Fiscal 2012	\$ 181,199	\$ 2,816	\$ —	\$ 978
Fiscal 2011	\$ 180,988	\$ 2,518	\$ —	\$ 917
Fiscal 2010	\$ 180,795	\$ 3,213	\$ —	\$ 847

- (1) Total amount of each class of senior securities outstanding at carrying value at the end of the period presented.
- (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 February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in \$25 increments).
- (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 February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, as other senior securities are not registered for public trading. The average market value per unit for each of the 2011 Notes, the 2012 Notes, the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes is based on the average daily prices of such notes and is expressed per \$1,000 of indebtedness (including for the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in \$25 increments).



## 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 \$6.4 billion of total assets as of March 31, 2013.

We are externally managed by our investment adviser, Ares Capital Management, a wholly owned subsidiary of Ares Management, a global alternative asset manager and an SEC registered investment adviser with approximately \$59 billion of total committed capital under management as of March 31, 2013. Our administrator, Ares Operations, a wholly owned subsidiary of Ares Management, provides certain administrative and other 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 or smaller (in particular, for investments in early-stage and/or venture capital-backed) companies. 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.

We invest primarily in first lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior secured 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 in corporate borrowers generally range between \$30 million and \$400 million each, investments in project finance/power generation projects generally range between \$10 million and \$200 million each and investments in early-stage and/or venture capital-backed companies generally range between \$1 million and \$25 million each. However, the investment sizes may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro- and macro-economic factors.

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.

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment in which we are operating. 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 (including, without limitation, to vehicles managed by our portfolio company, IHAM), 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 secured 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 rated by any rating agency.

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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), which, under the guidelines established by these entities, is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." 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 of Ares with financial sponsors, financial institutions, hedge funds and other investment firms 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 15 years and its senior partners have an average of over 23 years experience in leveraged finance, private equity, distressed debt, commercial real estate finance, investment banking and capital markets. The Company has access to Ares' investment professionals and administrative professionals, who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations. As of March 31, 2013, Ares had 232 investment professionals and 326 administrative professionals.

Since our initial public offering on October 8, 2004 through March 31, 2013, our realized gains have exceeded our realized losses by approximately \$206 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 exited investments have resulted in an aggregate cash flow realized internal rate of return to us of approximately 13% (based on original cash invested, net of syndications, of approximately \$7.0 billion and total proceeds from such exited investments of approximately \$8.5 billion). Approximately 72% of these exited investments resulted in an aggregate cash flow realized 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 a 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 rates 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.

We and GE also co-invest through an unconsolidated vehicle, the SSLP. The SSLP was initially formed in December 2007 by Allied Capital and GE to co-invest in first lien senior secured loans of middle-market companies. In October 2009, we acquired from Allied Capital subordinated certificates issued by the SSLP and management rights in respect thereto. As of March 31, 2013, the SSLP had available capital of \$9.0 billion of which approximately \$6.2 billion in aggregate principal amount was funded. As of March 31, 2013, we had agreed to make available to the SSLP approximately \$1.8 billion, of which approximately \$1.3 billion was funded. 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). As of March 31, 2013, our investment in the SSLP was approximately \$1.3 billion at fair value (including unrealized appreciation of \$24.8 million), which represented approximately 21% of our total portfolio at fair value.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured 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

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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 located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

In the first quarter of 2011, the staff of the SEC informally communicated to certain BDCs 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) under the Investment Company Act) (i.e., in a BDC's 70% basket of "qualifying assets"). Subsequently, in August 2011 the SEC issued the Concept Release which stated 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 the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company." We provided a comment letter in respect of the Concept Release and continue to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC 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), we have, solely for purposes of calculating the composition of our portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non-qualifying assets" should the Staff ultimately take an official view that 3a-7 issuers are not "eligible portfolio companies."

As of March 31, 2013, our portfolio company, IHAM, which became an SEC registered investment adviser effective March 30, 2012, managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles, which are described in more detail under "Investments—Ivy Hill Asset Management, L.P." As of March 31, 2013, IHAM had total committed capital under management of approximately \$3.3 billion, which included approximately \$0.2 billion invested by Ares Capital in IHAM. In connection with IHAM's registration as a registered investment adviser, on March 30, 2012, we received exemptive relief from the SEC allowing us to, subject to certain conditions, own directly or indirectly up to 100% of IHAM's outstanding equity interests and make additional investments in IHAM once IHAM became a registered investment adviser.

### **About Ares**

Founded in 1997, Ares is a global alternative asset manager and an SEC registered investment adviser with approximately \$59 billion of total committed capital under management and 558 employees as of March 31, 2013.

Ares specializes in originating and managing assets in the leveraged finance, commercial real estate 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' commercial real estate activities generally focus on lending to U.S. middle-market real estate projects. Ares' private equity activities generally focus on control-oriented equity investments in under-capitalized companies with capital structure issues. Ares has the ability to invest across a capital structure, from senior 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.

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The following chart shows the structure and various investment strategies of Ares as of March 31, 2013 (committed capital amounts are approximate):



Platforms	Ares Management Private Equity Group	Ares Management Capital Markets Group	Ares Management Private Debt Group	Ares Management Commercial Real Estate Group
Committed Capital	\$9 billion	\$25 billion	\$23 billion	\$2 billion
Primary Area of Focus	U.S. Flexible Capital China Growth Capital	Leveraged Loans High Yield Structured Credit Special Situations Multi-Strategy Credit Credit Opportunities	U.S. Corporate Debt Euro Corporate Debt	U.S. Real Estate Debt
Personnel	40 investment professionals	51 investment professionals	114 investment professionals	27 investment professionals
Current Portfolio	25+ companies	600+ companies	400+ companies	100+ properties

Ares is organized around four primary investment platforms: Private Equity, Capital Markets, Private Debt and Commercial Real Estate. Ares' senior partners have been working together as a group for many years and have an average of over 23 years of experience in leveraged finance, private equity, distressed debt, commercial real estate, investment banking and capital markets. They are backed by a team of 232 highly disciplined investment professionals which as of March 31, 2013 covered investments in more than 1,100 companies across over 30 industries. 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 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 74 U.S.-based investment professionals as of March 31, 2013 and led by the senior partners of the Ares Management 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 Capital Management's investment committee has eight members, including the senior partners of the Ares Management Private Debt Group, senior partners in the Ares Management Private Equity Group and a senior adviser to the Ares Management Capital Markets Group.

## MARKET OPPORTUNITY

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

- We believe that the disruption and volatility in the credit markets over the last several years has reduced capital available to certain specialty finance companies and other capital providers, causing a reduction in competition. These market conditions may continue to create opportunities to achieve attractive risk-adjusted returns.
- We believe that many commercial and investment banks 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, these lenders are limited in their ability to underwrite and hold bank loans and high yield securities for middle-market issuers as they seek to meet existing and future regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle-market companies and therefore more new-issue market opportunities for us.
- 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 having to syndicate them is a competitive advantage.
- We believe there is a large pool of un-invested 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 us.
- We believe that the scheduled expirations of reinvestment periods for a significant amount of collateralized loan obligation vehicles may reduce the amount of funding available for larger middle-market businesses over time.
- A significant volume of senior secured debt is expected to come due over the next several years and, accordingly, we believe that the volume of new financing opportunities could remain strong 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 March 31, 2013, Ares had approximately \$59 billion of total committed capital under management in the related asset classes of non-syndicated first and second lien corporate and commercial real estate loans, syndicated corporate and commercial real estate loans, high yield bonds, corporate and commercial real estate 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 us. In particular, we believe that the Ares platform provides us with 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 our 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**

The investment professionals in the Ares Management Private Debt Group and members of our investment adviser's investment committee also have significant experience investing across market cycles. This experience also provides us with a competitive advantage in identifying, originating, investing in and managing a portfolio of investments in middle-market companies.

## **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 portfolio 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.

## **Scale and Flexible Transaction Structuring**

We believe that being one of the largest BDCs makes us a more desirable and flexible capital provider, especially in competitive markets. We are flexible and have significant experience in structuring investments, including the types of investments and the terms associated with such investments. 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 a broader spectrum of 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.

## **Experience with 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 Management Private Debt Group works closely with Ares' other investment professionals. As of March 31, 2013, Ares oversaw a portfolio of investments in over 1,100 companies across over 30 industries, which provides 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 23 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;
- businesses and industries with cash flows that are dependable and predictable;
- 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 appropriate 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.

