

ARES CAPITAL CORP
Form N-2/A
September 03, 2010

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As filed with the Securities and Exchange Commission on September 3, 2010

Registration No. 333-165585

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

✓ **PRE-EFFECTIVE AMENDMENT NO. 1**

o **POST-EFFECTIVE AMENDMENT NO.**

ARES CAPITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

**280 Park Avenue, 22nd Floor
Building East
New York, New York 10017**

(Address of Principal Executive Offices)

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

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Ares Capital Corporation
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New York, New York 10017
(212) 750-7300**

(Name and Address of Agent for Service)

Copies of information to:

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Proskauer Rose LLP
2049 Century Park East, 32nd Floor
Los Angeles, CA 90067-3206
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Approximate Date of Proposed Public Offering: From time to time after the effective date of this Registration Statement.

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

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

✓

when declared effective pursuant to section 8(c).

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CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
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)				
Total			\$1,000,000,000(7)	\$71,300

- (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) Previously paid.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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 \$1,000,000,000.
- (7) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed \$1,000,000,000.

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

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

Subject to Completion, dated September 3, 2010

PROSPECTUS

\$1,000,000,000

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

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

We are externally managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, a global alternative asset manager and a Securities and Exchange Commission ("SEC") registered investment adviser with approximately \$37 billion of total committed capital under management as of June 30, 2010. Ares Operations LLC, an affiliate of Ares Management LLC, provides the administrative services necessary for us to operate.

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." On September 1, 2010, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$15.15 per share. The net asset value per share of our common stock at June 30, 2010 (the last date prior to the date of this prospectus on which we determined net asset value) was \$14.11.

Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 25 of this prospectus, including the risk of leverage.

We may offer, from time to time, in one or more offerings or series, up to \$1,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, separately or as 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 offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such circumstances as the SEC may permit. This prospectus and the accompanying prospectus supplement concisely provide important information about us that you should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at www.arescapitalcorp.com. The SEC also maintains a website at www.sec.gov that contains such

information.

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

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

The date of this prospectus is _____, 2010.

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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 \$1,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, separately or as units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and the prospectus supplement together with any exhibits and the additional information described under the headings "Available Information" and "Risk Factors" before you make an investment decision.

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PROSPECTUS SUMMARY

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

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

THE COMPANY

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, 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 \$12 billion of total committed capital under management as of June 30, 2010, including available debt capacity (subject to leverage restrictions), funds co-managed by us and funds managed or sub-managed by our wholly owned portfolio company, Ivy Hill Asset Management, L.P. ("IHAM").

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

On April 1, 2010, we consummated the Allied Acquisition in an all stock merger whereby each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company. See "Risk Factors Risks Relating to Our Business We may be unable to realize the benefits anticipated by the Allied Acquisition, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits" for a description of the risks that the Company may face as a result of the Allied Acquisition.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have

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the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments have ranged between \$20 million and \$200 million each, although the investment sizes may be more or less than the targeted range. Our investment sizes are expected to grow with our capital availability.

To a lesser extent, we also make equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent loan investment). However, we may increase the size or nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. For risks relating to these investments, see "Risk Factors Risks Relating to Our Investments Investments in equity securities involve a substantial degree of risk."

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

The first and second lien senior loans generally have stated terms of three to 10 years and the mezzanine debt investments 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 securities with any maturity or duration. The debt that we invest in typically is 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). We may invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage Ares' current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 12 years and its senior principals have an average of over 20 years experience investing in senior loans, high yield bonds, mezzanine debt and private equity securities. The Company has access to the Ares staff of approximately 140 investment professionals and approximately 190 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance, operations, technology and investor relations.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. Specifically, as part of this 30% basket, we may invest in debt of middle market companies located outside of the United States, in investment funds that are operating pursuant to certain exceptions to the Investment Company Act, in advisers to similar investment funds and in debt and equity of public companies that do not meet the definition of

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eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the Investment Company Act. We expect that these public companies generally will have debt that may be non-investment grade. From time to time we may also invest in high yield bonds, which, depending on the issuer, may or may not be included in this 30% basket.

We and GE Commercial Finance Investment Advisory Services LLC also co-manage an unconsolidated senior debt fund: the Senior Secured Loan Fund LLC (formerly known as the Unitranche Fund LLC), or the "Senior Secured Loan Fund."

We also manage an unconsolidated fund, AGILE Fund I, LLC (the "AGILE Fund"), and our wholly owned subsidiary A.C. Corporation manages three unconsolidated loan funds: Emporia Preferred Funding I, Ltd., Emporia Preferred Funding II, Ltd. and Emporia Preferred Funding III, Ltd. (collectively, the "Emporia Funds").

In addition, we have made investments in our portfolio company, IHAM, which manages five unconsolidated senior debt funds, Ivy Hill Middle Market Credit Fund, Ltd. ("Ivy Hill I"), Ivy Hill Middle Market Credit Fund II, Ltd. ("Ivy Hill II"), Ivy Hill Senior Debt Fund, L.P. and related vehicles ("Ivy Hill SDF" and, together with Ivy Hill I and Ivy Hill II, the "Ivy Hill Funds"), and Knightsbridge CLO 2007-1, Ltd. and Knightsbridge CLO 2008-1, Ltd. (the "Knightsbridge Funds"), and serves as the sub-adviser/sub-manager for four others: CoLTS 2005-1 Ltd., CoLTS 2005-2 Ltd. and CoLTS 2007-1 Ltd., or collectively, the "CoLTS Funds," and FirstLight Funding I, Ltd., or "FirstLight." As of June 30, 2010, IHAM had total committed capital under management of over \$2.9 billion, which includes approximately \$0.3 billion of capital committed by Ares Capital.

About Ares

Founded in 1997, Ares is a global alternative asset manager and SEC registered investment adviser with approximately \$37 billion of total committed capital under management and over 330 employees as of June 30, 2010.

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

Ares is comprised of the following groups:

Private Debt Group. The Ares Private Debt Group manages the assets of Ares Capital, Ares Credit Strategies Fund II, L.P. and Ares' private debt middle market financing business in Europe, Ares Capital Europe ("ACE"), which together had approximately \$13 billion of committed capital under management as of June 30, 2010. The Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt, which in some cases may include an equity component. The Private Debt Group also makes equity investments in private middle market companies, usually in conjunction with loans.

Capital Markets Group. The Ares Capital Markets Group manages approximately \$18 billion of committed capital as of June 30, 2010 through a variety of funds and investment vehicles, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

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Private Equity Group. The Ares Private Equity Group manages approximately \$6 billion of committed capital as of June 30, 2010, primarily through Ares Corporate Opportunities Fund L.P., Ares Corporate Opportunities Fund II, L.P. and Ares Corporate Opportunities Fund III, L.P. (collectively referred to as "ACOF"). ACOF generally makes private equity investments in amounts substantially larger than the private equity investments anticipated to be made by the Company. In particular, the Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

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

Ares Capital Management

Ares Capital Management, our investment adviser, is served by a dedicated origination and transaction development team of approximately 65 investment professionals led by the senior partners of Ares Capital Management: Michael Arougheti, Eric Beckman, Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' entire investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares funds currently hold over 1,000 investments in over 30 different industries. Ares Capital Management's investment committee has eight members, including the senior partners of Ares Capital Management and certain Senior Partners of Ares' Capital Markets Group, Private Equity Group and the Managing Director of ACE.

MARKET OPPORTUNITY

We believe there are opportunities for us to invest in middle market companies for the following reasons:

We believe that the dislocation in the credit markets in recent years has resulted in reduced competition, a widening of interest spreads, increased fees and generally more conservative capital structures and deal terms. Although secondary loan prices have rebounded from historic lows, attractive opportunities to purchase debt in the secondary market continue to exist in certain situations.

We believe that many senior lenders have, in recent years, de-emphasized their service and product offerings to middle market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, commercial and investment banks are severely limited in their ability to underwrite new financings as they seek to replenish their capital bases and reduce leverage, resulting in opportunities for alternative funding sources.

We believe there is increased demand among private middle market companies for primary capital. Many middle market firms have faced increased difficulty raising debt in the capital markets, as commercial and investment banks are capital-constrained and largely unable to underwrite and syndicate bank loans and high yield securities, particularly for middle market issuers.

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We believe there is a large pool of uninvested private equity capital for middle market companies. 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.

We believe that as of the date of this prospectus, the recent economic downturn has resulted (and will continue to result) in defaults and covenant breaches by middle market companies, which will require new junior capital to shore up liquidity or provide new capital through restructuring.

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

COMPETITIVE ADVANTAGES

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

Existing Investment Platform

As of June 30, 2010, Ares managed approximately \$37 billion of total committed capital under management in the related asset classes of non-syndicated first and second lien senior loans, syndicated loans, high yield bonds, mezzanine debt and private equity. We believe Ares' current investment platform provides a competitive advantage in terms of access to origination and marketing activities and diligence for Ares Capital. Specifically, the Ares platform provides the Company an advantage through its deal flow generation and investment evaluation process. Ares' asset management platform also provides additional market information, company knowledge and industry insight that benefit the investment and due diligence process. Ares' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

Seasoned Management Team

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

Experience and Focus on Middle Market Companies

Ares has historically focused on investments in middle market companies and we benefit from this experience. In sourcing and analyzing deals, our investment adviser uses Ares' extensive network of relationships with intermediaries 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 long relationships. We believe this network enables us to attract well-positioned prospective portfolio company investments. Our investment adviser works closely with the Ares investment professionals, who oversee a portfolio of investments in over 1,000 companies and provide access to an extensive network of relationships and insights into industry trends and the state of the capital markets.