## **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." Ares Operations provides us with certain administrative and other services necessary for us to operate pursuant to our administration agreement. See "Management—Administration 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 a fund managed by Ares or any of its downstream affiliates (other than us and our downstream affiliates) currently has an investment. However, we may co-invest on a concurrent basis with funds managed by Ares or any of its downstream affiliates, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures. Certain types of co-investment transactions would only be permitted pursuant to an exemptive order from the SEC, for which we have applied. Any such order will be subject to certain terms and conditions. Further, there is no assurance that this application for exemptive relief will be granted by the SEC.

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Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant aspects. In particular, BDCs must have at least 200% asset coverage calculated pursuant to the Investment Company Act 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. Certain of our credit facilities also require that we maintain asset coverage of at least 200%.

In addition, as a consequence of our being a RIC for U.S. federal income tax purposes, as well as our status as a BDC, our asset growth is dependent on our ability to raise equity 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 a RIC and avoid corporate-level income tax. This requirement, in turn, generally prevents us from using earnings to support our operations including making new investments.

## **MARKET CONDITIONS**

Beginning in 2007, the global financial markets experienced stress, volatility, instability, illiquidity and disruption. While this volatility and disruption peaked in 2008 to 2009 and appears to have abated somewhat, 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. Given the instability in the global markets over the past several years and the uncertainty around the strength of the U. S. economic recovery, there can be no assurances that these activities will be successful since such market conditions could worsen again in the future. 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 been in a period of disruption and instability for an extended period of time. 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. Although we believe that we currently have sufficient capital to fund our investments and operations, we cannot assure you that the market pressures we may face in the future will not have a material adverse effect on our business, financial condition and results of operations.

## **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 largest investment as of March 31, 2013 was in the subordinated certificates of the SSLP. The SSLP consists of a diverse portfolio of first lien senior secured loans to 37 different borrowers as of March 31, 2013 and the portfolio companies in the SSLP are in industries similar to the companies in Ares Capital's portfolio. Our investment in the SSLP represented approximately 21% of our portfolio fair value as of March 31, 2013.

Our debt investments in corporate borrowers generally range between \$30 million and \$400 million each, investments in project finance/power generation projects generally range between



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\$10 million and \$200 million each and investments in early-stage and/or venture capital-backed companies generally range between \$1 million and \$25 million each. However, the sizes of our investments may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro- and macro-economic factors.

Our preferred and/or common equity investments 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.

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 in which we are operating. 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 expected final hold size. 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 such that we are left with a smaller investment than what was reflected in our original commitment. We may also syndicate a "first out" tranche of a loan to an investor and retain a "last out" tranche of such loan, in which case the "first out" tranche of such loan will generally receive priority with respect to payments of principal, interest and any other amounts due thereunder. 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 lien loans (including unitranche loans) and second lien secured loans. Our senior secured loans generally have terms of three to 10 years. In connection with our senior secured loans we generally receive 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 both revolving lines of credit and term loans.

Structurally, mezzanine debt usually ranks subordinate in priority of payment to senior secured loans and is often unsecured. However, mezzanine debt ranks senior to common and preferred equity in a borrowers' capital structure. Mezzanine debt investments offer lenders fixed returns in the form of interest payments and will often provide 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 secured loans, mezzanine debt generally bears a higher stated interest rate than senior secured loans. The equity co-investment and warrants (if any) associated with a mezzanine debt investment 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.

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.

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:

- Aerospace and Defense
- Automotive Services

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- Business Services
- Consumer Products
- Containers and Packaging
- Education
- Energy
- Environmental Services
- Financial Services
- Food and Beverage
- Healthcare Services
- Investment Funds and Vehicles
- Manufacturing
- Oil and Gas
- Other Services
- Restaurant and Food Services
- Retail
- Telecommunications

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

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The industrial and geographic compositions of our portfolio at fair value at March 31, 2013 and December 31, 2012 were as follows:

<b>Industry</b>	<b>As of</b>	
	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Investment Funds and Vehicles(1)	21.5%	21.7%
Healthcare Services	13.6	12.9
Education	7.9	7.8
Restaurants and Food Services	7.2	7.1
Consumer Products	6.9	6.6
Financial Services	6.7	7.3
Business Services	6.3	6.4
Other Services	5.9	6.7
Containers and Packaging	5.1	5.1
Energy	4.0	3.7
Automotive Services	3.5	3.4
Manufacturing	2.3	2.4
Aerospace and Defense	2.1	2.0
Telecommunications	1.3	1.6
Retail	0.9	1.0
Other	4.8	4.3
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

- (1) Includes the Company's investment in the SSLP, which had made first lien senior secured loans to 37 and 36 different borrowers as of March 31, 2013 and December 31, 2012, respectively. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

<b>Geographic Region</b>	<b>As of</b>	
	<b>March 31, 2013</b>	<b>December 31, 2012</b>
West	47.6%	49.1%
Midwest	19.6	19.2
Southeast	14.9	14.7
Mid Atlantic	13.3	12.8
Northeast	2.6	2.3
International	2.0	1.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Ivy Hill Asset Management, L.P.**

We have made investments in our portfolio company, IHAM, an SEC registered investment adviser, as well as in certain IHAM Vehicles. As of March 31, 2013, IHAM managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles. As of March 31, 2013, IHAM had total committed capital under management of approximately \$3.3 billion, which included approximately \$0.2 billion invested by Ares Capital in IHAM.

From time to time, IHAM or certain IHAM Vehicles may purchase investments from us or sell investments to us, in each case for a price equal to the fair market value of such investments determined at the time of such transactions.

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IHAM is party to the IHAM administration agreement with our administrator, Ares Operations. Pursuant to the IHAM administration agreement, Ares Operations provides IHAM with, among other things, office facilities, equipment, clerical, bookkeeping and record keeping services, services relating to the marketing and sale of interests in vehicles managed by IHAM, 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 Ares Operations for all of the actual costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers, employees and respective staff in performing its obligations under the IHAM administration agreement.

### **INVESTMENT SELECTION**

Ares' investment philosophy was developed over the past 23 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.

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;
- 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;

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- performing a detailed review of historical financial performance, including performance through various economic cycles, 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 available 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 Management Private Debt Group.

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.

### **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 and the closing of such transactions.

### **Debt Investments**

We invest in portfolio companies primarily in the form of first lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt. The first and second lien senior secured loans generally have terms of three to 10 years. In connection with our first and second lien senior secured loans we generally receive security interests in the assets of our portfolio companies that will serve as collateral in support of the repayment of such loans. First and second lien senior secured loans generally have floating interest rates, which may have LIBOR floors, and also may provide for some amortization of principal and excess cash flow payments, with the remaining principal balance due at maturity.

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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, with amortization of principal, if any, deferred to the later years of the mezzanine investment. 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 secured 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 secured 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 for floating rate loans, 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 over time, (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.

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

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concurrent debt investment). However, we may increase the size or change the nature of these investments.

### **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 March 31, 2013, of our 156 portfolio companies, we were entitled to board seats or board observation rights on 48% 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 initial cost basis 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 initial cost basis 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 anticipated that we will not recoup our initial cost basis and may realize a substantial loss of our initial cost basis upon exit. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company. Grades of a portfolio investment may be reduced or increased over time.

As of March 31, 2013, the weighted average grade of our portfolio was 3.0. 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

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guidance. Ares Operations may provide all or a portion of this assistance pursuant to our administration agreement, the costs of which will be reimbursed by us. We may receive fees for these services.

### **COMPETITION**

Our primary competitors include public and private funds, commercial and investment banks, commercial finance companies, other BDCs 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 we do. 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 committee and of the senior partners 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.

### **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, Ares Capital Management, and our administrator, Ares Operations, each of which is a wholly owned subsidiary of Ares Management, pursuant to the terms of our investment advisory and management agreement and our 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 of our investment portfolio are provided by investment professionals employed by Ares Capital Management. Ares Capital Management had 74 U.S.-based investment professionals as of March 31, 2013 who focus on origination, transaction development, investment and the ongoing monitoring of our investments. See "Management—Investment Advisory and Management Agreement" below. 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 our New York office space directly from a third party pursuant to a lease that expires in February 2026. We entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM sublease approximately 15% and 20%, respectively, of our New York office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under our office lease, plus certain additional costs and expenses. We have also entered into a sublease with ACREM, a wholly owned subsidiary of Ares Management, pursuant to



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which we are subleasing approximately 12% of ACREM's Chicago office space for a fixed rent equal to 12% of the basic annual rent payable by ACREM under its Chicago office lease, plus certain additional costs and expenses.

**LEGAL PROCEEDINGS**

We are party to certain lawsuits in the normal course of business. In addition, Allied Capital was involved in various legal proceedings that we assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on us in connection with our activities or 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 that these legal proceedings will materially affect our business, financial condition or results of operations.