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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 19 years ago by its founders. Specifically, Ares Capital Management's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment, 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, Ares Capital Management'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;

cash flows that are dependable and predictable;

management teams with demonstrated track records and economic incentives;

rates of return commensurate with the perceived risks; and

securities or investments that are structured with protective terms and covenants.

Extensive Industry Focus

We 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. Since its inception in 1997, Ares investment professionals have invested in over 30 different industries. Ares investment professionals have developed long-term relationships with management teams and management consultants in these industries and have accumulated substantial information and identified potential trends within these industries. The experience of Ares' investment professionals investing across these industries throughout various stages of the economic cycle provides our investment adviser with access to market insights and investment opportunities.

Flexible Transaction Structuring

We are flexible in structuring investments, including the types of securities in which we invest and the terms associated with such investments. Our investment adviser and its affiliates have extensive experience investing in a wide variety of securities for leveraged companies with a diverse set of terms and conditions. We believe this approach and experience enables our investment adviser to identify attractive investment opportunities throughout economic cycles and across a company's capital structure so we can make investments consistent with our stated investment objective and preserve principal while seeking appropriate risk adjusted returns. In addition, we have the ability to provide "one stop" financing with the ability to invest capital across the balance sheet and hold and syndicate larger investments than many of our competitors. The ability to underwrite, syndicate and hold larger investments benefits our stockholders by (a) potentially increasing net income and earnings through syndication, (b) increasing originated deal flow flexibility, (c) broadening market relationships and deal flow, (d) allowing us to optimize our portfolio composition and (e) allowing us to provide capital to middle market companies, which we believe currently have limited access to capital from traditional lending sources. We believe that the ability to provide capital at every level provides a strong value proposition to middle market borrowers and our senior debt capabilities provide superior deal origination and relative value analysis capabilities compared to traditional "mezzanine only" lenders.

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Broad Origination Strategy

Our investment adviser focuses on self-originating most of our investments by identifying a broad array of investment opportunities across multiple channels. It also leverages off of the extensive relationships of the broader Ares platform, including relationships with the companies in the funds managed by IHAM, 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 provides us with the ability to actively manage our investments. Moreover, by leading the investment process, our investment adviser is often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. Our investment adviser also has originated substantial proprietary deal flow from middle market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

OPERATING AND REGULATORY STRUCTURE

Our investment activities are managed by Ares Capital Management and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Ares Capital Management is an investment adviser that is registered under the Investment Advisers Act of 1940, or the "Advisers Act." Under our amended and restated investment advisory and management agreement, 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."

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

MARKET CONDITIONS

Due to volatility in global markets, the availability of capital and access to capital markets has been limited over the last two years. We have responded to constraints on raising new capital by pursuing other avenues of liquidity and growth, such as adjusting the pace of our investments, becoming more selective in evaluating investment opportunities, pursuing asset sales, developing our third-party asset management capabilities and/or reinvesting the proceeds from sales of lower yielding investments into higher yielding investments. We also intend to continue pursuing opportunities to manage third-party funds. As the global liquidity situation and market conditions evolve, we will continue to monitor and adjust our approach to funding accordingly. However, given the unprecedented nature of the volatility in the global markets, there can be no assurances that these activities will be successful. While levels of market disruption and volatility have improved, there can be no assurance that they will not worsen. If they do, we could face materially higher financing costs. Consequently, our operating strategy could be materially and adversely affected.

Consistent with the volatile market conditions of the general economy, during 2008 and much of 2009, the stocks of BDCs as an industry traded at near historic lows as a result of concerns over liquidity, credit quality, leverage restrictions and distribution requirements. As a result of this market volatility, several of our peers are no longer active in the market and are winding down their investments, have defaulted on their indebtedness and/or have decreased their distributions to

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stockholders. While market conditions have improved, we cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

See "Risk Factors Risks Relating to Our Business Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States, which has had, and may in the future have, a negative impact on our business and operations."

ACQUISITION OPPORTUNITIES

We believe that the dislocation in the credit markets has created compelling risk adjusted returns in both the primary and secondary markets. Further, the current dislocation and illiquidity in the credit markets has also increased the likelihood of further consolidation in our industry. To that end, over the past 12-18 months we and our portfolio company IHAM have evaluated (and expect to continue to evaluate in the future) a number of potential strategic acquisition opportunities, including acquisitions of:

asset portfolios;

contracts to manage collateralized loan obligation, or "CLO," vehicles and other investment vehicles;

other private and public finance companies or asset managers; and

selected secondary market assets.

For example, in June 2009 our portfolio company IHAM completed the acquisition of contracts to sub-manage approximately \$770 million of middle market loan assets in three CLO vehicles managed by affiliates of Wells Fargo & Company. IHAM also acquired certain equity interests in these three CLOs. On October 30, 2009, we completed our acquisition of Allied Capital's interests in the Senior Secured Loan Fund for \$165 million in cash and on December 29, 2009, we made an incremental investment in IHAM to facilitate its acquisition of Allied Capital's management rights in respect of, and interests in, Ivy Hill SDF for approximately \$33 million in cash. On March 24, 2010, we made an incremental investment in IHAM to facilitate its acquisition of Allied Capital's management rights in respect of, and a portion of its interests in, the Knightsbridge Funds. We also acquired interests in the Knightsbridge Funds. Finally, on April 1, 2010, we consummated the Allied Acquisition, becoming the largest business development company measured by market capitalization and total portfolio companies under management as of June 30, 2010. For further discussion on these transactions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Allied Acquisition" and "Business Investments."

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

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definitive documentation for any such transaction would be executed or even if executed, that any such transaction will be consummated. In connection with evaluating potential strategic acquisition and investment transactions, we have, and may in the future, incur significant expenses for the evaluation and due diligence investigation of these potential transactions.

LIQUIDITY

We are party to a senior secured revolving credit facility (as amended and restated, the "Revolving Credit Facility") that provides for up to \$775.0 million (and, to the extent we fully exercise the "accordion" feature of this facility, \$1.05 billion) of borrowings. The Revolving Credit Facility expires on January 22, 2013.

In addition, our wholly owned subsidiary Ares Capital CP Funding LLC ("Ares Capital CP") is party to a revolving facility (as amended, the "CP Funding Facility"), which, as amended, currently provides for up to \$400.0 million of borrowings. The CP Funding Facility expires on January 22, 2013 (with two one year extension options, subject to mutual consent).

We use the term "Facilities" to refer to the Revolving Credit Facility and the CP Funding Facility.

In July 2006, through ARCC Commercial Loan Trust 2006 ("ARCC CLO"), we completed a \$400.0 million debt securitization referred to herein as the "Debt Securitization" and issued approximately \$314.0 million principal amount of asset-backed notes (including \$50.0 million revolving notes, \$35.4 million of which were drawn down as of September 1, 2010), which we refer to as the "CLO Notes," to third parties that are secured by a pool of middle market loans that were purchased or originated by the Company. We serve as the servicer to ARCC CLO. The CLO Notes mature on December 20, 2019.

On April 1, 2010, as part of the Allied Acquisition, we assumed all of Allied Capital's outstanding debt obligations, including Allied Capital's publicly issued unsecured notes: the 6.625% Notes due on July 15, 2011 (the "2011 Notes"), the 6.000% Notes due on April 1, 2012 (the "2012 Notes") and the 6.875% Notes due on April 15, 2047 (the "2047 Notes" and, together with the 2011 Notes and the 2012 Notes, the "Unsecured Notes").

As of September 1, 2010, we had \$258.0 million outstanding under the Revolving Credit Facility and \$306.1 million outstanding under the CP Funding Facility. As of September 1, 2010, we also had outstanding \$214.4 million of CLO Notes that mature on December 20, 2019 and had outstanding \$669.6 million (principal amount of \$730.5 million) of Unsecured Notes as follows: \$307.7 million (principal amount of \$314.9 million) of 2011 Notes, \$181.2 million (principal amount of \$185.6 million) of 2012 Notes and \$180.7 million (principal amount of \$230.0 million) of 2047 Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources."

RISK FACTORS

Investing in Ares Capital involves risks. The following is a summary of certain risks that you should carefully consider before investing in our securities. In addition, see "Risk Factors" beginning on page 25 for a more detailed discussion of the factors you should carefully consider before deciding to invest in our securities.

Risks Relating to Our Business

Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the

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

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

We are dependent upon Ares Capital Management's key personnel for our future success and upon their access to Ares' investment professionals.

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

We may be unable to realize the benefits anticipated by the Allied Acquisition, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits.

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

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

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

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

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

We operate in a highly competitive market for investment opportunities.

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

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

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

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

Many of our portfolio investments are not publicly traded and, as a result, there is uncertainty as to the value of our portfolio investments.

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

We may experience fluctuations in our quarterly results.

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

Changes in laws or regulations governing our operations or the operations of our portfolio companies, changes in the interpretation thereof or newly enacted legislation and regulations, such as the Dodd-Frank Act, and any failure by us or our portfolio companies

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to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

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

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

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

Risks Relating to Our Investments

Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

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

Investments in privately held middle market companies involve significant risks.

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

Investments in equity securities involve a substantial degree of risk.

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

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

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

Our portfolio companies may be highly leveraged.

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

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

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

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

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Risks Relating to Offerings Pursuant to this Prospectus

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

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

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

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

The market price of our common stock may fluctuate significantly.

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

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

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

Our stockholders will experience dilution in their ownership percentage if they do not participate in our dividend reinvestment plan.

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

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

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

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

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

OUR CORPORATE INFORMATION

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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 280 Park Avenue, 22nd Floor, Building East, New York, New York 10017, telephone number (212) 750-7300.

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OFFERINGS

We may offer, from time to time, in one or more offerings or series, up to \$1,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, 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 2010 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 7, 2010 and expiring on the earlier of the one-year anniversary of the date of the 2010 Annual Stockholders Meeting and the date of our 2011 Annual Stockholders Meeting, which is expected to be held in May 2011.