## PORTFOLIO COMPANIES

The following table describes each of the businesses included in our portfolio and reflects data as of March 31, 2013. 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. Where we do not hold a seat on the portfolio company's board of directors, we may also receive rights to observe such board meetings.

Where we have indicated by footnote the amount of unfunded commitments to portfolio companies to fund various revolving and delayed draw senior secured and subordinated loans, such unfunded commitments are presented net of (i) standby letters of credit treated as funded commitments because they are issued and outstanding, (ii) commitments substantially at the Company's discretion and (iii) commitments that are unavailable due to borrowing base or other covenant restrictions.

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**ARES CAPITAL AND SUBSIDIARIES**  
**PORTFOLIO COMPANIES**  
**As of March 31, 2013**  
**(dollar amounts in thousands)**

Company	Business Description	Investment	Interest(1)	Maturity Date	% of Class Held at 3-31-13	Fair Value
10th Street, LLC(3)	Real estate holding company	Senior subordinated loan	8.93% Cash, 4.07% PIK	11/2/2014		\$ 25,468
5 North 11th Street Brooklyn, NY 11211		Member interest Option			10.00% 40.10%	\$ — \$ 482
Access CIG, LLC 205 Main Street, Suite E Pleasanton, CA 94566	Records and information management services provider	Senior secured loan	7.00% (Libor + 5.75%/Q)	10/5/2017		\$ 1,000
ADF Capital, Inc. & ADF Restaurant Group, LLC 165 Passaic Avenue Fairfield, NJ 07004	Restaurant owner and operator	Senior secured revolving loan Senior secured revolving loan Senior secured loan Promissory note Warrants	6.50% (Libor + 3.50%/Q) 6.50% (Base Rate + 2.50%/Q) 12.50% (Libor + 9.50%/Q) 12.00% PIK	11/27/2014 11/27/2014 11/27/2015 11/27/2016		\$ 1,468(5) \$ 50(5) \$ 20,163 \$ 19,978 87.72% \$ 2,352(2)
AGILE Fund I, LLC 4445 Willard Avenue, 11th Floor Chevy Chase, MD 20815	Investment partnership	Member interest			0.50%	\$ 27
AllBridgE Financial, LLC(4) 13760 Noel Road, Suite 1100 Dallas, TX 75240	Asset management services	Equity interests			100.00%	\$ 7,422
American Academy Holdings, LLC 2480 South 3850 West, Suite B Salt Lake City, UT 84120	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	Senior secured revolving loan Senior secured loan Senior secured loan Senior secured loan	7.25% (Base Rate + 4.00%/Q) 6.00% (Libor + 5.00%/Q) 6.00% (Libor + 5.00%/Q) 6.00% (Libor + 5.00%/Q)	3/19/2019 3/19/2019 3/19/2019 3/19/2019		\$ 4,850(6) \$ 73,322 \$ 5,985 \$ 10,331
American Broadband Communications, LLC, American Broadband Holding Company and Cameron Holdings of NC, Inc. 401 N. Tryon Street, 10th Floor Charlotte, NC 28202	Broadband communication services	Senior secured loan Senior secured loan Senior subordinated loan Senior subordinated loan Warrants Warrants	7.50% (Libor + 5.50%/Q) 12.00% Cash, 2.00% PIK 12.00% Cash, 2.00% PIK 10.00% Cash, 4.00% PIK	9/1/2013 11/7/2014 11/7/2014 11/7/2014		\$ 6,945 \$ 33,112 \$ 10,361 \$ 22,896 20.00% \$ 3,981(2) 17.00% \$ 2,106(2)
American Commercial Coatings, Inc. 2008 Cypress Street Paris, KY 40362	Real estate property	Commercial mortgage loan	8.75% (Base Rate + 1.50%/Q)	12/1/2025		\$ 2,061
Apple & Eve, LLC and US Juice Partners, LLC(3) 2 Seaview Blvd Port Washington, NY 11050	Juice manufacturer	Senior units			9.71%	\$ 5,027
Athletic Club Holdings, Inc. 5201 East Tudor Road Anchorage, AL 99507	Premier health club operator	Senior secured loan	7.25% (Libor + 6.00%/M)	3/28/2019		\$ 34,000
AWTP, LLC(4) 2080 Lunt Avenue Elk Grove Village, IL 60007	Water treatment services	Junior secured loan Junior secured loan Membership interest	10.00% 15.00% PIK	6/23/2015 6/23/2015		\$ 4,212 \$ 6,121 90.00% \$ 5,646
Batanga, Inc. 2121 Ponce de Leon Blvd., Suite 800 Coral Gables, FL 33134	Independent digital media company	Senior secured revolving loan Senior secured loan Senior secured loan	8.50% 9.60% —	10/31/2013 11/1/2016 11/1/2016		\$ 1,500(7) \$ 5,594 \$ —(8)
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			2.39%	\$ 2,483
Benihana, Inc.	Restaurant owner and	Senior secured revolving loan	—	8/21/2017		\$ —(9)

8685 Northwest 53rd Terrace Miami, FL 33166	operator	Senior secured loan	9.25% (Libor + 8.00%/Q)	2/21/2018	\$ 31,690
Bushnell Inc. 9200 Cody Overland Park, KS 66214	Sports optics manufacturer	Junior secured loan	9.00% (Libor + 7.50%/Q)	2/24/2016	\$ 48,825
		Junior secured loan	9.50% (Libor + 8.00%/Q)	2/24/2016	\$ 43,675
California Forensic Medical Group, Incorporated 300 Foam Street, Suite B Monterey, CA 93940	Correctional facility healthcare operator	Senior secured revolving loan	—	11/16/2018	\$ —(10)
		Senior secured loan	9.25% (Libor + 8.00%/Q)	11/16/2018	\$ 54,047
		Senior secured loan	—	11/16/2018	\$ —(11)

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<b>Company</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(1)</b>	<b>Maturity Date</b>	<b>% of Class Held at 3-31-13</b>	<b>Fair Value</b>
Callidus Capital Corporation(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Asset management services	Common stock			100.00%	\$ 1,735
Cambrios Technologies Corporation 930 East Arques Ave. Sunnyvale, CA 94085	Nanotechnology-based solutions for electronic devices and computers	Senior secured loan Warrants	12.00%	8/1/2015	\$ 4.88%	\$ 4,394 8(2)
Campus Management Corp. and Campus Management Acquisition Corp.(3) 350 Park Avenue, 23rd Floor New York, NY 10022	Education software developer	Preferred stock			16.75%	\$ 5,461
Capital Investments and Ventures Corp. 30151 Tomas Street, Rancho Santa Margarita, CA 92688	SCUBA diver training and certification provider	Senior secured loan Senior secured loan Senior secured loan	— 9.50% (Libor + 6.25%/Q) 8.50% (Libor + 7.25%/Q)	8/9/2018 8/9/2018 8/9/2018		\$ —(12) \$ 2,308 \$ 72,317
Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.(3) 2300 Empire Avenue, 5th Floor Burbank, CA 91504	Payroll and accounting services provider to the entertainment industry	Senior secured revolving loan Class A membership units Class A membership units	7.50% (Libor + 6.50%/Q)	12/24/2017		\$ 69,125 10.13% \$ 2,500 10.13% \$ 2,500
CCS Group Holdings, LLC 3343 Perimeter Hill Drive, Suite 300 Nashville, TN 37211	Correctional facility healthcare operator	Class A units			1.41%	\$ 1,293
Centinela Funding, LLC Two Tower Center, 11th Floor East Brunswick, NJ 08816	Solar power generation facility developer and operator	Senior secured loan	10.00% (Libor + 8.75%/Q)	11/14/2020		\$ 56,000
CFW Co-Invest, L.P. and NCP Curves, L.P. 100 Ritchie Road Waco, TX 76712	Health club franchisor	Limited partnership interest Limited partnership interest			12.24% 12.24%	\$ 4,328 \$ 1,926
Charter Baking Company, Inc. 3300 Walnut Street, Unit C Boulder, CO 80301	Baked goods manufacturer	Senior subordinated loan Preferred stock	17.50% PIK	9/6/2013		\$ 9,741 2.79% \$ 1,979
CIBT Investment Holdings, LLC 111 Huntington Ave., 30th Floor Boston, MA 02199	Expedited travel document processing services	Class A shares			1.97%	\$ 3,477
CIC Flex, LP 60 South Sixth Street, Suite 3720 Minneapolis, MN 55402	Investment partnership	Limited partnership units			14.28%	\$ 2,120
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%	12/31/2014 12/31/2016		\$ 14,000(13) \$ 32,000 100.00% \$ 14,533
CitiPostal Inc.(4) 5 North 11th Street Brooklyn, NY 11211	Document storage and management services	Senior secured revolving loan Senior secured loan Senior subordinated loan Common stock	6.50% (Base Rate + 3.25%/Q) 8.50% Cash, 5.50% PIK	12/21/2013 12/21/2013 12/21/2015		\$ 1,000(14) \$ 50,555 \$ — 63.10% \$ —
Cleveland East Equity, LLC 26300 Harvard Road Warrensville Heights, OH 44122	Hotel operator	Real estate equity interests			50.00%	\$ 4,036
Command Alkon, Inc. 1800 International Park Dr., Suite 400 Birmingham, AL 35243	Software solutions provider to the ready-mix concrete industry	Junior secured loan	9.75% (Libor + 8.50%/Q)	3/28/2018		\$ 39,130(15)
Commercial Credit Group, Inc. 121 West Trade Street, Suite 2100 Charlotte, NC 28202	Commercial equipment finance and leasing company	Senior subordinated loan	12.75%	5/10/2018		\$ 28,000
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 Senior secured loan Junior secured loan Junior secured loan Warrants Warrants	6.25% (Libor + 5.25%/Q) 7.50% (Base Rate + 4.25%/Q) 15.30% (Libor + 15.00%/Q) 15.29% (Libor + 15.00%/Q)	12/13/2014 12/13/2014 12/13/2015 12/13/2015		\$ 15,000 \$ 714 \$ 30,912 \$ 9,329 3.84% \$ —(2) 3.32% \$ —(2)