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

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

Use of proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes, among other things, (a) investing in portfolio companies in accordance with our investment objective and strategies and market conditions and (b) repaying indebtedness. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See "Use of Proceeds."
Distributions	We intend to distribute quarterly dividends to our stockholders out of assets legally available for distribution. Our quarterly dividends, if any, will be determined by our board of directors. For more information, see "Price Range of Common Stock and Distributions."
Taxation	We have elected to be treated for U.S. federal income tax purposes as a RIC. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any income and gain that we distribute to our stockholders as dividends on a timely basis. Among other things, in order to maintain our RIC status, we must meet specified income source and asset diversification requirements and distribute annually generally an amount equal to at least 90% of our investment

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Dividend reinvestment plan	<p>company taxable income, out of assets legally available for distribution. See "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC" and "Price Range of Common Stock and Distributions."</p> <p>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."</p>
The NASDAQ Global Select Market symbol	"ARCC"
Anti-takeover provisions	<p>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."</p>
Leverage	<p>We borrow funds to make additional investments. We use this practice, which is known as "leverage," to attempt to increase returns to our common stockholders, but it involves significant risks. See "Risk Factors," "Senior Securities" and "Regulation Indebtedness and Senior Securities." With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, equals at least 200% after such borrowing. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.</p>
Management arrangements	<p>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."</p>
Available information	<p>We are required to file periodic reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at www.arescapitalcorp.com. The SEC also maintains a website at www.sec.gov that contains this information.</p>

Table of Contents**FEES AND EXPENSES**

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

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid by us	(1)
Offering expenses borne by us	(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses paid by us	(4)
Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):	
Management fees	2.25%(6)
Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income, subject to certain limitations)	1.72%(7)
Interest payments on borrowed funds	2.36%(8)
Other expenses	2.33%(9)
Acquired fund fees and expenses	0.00%(10)
Total annual expenses (estimated)	8.66%(11)

-
- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load (underwriting discount or commission). Purchases of shares of our common stock on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include any sales load that stockholders may have paid in connection with their purchase of shares of our common stock.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses."
- (4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.
- (5) "Consolidated net assets attributable to common stock" equals net assets at June 30, 2010.
- (6) Our management fee is currently 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents. The 8.66% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement."
- (7) This item represents our investment adviser's incentive fees based on annualizing actual amounts earned on our pre-incentive fee net income for the six months ended June 30, 2010 and assumes that the incentive fees earned at the end of the 2010 calendar year will be based on the actual realized capital gains as of June 30, 2010, computed net of realized capital losses and unrealized capital

depreciation. It also assumes that this fee will remain constant although it is based on Ares

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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 inception, the average quarterly incentive fee payable to our investment adviser has been approximately 0.63% of our weighted net assets (2.51% on an annualized basis). For more detailed information about incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the period ended June 30, 2010.

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 2.00% quarterly (8% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our investment adviser receives no incentive fee until our net investment income equals the hurdle rate of 2.00% 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 2.50%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.50% in any calendar quarter, our investment adviser will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

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

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 8.0% of our net assets 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 an estimate of our annualized interest expense based on actual interest and credit facility expenses incurred for the six months ended June 30, 2010. During the six months ended June 30, 2010, our average borrowings were \$1,512.5 million and cash paid for interest expense was \$20.3 million. We had outstanding borrowings of \$1,307.8 million (with a carrying value of \$1,244.9 million) at June 30, 2010. This item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The prospectus supplement related to the offering of any debt securities pursuant to this prospectus will calculate this item based on the effects of our borrowings and interest costs after the issuance of such debt securities. The amount of leverage that we employ at any particular time will depend on, among other things, our board of directors' and our investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."

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- (9) Includes our overhead expenses, including payments under our administration agreement with Ares Operations based on our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement. Such expenses are estimated based on annualized "Other expenses" for the six months ended June 30, 2010. See "Management Administration Agreement." 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.
- (10) The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies in which the Company is invested as of June 30, 2010. Certain of these investment companies are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% of net profits. When applicable, fees and expenses are based on historic fees and expenses for the investment companies. For those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on average monthly net assets of \$2.0 billion for the six months ended June 30, 2010.
- (11) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies.