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<b>Company</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(1)</b>	<b>Maturity Date</b>	<b>% of Class Held at 3-31-13</b>	<b>Fair Value</b>	
Competitor Group, Inc. and Calera XVI, LLC 9401 Waples Street, Suite 150 San Diego, CA 92121	Endurance sports media and event operator	Senior secured revolving loan	10.00% (Base Rate + 6.75%/Q)	11/30/2018		\$ 2,350(16)	
		Senior secured revolving loan	9.00% (Libor + 7.75%/Q)	11/30/2018		\$ 900(16)	
		Senior secured loan	—	11/30/2018		\$ —(17)	
		Senior secured loan	9.00% (Libor + 7.75%/Q)	11/30/2018		\$ 54,364	
		Membership units				7.81%	\$ 2,500
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		\$ 3,226	
		Senior subordinated loan	7.50% Cash, 5.00% PIK	12/31/2014		\$ 11,284	
		Warrants				20.00%	\$ 8,804(2)
Cook Inlet Alternative Risk, LLC 10 British American Blvd. Latham, NY 12110	Risk management services	Senior subordinated loan	9.00%	9/30/2015		\$ 2,500	
Cornerstone Records Management, LLC 10440 Little Patuxent Parkway, Suite 900 Columbia, MD 21044	Physical records storage and management service provider	Senior secured revolving loan	—	8/12/2016		\$ —(18)	
		Senior secured loan	—	8/12/2016		\$ —(19)	
		Senior secured loan	12.25% (Base Rate + 9.00%/Q)	8/12/2016		\$ 17,667	
Covestia Capital Partners, LP 11111 Santa Monica Blvd, Suite 1620 Los Angeles, CA 90025	Investment partnership	Limited partnership interest			46.67%	\$ 1,170	
Crescent Hotels & Resorts, LLC and affiliates(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Hotel operator	Senior subordinated loan		9/8/2011		\$ —	
		Senior subordinated loan		6/1/2017		\$ —	
		Common equity interest				90.00%	\$ —
		Limited liability company membership interest				100.00%	\$ 194
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(3) 8901 Farrow Rd Columbia, SC 29203	Healthcare analysis services	Senior secured loan	7.75% (Libor + 6.50%/Q)	3/15/2017		\$ 14,553	
		Class A common stock				4.49%	\$ 4,931
		Class C common stock				20.00%	\$ 1,359
Distant Lands Trading Co. 801 Houser Way North Renton, WA 98055	Coffee manufacturer	Class A common stock				3.32%	\$ —
		Class A-1 common stock				7.33%	\$ —
Driven Holdings, LLC 128 S. Tryon St., Ste 900 Charlotte, NC 28202	Automotive aftermarket car care franchisor	Preferred stock				1.96%	\$ 2,742
		Common stock				1.96%	\$ 114
Dynamic India Fund IV, LLC IFS Court, Twenty Eight Cybercity, Ebene, Mauritius	Investment company	Member interest			5.44%	\$ 2,962	
Earthcolor Group, LLC 249 Pomeroy Road Parsippany, NJ 07054	Printing management services	Limited liability company interests			9.30%	\$ —	
Eckler Industries, Inc. 5200 S. Washington Ave. Titusville, FL 32780	Restoration parts and accessories provider for classic automobiles	Senior secured revolving loan	—	7/12/2017		\$ —(20)	
		Senior secured loan	7.25% (Libor + 6.00%/M)	7/12/2017		\$ 51,302	
		Senior secured loan	8.25% (Base Rate + 5.00%/Q)	7/12/2017		\$ 505	
		Series A preferred stock				5.41%	\$ 1,909
		Common stock				5.41%	\$ 64
EcoMotors, Inc. 17000 Federal Drive, Suite 200 Allen Park, MI 48101	Engine developer	Senior secured loan	10.13%	7/1/2016		\$ 5,000	
		Senior secured loan	—	10/31/2016		\$ —(21)	
		Senior secured loan	—	4/1/2017		\$ —(22)	
		Warrants				0.76%	\$ 84(2)
eInstruction Corporation 308 N. Carroll Blvd. Denton, TX 76201	Developer, manufacturer and retailer of educational products	Junior secured loan		7/2/2014		\$ —	
		Senior subordinated loan		1/2/2015		\$ —	
		Common stock				2.40%	\$ —
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation(3) 2 Lower Ragsdale Drive Monterey, CA 93940	Developer, manufacturer and retailer of educational products	Preferred stock	12.00% PIK			10.57%	\$ 12,119
		Common stock				8.47%	\$ 3,290
EquiPower Resources Holdings, LLC 100 Constitution Plaza, 10th Floor Hartford, CT 06103	Gas-fired power generation facilities operator	Junior secured loan	10.00% (Libor + 8.50%/Q)	6/21/2019		\$ 22,500	
Financial Pacific Company 3455 South 344th Way, Suite 300 Federal Way, WA 98001	Commercial finance leasing	Preferred stock	8.00% PIK			14.84%	\$ 14,065
		Common stock				14.84%	\$ —





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Fulton Holdings Corp. 5950 Fulton Industrial Blvd Atlanta, GA 30336	Airport restaurant operator	Senior secured loan Common stock	12.50%	5/28/2016	2.16%	\$ 40,000 \$ 1,985
Genomatica, Inc. 10520 Wateridge Circle San Diego, CA 92121	Chemical company that is developing a biotechnology platform for the production of basic and intermediate chemical products through a proprietary fermentation-based manufacturing process	Senior secured loan Warrants	9.26%	10/1/2016	0.50%	\$ 1,500(23) \$ 45(2)
Geotrace Technologies, Inc. 1011 Highway 6 South, Suite 220 Houston, TX 77077	Reservoir processing and development	Warrants Warrants			62.97% 50.76%	\$ —(2) \$ 1,892(2)
Gilchrist & Soames, Inc. 1535 E. Naomi Street PO Box 33806 Indianapolis, IN 46203	Personal care manufacturer	Senior secured revolving loan Senior secured loan	6.25% (Libor + 5.00%/M) 13.44% Cash, 2.00% PIK	10/5/2013 10/5/2013		\$ 9,200(24) \$ 20,619
Gordian Acquisition Corp. 950 Third Avenue, 17th Floor New York, NY 10022	Financial services firm	Common stock			5.00%	\$ —
HCI Equity, LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Member interest			100.00%	\$ 426
HCP Pro, Inc. and HCP Acquisition Holdings, LLC(4) 600 Fifth Avenue, 17th Floor New York, NY 10020	Healthcare compliance advisory services	Senior subordinated loan Class A units		8/8/2014	30.34%	\$ 5,500 \$ —
Hojeij Branded Foods, Inc. 12700 Spine Rd SW Atlanta, GA 30320	Airport restaurant operator	Senior secured revolving loan Senior secured loan Senior secured loan Warrants Warrants	9.00% (Libor + 8.00%/Q) 9.00% (Libor + 8.00%/Q) — 7.50% 7.50%	2/15/2017 2/15/2017 2/15/2017		\$ 1,900(25) \$ 25,600 \$ —(26) \$ 164(2) \$ 2,362(2)
Hot Light Brands, Inc.(4) 11780 Manchester Road, Suite 207 St. Louis, MO 63131	Real estate holding company	Senior secured loan Common stock		2/1/2011	100.00%	\$ 1,132 \$ —
ICSH, Inc. 1540 Greenwood Avenue Montebello, CA 90640	Industrial container manufacturer, reconditioner and servicer	Senior secured revolving loan Senior secured loan Senior secured loan	— 8.00% (Libor + 7.00%/Q) 8.04% (Libor + 7.00%/Q)	8/31/2016 8/31/2016 8/31/2016		\$ —(27) \$ 26,405(28) \$ 106,973
IfByPhone Inc. 300 W. Adams Street, Suite 900 Chicago, IL 60606	Voice-based marketing automation software provider	Senior secured revolving loan Senior secured loan Senior secured loan Warrants	— 11.00% 11.00%	10/15/2013 11/1/2015 1/1/2016		\$ —(29) \$ 2,000 \$ 1,000 0.50% \$ 88(2)
ILC Industries, LLC 105 Wilbur Place Bohemia, NY 11716	Designer and manufacturer of protective cases and technically advanced lighting systems	Senior secured loan	7.50% (Libor + 6.00%/Q)	7/11/2018		\$ 24,813
Impact Innovations Group, LLC 2500 Northwinds Parkway, Suite 200 Alpharetta, GA 30004	IT consulting and outsourcing services	Member interest			50.00%	\$ 200
Imperial Capital Group LLC 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment services	Class A common units 2006 Class B common units 2007 Class B common units			5.00% 5.00% 5.00%	\$ 18,949 \$ 4 \$ 1
Imperial Capital Private Opportunities, LP 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment partnership	Limited partnership interest			80.00%	\$ 10,037
Implus Footcare, LLC 2001 TW Alexander Drive P.O. Box 13925 Durham, NC 27709	Provider of footwear and other accessories	Preferred stock Common stock	6.00% PIK		2.58% 2.39%	\$ 4,945 \$ 24
INC Research, Inc.	Pharmaceutical and	Common stock			18.18%	\$ 996



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Infilaw Holding, LLC 1100 5th Avenue South, Suite 301 Naples, FL 34102	Operator of three for-profit law schools	Senior secured revolving loan	—	8/25/2016		\$ —(30)
		Senior secured loan	9.50% (Libor + 8.50%/Q)	8/25/2016		\$ 19,087
		Series A preferred units	9.50% (Libor + 8.50%/Q)		95.99%	\$ 124,890
		Series B preferred stock			6.67%	\$ 9,884
Insight Pharmaceuticals Corporation(3) 1170 Wheeler Way, Suite 150 Langhorne, PA 19047	OTC drug products manufacturer	Junior secured loan	13.25% (Libor + 11.75%/Q)	8/26/2017		\$ 19,310
		Class A common stock			12.60%	\$ 8,368
		Class B common stock			12.60%	\$ 8,368
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc. Calle Santa Ana 1660 Santurce, Puerto Rico 00909-2309	Private school operator	Series B preferred stock			19.59%	\$ 7,412
		Series C preferred stock			0.80%	\$ 34
		Common stock			0.83%	\$ —
Intermedix Corporation 6451 N. Federal Highway, Suite 1000 Fort Lauderdale, FL 33308	Revenue cycle management provider to the emergency healthcare industry	Junior secured loan	10.25% (Libor + 9.00%/Q)	6/27/2019		\$ 112,000
Investor Group Services, LLC (3) 2020 Front Street, Suite 100 Boston, MA 02116	Business consulting for private equity and corporate clients	Limited liability company membership interest			10.00%	\$ 805
Itel Laboratories, Inc. 6745 Phillips Industrial Boulevard Jacksonville, Florida 32256	Data services provider for building materials to property insurance industry	Senior secured revolving loan	—	6/29/2018		\$ —(31)
		Senior secured loan	6.00% (Libor + 4.75%/M)	6/29/2018		\$ 22,182
		Preferred units			1.80%	\$ 1,118
Ivy Hill Asset Management, L.P.(4) 245 Park Avenue, 44th Floor New York, NY 10167	Asset management services	Member interest			100.00%	\$ 267,839
JHP Group Holdings, Inc. 1 Upper Pond Road Morris Corporate Centre, Building D, 3rd Floor Parsippany, NJ 07054	Manufacturer of specialty pharmaceutical products	Series A preferred stock	6.00% PIK		0.92%	\$ 1,000
La Paloma Generating Company, LLC 24 Waterway Avenue, Suite 800 Houston, TX 77380	Natural gas fired, combined cycle plant operator	Junior secured loan	10.25% (Libor + 8.75%/Q)	8/27/2018		\$ 68,000
Lakeland Tours, LLC 218 West Water Street, Suite 400 Charlottesville, VA 22902	Educational travel provider	Senior secured revolving loan	—	12/31/2016		\$ —(32)
		Senior secured loan	9.25% (Libor + 8.25%/Q)	12/31/2016		\$ 99,188
		Senior secured loan	5.25% (Libor + 4.25%/Q)	12/31/2016		\$ 10,560
		Common stock			3.53%	\$ 4,892
Lighting Science Group Corporation 1227 South Patrick Drive, Building 2A Satellite Beach, FL 32937	Designer, developer and manufacturer of advanced lighting products	Letter of credit facility	—	2/20/2014		\$ —(33)
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	—	3/16/2018		\$ —(34)
		Senior secured loan	9.75% (Libor + 8.75%/Q)	3/16/2018		\$ 62,447
		Senior secured loan	9.75% (Libor + 8.75%/Q)	3/16/2018		\$ 70,249
Massage Envy, LLC 14350 N. 87 <sup>th</sup> Street Suites 200, 205 and 230 Scottsdale, AZ 85260	Franchiser in the massage industry	Senior secured revolving loan	—	9/26/2018		\$ —(35)
		Senior secured loan	8.50% (Libor + 7.25%/Q)	9/26/2018		\$ 79,987
		Common stock			1.66%	\$ 3,322
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp. 8515 E. Anderson Dr. Scottsdale, AZ 85255	Developer and marketer of over-the-counter healthcare products	Senior secured revolving loan	13.00% (Libor + 12.00%/Q)	6/30/2016		\$ 1,900(36)
		Senior secured loan	13.00% (Libor + 12.00%/Q)	6/30/2016		\$ 36,085
		Warrants			4.56%	\$ —(2)
		Warrants			5.00%	\$ 891(2)
McKenzie Sports Products, LLC 1910 Saint Luke's Church Road Salisbury, NC 28146	Designer, manufacturer and distributor of taxidermy forms and supplies	Senior secured revolving loan	—	3/30/2017		\$ —(37)
		Senior secured loan	7.75% (Base Rate + 4.50%/Q)	3/30/2017		\$ 776
		Senior secured loan	7.00% (Libor + 5.50%/M)	3/30/2017		\$ 20,013
Microstar Logistics LLC, Microstar Global Asset Management LLC and MStar Holding Corporation 5299 DTC Blvd., Suite 510 Greenwood Village, CO 80111	Keg management solutions provider	Junior secured loan	8.50% (Libor + 7.50%/Q)	12/14/2018		\$ 165,000
		Common stock			3.47%	\$ 5,000
Multi-Ad Services, Inc.(3) 1720 W. Detweiller Drive Peoria, IL 61615	Marketing services and software provider	Preferred units			13.95%	\$ 2,043
		Common units			7.48%	\$ —