Example

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

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return(1)	\$ 70	\$ 207	\$ 338	\$ 643

- (1) The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a \$1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, \$80; 3 years, \$235; 5 years, \$383; and 10 years, \$720. However, cash payment of the capital incentive fee would be deferred if, during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our

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change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) was less than 8.0% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

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

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

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SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL

The following selected financial and other data for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this prospectus. The selected financial and other data for the six months ended June 30, 2010 and other quarterly financial information are derived from our unaudited financial statements, but in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA
As of and For the Six Months Ended June 30, 2010 and
As of and For the Years Ended December 31, 2009, 2008, 2007, 2006 and 2005
(dollar amounts in thousands, except per share data and as otherwise indicated)

	As of and For the Six Months Ended June 30, 2010	As of and For the Year Ended December 31, 2009	As of and For the Year Ended December 31, 2008	As of and For the Year Ended December 31, 2007	As of and For the Year Ended December 31, 2006	As of and For the Year Ended December 31, 2005
Total Investment Income	\$ 188,100	\$ 245,272	\$ 240,461	\$ 188,873	\$ 120,021	\$ 41,850
Total Expenses	106,330	111,290	113,221	94,750	58,458	14,569
Net Investment Income Before Income Taxes	81,770	133,982	127,240	94,123	61,563	27,281
Income Tax Expense (Benefit), Including Excise Tax	524	576	248	(826)	4,931	158
Net Investment Income	81,246	133,406	126,992	94,949	56,632	27,123
Gain on the acquisition of Allied Capital Corporation	\$ 195,876					
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	129,447	69,287	(266,447)	(4,117)	13,064	14,727
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ 406,569	\$ 202,693	\$ (139,455)	\$ 90,832	\$ 69,696	\$ 41,850
Per Share Data:						
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:						
Basic(1)	\$ 2.57	\$ 1.99	\$ (1.56)	\$ 1.34	\$ 1.58	\$ 1.75
Diluted(1)	\$ 2.57	\$ 1.99	\$ (1.56)	\$ 1.34	\$ 1.58	\$ 1.75
Cash Dividend Declared	\$ 0.70	\$ 1.47	\$ 1.68	\$ 1.66	\$ 1.64	\$ 1.30
Net Asset Value	\$ 14.11	\$ 11.44	\$ 11.27	\$ 15.47	\$ 15.17	\$ 15.03
Total Assets	\$ 4,073,702	\$ 2,313,515	\$ 2,091,333	\$ 1,829,405	\$ 1,347,991	\$ 613,645
Total Debt	\$ 1,244,938	\$ 969,465	\$ 908,786	\$ 681,528	\$ 482,000	\$ 18,000
Total Stockholders' Equity	\$ 2,711,273	\$ 1,257,888	\$ 1,094,879	\$ 1,124,550	\$ 789,433	\$ 569,612
Other Data:						
Number of Portfolio Companies at Period End(2)	188	95	91	78	60	38
Principal Amount of Investments Purchased	\$ 580,200	\$ 575,046	\$ 925,945	\$ 1,251,300	\$ 1,087,507	\$ 504,299
Principal Amount of Investments Acquired as part of the Allied Acquisition	\$ 1,833,766					
Principal Amount of Investments Sold and Repayments	\$ 932,900	\$ 515,240	\$ 485,270	\$ 718,695	\$ 430,021	\$ 108,415
Total Return Based on Market Value(3)	6.27%	119.91%	(45.25)%	(14.76)%	29.12%	(10.60)%
Total Return Based on Net Asset Value(4)	21.00%	17.84%	(11.17)%	8.98%	10.73%	12.04%
Weighted Average Yield of Debt and Income Producing Equity Securities at Fair Value(5):	13.39%	12.67%	12.79%	11.68%	11.95%	11.25%
Weighted Average Yield of Debt and Income Producing Equity Securities at Amortized Cost(5):	13.40%	12.08%	11.73%	11.64%	11.63%	11.40%

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

(2) Includes commitments to portfolio companies for which funding has yet to occur.

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- (3) Total return based on market value for the six months ended June 30, 2010 equals the increase of the ending market value at June 30, 2010 of \$12.53 per share over the ending market value at December 31, 2009 of \$12.45 per share, plus the declared dividends of \$0.70 per share for the six months ended June 30, 2010, divided by the market value at December 31, 2009. Total return based on market value for the year ended December 31, 2009 equals the increase of the ending market value at December 31, 2009 of \$12.45 per share over the ending market value at December 31, 2008 of \$6.33 per share plus the declared dividends of \$1.47 per share for the year ended December 31, 2009. Total return based on market value for the year ended December 31, 2008 equals the decrease of the ending market value at December 31, 2008 of \$6.33 per share over the ending market value at December 31, 2007 of \$14.63 per share plus the declared dividends of \$1.68 per share for the year ended December 31, 2008. Total return based on market value for the year ended December 31, 2007 equals the decrease of the ending market value at December 31, 2007 of \$14.63 per share over the ending market value at December 31, 2006 of \$19.11 per share plus the declared dividends of \$1.66 per share for the year ended December 31, 2007. Total return based on market value for the year ended December 31, 2006 equals the increase of the ending market value at December 31, 2006 of \$19.11 per share over the ending market value at December 31, 2005 of \$16.07 per share plus the declared dividends of \$1.64 per share for the year ended December 31, 2006. Total return based on market value for the year ended December 31, 2005 equals the decrease of the ending market value at December 31, 2005 of \$16.07 per share over the ending market value at December 31, 2004 of \$19.43 per share plus the declared dividends of \$1.30 per share for the year ended December 31, 2005. Total return based on market value is not annualized.
- (4) Total return based on net asset value for the six months ended June 30, 2010 equals the change in net asset value during the period plus the declared dividends of \$0.70 per share for the six months ended June 30, 2010, divided by the beginning net asset value at January 1, 2010. Total return based on net asset value for the year ended December 31, 2009 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.47 per share for the year ended December 31, 2009, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2008 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.68 per share for the year ended December 31, 2008, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2007 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.66 per share for the year ended December 31, 2007, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2006 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.64 per share for the year ended December 31, 2006, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2005 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.30 per share for the year ended December 31, 2005, divided by the beginning net asset value. Total return based on net asset value is not annualized.
- (5) Weighted average yield on debt and income producing equity 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 on accruing debt divided by (b) total income producing equity securities and debt at fair value. Weighted average yield on debt and income producing equity securities at amortized cost is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount on accruing debt divided by (b) total income producing equity securities and debt at amortized cost.