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MVL Group, Inc.(4) 1061 E. Indiantown Road, Suite 300 Jupiter, FL 33477	Marketing research provider	Senior secured revolving loan Senior subordinated loan Junior subordinated loan Common stock	4.80% (Libor + 4.50%/Q)	6/30/2012 7/8/2012 7/8/2012		\$ 806(38) \$ 7,216 \$ — 56.10% \$ —
MW Dental Holding Corp. 680 Hehli Way PO Box 69 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		\$ 3,500(39) \$ 113,889(40)
MWI Holdings, Inc. 101 Godfrey Street P.O. Box 7008 Logansport, IN 46947	Provider of engineered springs, fasteners, and other precision components	Senior secured loan	9.38% (Libor + 8.13%/Q)	3/27/2019		\$ 48,274
Napa Management Services Corporation 68 South Service Road, Suite 350 Melville, NY 11747	Anesthesia management services provider	Senior secured revolving loan Senior secured loan Senior secured loan Common units	— 6.50% (Libor + 5.25%/Q) 6.50% (Libor + 5.25%/Q)	4/15/2018 4/15/2018 4/15/2018		\$ —(41) \$ 11,369 \$ 45,823 8.90% \$ 6,324
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%/M) 10.00% (Libor + 9.00% Cash, 1.00% PIK /Q) 10.00% (Base Rate + 9.00% Cash, 1.00% PIK /Q)	10/31/2013 10/31/2013 10/31/2013 10/31/2013		\$ 913(42) \$ 26(42) \$ 6,903 \$ 349 5.17% \$ —
NComputing, Inc. 3979 Freedom Circle, Suite 600 Santa Clara, CA 95054	Desktop virtualization hardware and software technology service provider	Senior secured revolving loan Senior secured loan Warrants	— 10.50%	3/20/2014 7/1/2016		\$ —(43) \$ 6,500 2.02% \$ 41(2)
NetShape Technologies, Inc. 8751 Old State Road 60 Sellersburg, IN 47172	Metal precision engineered components	Senior secured revolving loan Senior secured revolving loan	7.50% (Libor + 6.50%/M) 8.75% (Base Rate + 7.50%/Q)	12/31/2014 12/31/2014		\$ 454(44) \$ 78(44)
Netsmart Technologies, Inc. and NS Holdings, Inc. 4950 College Boulevard Overland Park, KS 66211	Healthcare technology provider	Senior secured loan Senior secured loan Common stock	7.25% (Libor + 6.00%/Q) 8.25% (Base Rate + 5.00%/Q)	12/18/2017 12/18/2017		\$ 39,844(45) \$ 250(45) 1.70% \$ 3,106
NPH, Inc. 13175 Gregg Street Poway, CA 92064	Hotel property	Real estate equity interests			100.00%	\$ 6,817
Oak Parent, Inc. 425 Park 20 W Grovetown, GA 30813	Manufacturer of athletic apparel	Senior secured loan	8.00% (Libor + 7.00%/Q)	4/2/2018		\$ 50,231
OnCURE Medical Corp. 188 Inverness Drive West, Suite 650 Englewood, CO 80112	Radiation oncology care provider	Common stock			3.29%	\$ —
Orion 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)	9/30/2014 9/30/2014 9/30/2014		\$ 9,000(46) \$ 33,367 \$ 15,358 93.53% \$ — 100.00% \$ — 25.00% \$ —
OTG Management, LLC 352 Park Avenue South New York, NY 10010	Airport restaurant operator	Senior secured revolving loan Senior secured loan Senior secured loan Common units Warrants	— 8.75% (Libor + 7.25%/Q) —	12/11/2017 12/11/2017 12/11/2017		\$ —(47) \$ 25,000 \$ —(48) 4.44% \$ 1,955 7.73% \$ 4,151(2)
Panda Sherman Power, LLC	Developer and operator of	Senior secured loan	9.00% (Libor + 7.50%/Q)	9/14/2018		\$ 32,500

4100 Spring Valley Road, Suite 1001 Dallas, Texas 75244	a gas turbine power plant					
Panda Temple Power, LLC	Developer and operator of	Senior secured loan	11.50% (Libor + 10.00%/Q)	7/17/2018	\$	60,000
4100 Spring Valley Road, Suite 1001 Dallas, Texas 75244	a gas turbine power plant					
Partnership Capital Growth Fund I, L.P. One Embarcadero, Suite 3810 San Francisco, CA 94111	Investment partnership	Limited partnership interest			25.00%	\$ 4,059

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Partnership Capital Growth Investors III, L.P. One Embarcadero, Suite 3810 San Francisco, CA 94111	Investment partnership	Limited partnership interest			2.50%	\$ 2,341
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp. 720 Cool Springs Blvd., Suite 450 Franklin, TN 37067	Healthcare technology provider	Series A preferred stock Common stock			4.31% 4.31%	\$ 12,388 —
Pelican Products, Inc. 23215 Early Avenue Torrance, CA 90505	Flashlight manufacturer	Senior secured loan Junior secured loan	7.00% (Libor + 5.50%/Q) 11.50% (Libor + 10.00%/Q)	7/11/2018 6/15/2019		\$ 7,940 \$ 32,000
Performance Food Group, Inc. and Wellspring Distribution Corp. 12650 East Arapahoe Road Centennial, CO 80112	Food service distributor	Junior secured loan Junior secured loan Class A non-voting common stock	11.00% 11.00%	5/23/2015 5/23/2015		\$ 50,000 \$ 112,250 \$ 6,823
PG Mergersub, Inc. and PGA Holdings, Inc. 245 Park Avenue, 41st Floor New York, NY 10167	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Junior secured loan Preferred stock Common stock	8.25% (Libor + 7.00%/Q)	10/20/2018		\$ 45,000 0.13% \$ 14 0.13% \$ 703
PG-ACP Co-Invest, LLC 9800 De Soto Avenue Chatsworth, CA 91311	Supplier of medical uniforms, specialized medical footwear and accessories	Class A membership units			99.99%	\$ 1,665
Pillar Processing LLC and PHL Holding Co.(3) 220 Northpointe Parkway, Suite G Buffalo, NY 14228	Mortgage services	Senior secured loan Senior secured loan Class A common stock		11/20/2018 5/20/2019		\$ 6,659 \$ 494 100.00% \$ —
Piper Jaffray Merchant Banking Fund I, L.P. 800 Nicollet Mall, Suite 800 Minneapolis, MN 55402	Investment partnership	Limited partnership interest			2.00%	\$ 341
PODS Funding Corp. 5585 Rio Vista Drive Clearwater, FL 33760	Storage and warehousing	Junior subordinated loan	12.75% Cash, 2.75% PIK	5/29/2017		\$ 40,499
Powersport Auctioneer Holdings, LLC 13175 Gregg Street Poway, CA 92064	Powersport vehicle auction operator	Common units			2.38%	\$ 746
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc. 1650 Lake Cook Rd., Suite 400 Deerfield, IL 60015	Provider of highly- customized, tailored protective packaging solutions	Senior secured loan	7.75% (Libor + 6.25%/M)	3/23/2017		\$ 992
Prommis Holdings, LLC 1544 Old Alabama Road Roswell, GA 30076	Bankruptcy and foreclosure processing services	Class B common units			17.27%	\$ —
Promo Works, LLC 300 Martingale Road Schaumburg, IL 60173	Marketing services	Senior secured loan		12/23/2013		\$ 1,888
Protective Industries, Inc. dba Caplugs 2150 Elmwood Avenue Buffalo, NY 14207	Plastic protection products	Senior secured revolving loan Senior secured revolving loan Senior secured loan Senior secured loan Senior subordinated loan Preferred stock	6.25% (Base Rate + 3.00%/M) 5.75% (Libor + 4.25%/M) 5.75% (Libor + 4.25%/M) — 8.00% Cash, 7.25% PIK	5/23/2016 5/23/2016 5/23/2017 5/23/2017 5/23/2018		\$ 817(49) \$ 467(49) \$ 1,481 \$ —(50) \$ 707 2.50% \$ 5,203
PRV Aerospace, LLC 2600 94th Street SW, Suite 150 Everett, WA 98204	Aerospace precision components manufacturer	Senior secured loan Junior secured loan Junior secured loan	6.50% (Libor + 5.25%/Q) 10.50% (Libor + 9.25%/Q) 11.50% (Base Rate + 8.25%/Q)	5/9/2018 5/9/2019 5/9/2019		\$ 9,596 \$ 68,000 \$ 11,657
R2 Acquisition Corp. 207 NW Park Ave Portland, OR 97209	Marketing services	Common stock			0.33%	\$ 147