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

	2010			
	Q2	Q1		
Total Investment Income	\$ 121,590	\$ 66,510		
Net investment income before net realized and unrealized gain (losses) and incentive compensation	\$ 64,514	\$ 39,849		
Incentive compensation	\$ 14,973	\$ 8,144		
Net investment income before net realized and unrealized gain (losses)	\$ 49,541	\$ 31,705		
Net realized and unrealized gains (losses)	\$ 84,737	\$ 44,710		
Gain on the acquisition of Allied Capital Corporation	\$ 195,876	\$		
Net increase (decrease) in stockholders' equity resulting from operations	\$ 330,154	\$ 76,415		
Basic and diluted earnings per common share	\$ 1.73	\$ 0.61		
Net asset value per share as of the end of the quarter	\$ 14.11	\$ 11.78		

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

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

Table of Contents**UNAUDITED SELECTED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

The following tables set forth unaudited pro forma condensed consolidated statements of operations for Ares Capital and Allied Capital as a consolidated entity. The unaudited pro forma condensed consolidated operating data for the six months ended June 30, 2010 and for the year ended December 31, 2009 are presented as if the Allied Acquisition had been completed on January 1, 2010 and January 1, 2009, respectively. In the opinion of management, all adjustments necessary to reflect the effect of these transactions have been made. The Allied Acquisition was accounted for under the acquisition method of accounting as provided by ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations*.

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

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

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

	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2009
Total Investment Income	\$ 242,192	\$ 563,958
Total Expenses	139,471	373,165
Net Investment Income Before Income Taxes	102,721	190,793
Income Tax Expense	1,726	6,152
Net Investment Income	100,995	184,641
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	96,184	(507,774)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ 197,179	\$ (323,133)

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

The following selected unaudited combined pro forma per share information for the six months ended June 30, 2010 and for the year ended December 31, 2009 reflects the Allied Acquisition and related transactions as if they had occurred on January 1, 2010 and January 1, 2009, respectively.

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

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

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

	For the Six Months Ended June 30, 2010				For the Year Ended December 31, 2009			
	Ares Capital	Allied Capital	Pro forma Combined Ares Capital	Per	Ares Capital	Allied Capital	Pro forma Combined Ares Capital	Per
				Equivalent Allied Capital Share(2)				Equivalent Allied Capital Share(2)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:								
Basic	\$ 2.57	\$ (0.20)	\$ 1.05	\$ 0.34	\$ 1.99	\$ (2.91)	\$ (2.02)	\$ (0.66)
Diluted	\$ 2.57	\$ (0.20)	\$ 1.05	\$ 0.34	\$ 1.99	\$ (2.91)	\$ (2.02)	\$ (0.66)
Cash Dividends Declared(1)	\$ 0.70	\$ 0.20	\$ 0.70	\$ 0.23	\$ 1.47	\$	\$ 1.47	\$ 0.48

- (1) The cash dividends declared per share represent the actual dividends declared per share for the period presented. The pro forma combined dividends declared is the dividends per share as declared by Ares Capital.
- (2) The Allied Capital equivalent pro forma per share amount is calculated by multiplying the pro forma combined share amounts by the common stock exchange ratio of 0.325.

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RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

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

Beginning in 2007, the U.S. capital markets entered into a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While these conditions have improved, there can be no assurance that they will not worsen in the future. If these adverse market conditions return, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital in order to grow. Equity capital may be difficult to raise because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2010 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 7, 2010 and expiring on the earlier of the one-year anniversary of the date of the 2010 Annual Stockholders Meeting and the date of our 2011 Annual Stockholders Meeting, which is expected to be held in May 2011. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the Investment Company Act, must equal at least 200% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Moreover, recent market conditions have made, and may in the future make, it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Capital markets volatility also affects our investment valuations. 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 valuations.

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Given the recent extreme volatility and dislocation in the capital markets, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. As a result of the recent significant changes in the capital markets affecting our ability to raise capital, the pace of our investment activity has slowed. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

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

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

We are dependent upon Ares Capital Management's key personnel for our future success and upon their access to Ares' investment professionals.