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R3 Education, Inc. and EIC Acquisitions Corp. 1750 W. Broadway St. #222 Oviedo, FL 32765	Medical school operator	Preferred stock Common membership interest Warrants			15.66% 22.19% 10.00%	\$ 1,936 \$ 29,443 \$ —(2)
Rainstor, Inc. 321 Pacific Avenue, 3rd Floor San Francisco, CA 94111	Database solution provider	Senior secured revolving loan Senior secured loan Warrants	— 11.25%	2/28/2015 4/1/2016		\$ —(51) \$ 3,000(52) \$ 89(2)
RCHP, Inc. 103 Continental Place, Suite 200  Brentwood, TN 37027	Operator of general acute care hospitals	Senior secured loan Junior secured loan	7.00% (Libor + 5.75%/Q) 11.50% (Libor + 10.00%/S)	11/4/2018 5/4/2019		\$ 9,975 \$ 65,000
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC. 809 West Hill Street Charlotte, NC 28208	Operator of municipal recycling facilities	Preferred stock			1.48%	\$ 1,946
Reed Group, Ltd. 10155 Westmoor Drive, Suite 210 Westminster, CO 80021	Medical disability management services provider	Equity interests			4.00%	\$ —
Respicardia, Inc. 12400 Whitewater Drive, Suite 150 Minnetonka, MN 55343	Developer of implantable therapies to improve cardiovascular health	Senior secured loan Warrants	11.00%	7/1/2015		\$ 5,600 \$ 30(2)
Restaurant Holding Company, LLC Carretera 165 Km 6.2 Zona Industrial Cataño Cataño, Puerto Rico 00962	Fast food restaurant operator	Senior secured loan	9.00% (Libor + 7.50%/M)	2/17/2017		\$ 70,000
S.B. Restaurant Company 14241 Firestone Blvd, Suite 315 La Mirada, CA 90638	Restaurant owner and operator	Preferred stock Warrants			2.15% 2.50%	\$ — \$ —(2)
Sage Products Holdings III, LLC 3909 Three Oaks Road Cary, IL 60013	Patient infection control and preventive care solutions provider	Junior secured loan	9.25% (Libor + 8.00%/Q)	6/13/2020		\$ 75,000
Saw Mill PCG Partners LLC 8751 Old State Road 60 Sellersburg, IN 47172	Metal precision engineered components manufacturer	Common units			66.67%	\$ —
Senior Secured Loan Fund LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Co-investment vehicle	Subordinated certificates	8.31% (Libor + 8.00%/Q)			\$1,269,667
Service King Paint & Body, LLC and SK SPV IV, LLC 808 S. Central Expressway Richardson, TX 75080	Collision repair site operators	Senior secured revolving loan Senior secured loan Senior secured loan Membership interest	— 7.25% (Libor + 6.25%/Q) 4.50% (Libor + 3.50%/Q)	8/20/2017 8/20/2017 8/20/2017		\$ —(53) \$ 127,850(54) \$ 14,775 \$ 6,819
Soteria Imaging Services, LLC(3) 9200 Leesgate Road, Suite 800 Fairfax, VA 22030	Outpatient medical imaging provider	Junior secured loan Preferred member units		11/10/2010		\$ 671 \$ —
SSH Environmental Industries, Inc. and SSH Non-Destructive Testing, Inc. 875 N. Michigan Ave., Suite 4020 Chicago, IL 60611	Magnetic sensors and supporting sensor products manufacturer	Senior secured loan Senior secured loan	9.00% (Libor + 7.50%/Q) —	12/16/2016 12/16/2016		\$ 11,504 \$ —(55)
Startec Equity, LLC(4) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Communication services	Member interest			100.00%	\$ —
Strident Holding, Inc. 950 East Paces Ferry Rd., Suite 2850 Atlanta, GA 30326	Recovery audit services provider to commercial and governmental healthcare payors	Senior secured loan	6.50% (Libor + 5.25%/M)	7/15/2018		\$ 17,865
Summit Business Media Parent Holding Company LLC 375 Park Avenue New York, NY 10152-0002	Business media consulting services	Limited liability company membership interest			22.29%	\$ 1,405

SurgiQuest, Inc. 333 Quarry Road Milford, CT 06460	Medical device manufacturer	Senior secured revolving loan	—	9/28/2014	\$	—(56)
		Senior secured loan	10.00%	10/1/2016	\$	7,000
		Senior secured loan	—	10/1/2016	\$	—(57)
		Warrants			5.21%	\$

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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	12.00% Cash, 1.50% PIK 8.00% PIK	6/29/2018	18.26%	\$ 25,497 \$ 15,245
The Step2 Company, LLC 10010 Aurora-Hudson Road Streetsboro, OH 44241	Toy manufacturer	Junior secured loan Junior secured loan Common units Warrants	10.00% 10.00% Cash, 5.00% PIK	4/13/2015 4/13/2015		\$ 25,600 \$ 27,194 \$ 7 \$ 19(2)
The Teaching Company, LLC and The Teaching Company Holdings, Inc. 4151 Lafayette Center Drive, No. 100 Chantilly, VA 20151	Education publications provider	Senior secured loan Preferred stock  Common stock	9.00% (Libor + 7.50%/Q)	3/16/2017		\$ 31,062 \$ 3,341 \$ 8
The Thymes, LLC(4) 629 9th Street SE Minneapolis, MN 55414	Cosmetic products manufacturer	Preferred units Common units	8.00% PIK		67.50% 67.50%	\$ 4,638 \$ 4,473
Things Remembered Inc. and TRM Holdings Corporation 5500 Avion Park Drive Highland Heights, OH 44143	Personalized gifts retailer	Senior secured revolving loan Senior secured loan	— 8.00% (Libor + 6.50%/Q)	5/24/2017 5/24/2018		\$ —(58) \$ 14,925
TOA Technologies, Inc. 3333 Richmond Road, Suite 420 Beachwood, OH 44122	Cloud based, mobile workforce management applications provider	Senior secured revolving loan Senior secured loan Senior secured loan Warrants	— 10.25% —	10/31/2014 11/1/2016 11/1/2016		\$ —(59) \$ 12,610 \$ —(60) \$ 677(2)
Tradesmen International, Inc. 9760 Shepard Road Macedonia, OH 44056	Construction labor support	Warrants			10.00%	\$ 9,878(2)
Tripwire, Inc. 101 SW Main St., Suite 1500 Portland, OR 97204	IT security software provider	Senior secured revolving loan Senior secured loan Class A common stock Class B common stock	— 6.00% (Libor + 4.75%/Q)	5/23/2018 5/23/2018		\$ —(61) \$ 79,800 \$ 72 \$ 7,103
TurboCombuster Technology, Inc. 3651 S.E. Commerce Avenue Stuart, FL 34997	Manufacturer of complex fabrications for the commercial aerospace, military aerospace and industrial gas turbine markets	Senior secured loan	6.00% (Base Rate + 5.00%/Q)	12/30/2017		\$ 10,000
U.S. Anesthesia Partners, Inc. 2411 Fountain View Dr., Suite 200 Houston, TX 77057	Anesthesiology service provider	Senior secured loan	6.50% (Libor + 5.50%/Q)	12/27/2018		\$ 14,962
UL Holding Co., LLC and Universal Lubricants, LLC(3) 2824 N Ohio Wichita, KS 67201	Petroleum product manufacturer	Junior secured loan Junior secured loan Junior secured loan Junior secured loan Junior secured loan Junior secured loan Class A common units Class B-5 common units Class B-4 common units Class C common units	9.17% (Libor + 7.17% Cash, 2.00% PIK /Q) 12.00% Cash, 2.00% PIK 9.16% (Libor + 7.16% Cash, 2.00% PIK /Q) 12.00% Cash, 3.00% PIK 9.18% (Libor + 7.18% Cash, 2.00% PIK /Q) 9.17% (Libor + 7.17% Cash, 2.00% PIK /Q) 12.00% Cash, 2.00% PIK	12/31/2014 12/31/2014 12/31/2014 12/31/2014 12/31/2014 12/31/2014		\$ 2,620 \$ 4,438 \$ 1,818 \$ 4,847 \$ 13,205 \$ 9,518 \$ 16,884 \$ 2 \$ 8 \$ 1 \$ 11
United Road Towing, Inc. 9550 Bernet Drive, Suite 301 Mokena, IL 60448	Towing company	Warrants			3.00%	\$ —(2)
Vantage Oncology, Inc. 1500 Rosecrans Ave, Suite 400 Manhattan Beach, CA 90266	Radiation oncology care provider	Common stock			5.67%	\$ 2,252
Venturehouse-Ciberneta	Financial settlement services	Equity interest			3.31%	\$ —

Investors, LLC  
509 Seventh Street, N.W.  
Washington, DC 20004

for intercarrier wireless  
roaming

VSC Investors LLC  
401 Vance Street  
Los Angeles, CA 90272

Investment company

Membership interest

1.95% \$ 1,197

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<b>Company</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(1)</b>	<b>Maturity Date</b>	<b>% of Class Held at 3-31-13</b>	<b>Fair Value</b>
VSS-Tranzact Holdings, LLC(3) 350 Park Avenue New York, NY 10022	Management consulting services	Common membership interest			5.98%	\$ 3,306
Wash Multifamily Laundry Systems, LLC (fka Web Services Company, LLC) 100 N. Sepulveda Blvd., 12th Floor El Segundo, CA 90245	Laundry service and equipment provider	Junior secured loan	9.75% (Libor + 8.50%/Q)	2/21/2020		\$ 78,000
Waste Pro USA, Inc 2101 West State Road 434, Suite 315 Longwood, FL 32779	Waste management services	Preferred Class A common equity		2.47%		\$ 25,139
Woodstream Corporation 69 N. Locust Street Lititz, PA 17543-1714	Pet products manufacturer	Senior secured loan Senior subordinated loan Senior subordinated loan Common stock	6.00% (Libor + 5.00%/Q) 11.00% 11.00%	8/31/2016 2/28/2017 2/28/2017		\$ 18,000 \$ 6,898 \$ 73,102 2.17% \$ 2,633
Wyle Laboratories, Inc. and Wyle Holdings, Inc. 1960 E. Grand Ave., Suite 900 El Segundo, CA 90245-5023	Provider of specialized engineering, scientific and technical services	Senior preferred stock Common stock	8.00% PIK		0.77% 0.66%	\$ 105 \$ 2,256
Young Innovations, Inc. 13705 Shoreline Court Earth City, MO 63045-1235	Dental equipment manufacturer	Senior secured revolving loan Senior secured loan	— 6.25% (Libor + 5.00%/M)	1/30/2018 1/30/2019		\$ —(62) \$ 37,143

- (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 March 31, 2013.
- (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) \$3,482 of total commitment of \$5,000 remains unfunded as of March 31, 2013.
- (6) \$150 of total commitment of \$5,000 remains unfunded as of March 31, 2013.
- (7) \$2,500 of total commitment of \$4,000 remains unfunded as of March 31, 2013.
- (8) Total delayed draw commitment of \$4,500 remains unfunded as of March 31, 2013.
- (9) Total commitment of \$3,231 remains unfunded as of March 31, 2013.
- (10) \$3,258 of total commitment of \$5,000 remains unfunded as of March 31, 2013.
- (11) Total delayed draw commitment of \$10,000 remains unfunded as of March 31, 2013.
- (12) Total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (13) \$0 of total commitment of \$20,000 remains unfunded as of March 31, 2013.
- (14) \$2,700 of total commitment of \$3,700 remains unfunded as of March 31, 2013.
- (15) Total delayed draw commitment of \$7,500 remains unfunded as of March 31, 2013.
- (16) \$500 of total commitment of \$3,750 remains unfunded as of March 31, 2013.
- (17) Total delayed draw commitment of \$12,500 remains unfunded as of March 31, 2013.
- (18) Total commitment of \$2,333 remains unfunded as of March 31, 2013.
- (19) Total delayed draw commitment of \$3,867 remains unfunded as of March 31, 2013.
- (20) Total commitment of \$7,500 remains unfunded as of March 31, 2013.
- (21) Total delayed draw commitment of \$5,000 remains unfunded as of March 31, 2013.
- (22) Total delayed draw commitment of \$5,000 remains unfunded as of March 31, 2013.

(23) Total delayed draw commitment of \$23,500 remains unfunded as of March 31, 2013.

(24) \$800 of total commitment of \$10,000 remains unfunded as of March 31, 2013.

(25) \$459 of total commitment of \$2,500 remains unfunded as of March 31, 2013.

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- (26) Total delayed draw commitment of \$21,900 remains unfunded as of March 31, 2013.
- (27) \$8,061 of total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (28) Total delayed draw commitment of \$23,750 remains unfunded as of March 31, 2013.
- (29) Total commitment of \$1,000 remains unfunded as of March 31, 2013.
- (30) \$14,132 of total commitment of \$25,000 remains unfunded as of March 31, 2013.
- (31) Total commitment of \$2,500 remains unfunded as of March 31, 2013.
- (32) \$21,127 of total commitment of \$22,500 remains unfunded as of March 31, 2013.
- (33) \$0 of total commitment of \$25,000 remains unfunded as of March 31, 2013.
- (34) Total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (35) Total commitment of \$5,000 remains unfunded as of March 31, 2013.
- (36) \$0 of total commitment of \$15,000 remains unfunded as of March 31, 2013.
- (37) Total commitment of \$3,000 remains unfunded as of March 31, 2013.
- (38) \$0 of total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (39) \$6,500 of total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (40) Total delayed draw commitment of \$10,300 remains unfunded as of March 31, 2013.
- (41) Total commitment of \$12,000 remains unfunded as of March 31, 2013.
- (42) \$2,476 of total commitment of \$4,109 remains unfunded as of March 31, 2013.
- (43) Total commitment of \$3,000 remains unfunded as of March 31, 2013.
- (44) \$441 of total commitment of \$972 remains unfunded as of March 31, 2013.
- (45) Total delayed draw commitment of \$2,905 remains unfunded as of March 31, 2013.
- (46) \$1,000 of total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (47) Total commitment of \$2,500 remains unfunded as of March 31, 2013.
- (48) Total commitment of \$22,500 remains unfunded as of March 31, 2013.
- (49) \$3,344 of total commitment of \$4,667 remains unfunded as of March 31, 2013.
- (50) Total commitment of \$4,666 remains unfunded as of March 31, 2013.
- (51) Total commitment of \$1,000 remains unfunded as of March 31, 2013.
- (52) Total delayed draw commitment of \$1,000 remains unfunded as of March 31, 2013.
- (53) Total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (54) Total delayed draw commitment of \$47,500 remains unfunded as of March 31, 2013.
- (55) Total delayed draw commitment of \$10,455 remains unfunded as of March 31, 2013.
- (56) Total commitment of \$2,000 remains unfunded as of March 31, 2013.
- (57) Total delayed draw commitment of \$2,000 remains unfunded as of March 31, 2013.
- (58) Total commitment of \$5,000 remains unfunded as of March 31, 2013.
- (59) \$2,340 of total commitment of \$4,000 remains unfunded as of March 31, 2013.
- (60) Total delayed draw commitment of \$3,000 remains unfunded as of March 31, 2013.
- (61) Total commitment of \$10,000 remains unfunded as of March 31, 2013.
- (62) Total commitment of \$2,857 remains unfunded as of March 31, 2013.

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 March 31, 2013.

### **Senior Secured Loan Fund LLC**

The Senior Secured Loan Fund LLC, or SSLP, was formed in December 2007. We and GE co-invest through the SSLP in first lien senior

secured loans of middle-market companies and, as of March 31, 2013, the SSLP had available capital of \$9.0 billion of which approximately \$6.2 billion in aggregate principal amount was funded. As of March 31, 2013, we had agreed to make available to the SSLP approximately \$1.8 billion, of which approximately \$1.3 billion was funded. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in



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respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The SSLP consists of a diverse portfolio of first lien senior secured loans to 37 different borrowers as of March 31, 2013 and the portfolio companies in the SSLP are in industries similar to the companies in Ares Capital's portfolio.

## 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 investments. The size of our board of directors is set at nine members and currently consists of four directors who are "interested persons" of Ares Capital as defined in Section 2(a)(19) of the Investment Company Act and five directors who are not such "interested persons." We refer to the directors who are non-interested persons as our "independent directors." We refer to our directors who are "interested persons" 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.

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.

### BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN OTHER OFFICERS

Name, Address and Age(1)	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships of Public or Registered Investment Companies Held by Director During Past 5 Years
<i>Independent Directors</i>					
Steve Bartlett, 65	Director	Class II Director since 2012 (term expires in 2015)	Since 2012, Mr. Bartlett has been providing strategic independent consulting services to several U.S. corporations. From 1999 to 2012, Mr. Bartlett served as President and Chief Executive Officer of the Financial Services Roundtable.	One(2)	Centene Corporation
Ann Torre Bates, 55	Director	Class I Director since 2010 (term expires in 2014)	Ms. Bates currently dedicates her time serving on boards of directors of several companies in the financial sector. From 1997 to 2012, Ms. Bates was a strategic and financial consultant, principally with respect to corporate finance matters.	One(2)	Franklin Mutual Series and Recovery Funds, Franklin Templeton Funds, the Franklin Alternative Strategic Funds, SLM Corporation (Sallie Mae) and Allied Capital Corporation
Steven B. McKeever, 52	Director	Class I Director since 2012 (term expires in 2014)	Since 1997, Mr. McKeever has been CEO of Hidden Beach Recordings, an independent record label based in Los Angeles, California.	One(2)	
Frank E. O'Bryan, 79	Director	Class III Director since 2005 (term expires in 2013)	Since 2004, Mr. O'Bryan has been retired.	One(2)	The First American Financial Corp.
Eric B. Siegel, 55	Director	Class III Director since 2004 (term expires in 2013)			