We depend on the diligence, skill and network of business contacts of Ares Capital Management's key personnel, including its investment committee. We also depend, to a significant extent, on Ares Capital Management's access to the investment professionals of 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 Ares Capital Management's key personnel, including its investment committee. The departure of any of Ares Capital Management's key personnel, including members of its investment committee, or of a significant number of the investment professionals or partners of Ares, could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that Ares Capital Management will remain our investment adviser or that we will continue to have access to Ares' investment professionals or its information and deal flow.

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

Our ability to achieve our investment objective depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on Ares Capital Management'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 Ares Capital Management's structuring of the investment process and its ability to provide competent, attentive and efficient services to us. Our executive officers and the members of Ares Capital Management'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 Capital Management will need to hire, train, supervise and manage new employees. However, we cannot assure you that any such employees will be retained. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

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.

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We may be unable to realize the benefits anticipated by the Allied Acquisition, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits.

On April 1, 2010, we consummated the Allied Acquisition. The realization of certain benefits anticipated as a result of the Allied Acquisition will depend in part on the integration of Allied Capital's investment portfolio and business with our investment portfolio and business. There can be no assurance that Allied Capital's investment portfolio or business can be operated profitably or integrated successfully into our operations in a timely fashion, or at all. The dedication of management resources to such integration may detract attention from our day-to-day business, including new origination activity, and there can be no assurance that there will not be substantial costs associated with the transition process or other material adverse consequences to our business as a result of these integration efforts. Such effects, including, but not limited to, incurring unexpected costs or delays in connection with such integration and failure of Allied Capital's investment portfolio to perform as expected, could have a material adverse effect on our financial results.

We anticipate achieving certain cost savings and synergies from the Allied Acquisition when the two companies have fully integrated their portfolios. It is possible, however, that our estimates of these potential cost savings and synergies could be incorrect. Allied Capital had significantly higher average borrowings and cash paid for interest expense for the three months ended March 31, 2010 and the year ended December 31, 2009, as compared to Ares Capital's borrowings and interest expense. Assuming such debt remained outstanding, the combined company's annual expenses as a percentage of consolidated net assets attributable to common stock is estimated to increase for Ares Capital stockholders on a pro forma combined basis. In addition, the cost savings and synergies estimates also assume our ability to pay down or refinance certain portions of Allied Capital's debt and to combine our investment portfolio and business with Allied Capital's investment portfolio and business in a manner that permits those cost savings and synergies to be fully realized. If the estimates turn out to be incorrect or we are not able to successfully refinance or pay down certain portions of Allied Capital's debt and combine the investment portfolios and businesses of the two companies, the anticipated cost savings and synergies may not be fully realized, or realized at all, or may take longer to realize than expected.

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. Ares has elected to be treated as a RIC and operates 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 defined in the Investment Company Act, equals at least 200% immediately after such borrowing, which, in certain circumstances, may restrict our ability to borrow or issue debt securities or preferred stock. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing or issuance of debt securities or preferred stock. We cannot assure you that we will be able to maintain our current Facilities or obtain other lines of credit at all or on terms acceptable to us.

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

We may issue senior securities or borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of our assets declines, we may be unable to satisfy this test, which may prohibit us from paying dividends and could prevent us from maintaining our status as a RIC or may prohibit us from repurchasing shares of our common stock. In addition, our inability to satisfy this test could cause an event of default under our existing indebtedness. If we cannot satisfy this test, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. Accordingly, any failure to satisfy this test could have a material adverse effect on our business, financial condition or results of operations. As of June 30, 2010, our asset coverage for senior securities was 318%.

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

At our 2010 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 7, 2010 and expiring on the earlier of the one-year anniversary of the date of the 2010 Annual Stockholders Meeting and the date of our 2011 Annual Stockholders Meeting, which is expected to be held in May 2011.

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

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

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We currently borrow under our Facilities, and in the future, may borrow from or issue debt securities to banks, insurance companies, funds, institutional investors and other lenders and investors. Holders of such debt 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 without the leverage, while any decrease in our consolidated income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. There can be no assurance that a leveraging strategy will be successful.

As of June 30, 2010, we had \$357.9 million of outstanding borrowings under our Facilities, \$214.4 million in aggregate principal amount of CLO Notes and \$735.5 million in aggregate principal amount of Unsecured Notes. In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our June 30, 2010 total assets of at least 1.56%. The weighted average interest rate charged on our borrowings as of June 30, 2010 was 4.74%. We intend to continue borrowing under the Facilities in the future and we may increase the size of the Facilities or issue debt securities or other evidences of indebtedness (although there can be no assurance that we will be successful in doing so). Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.

Our Facilities, the CLO Notes and the 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 our Facilities or to add new or replacement debt facilities 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 interest rate of 4.74% as of June 30, 2010, together with (i) our total value of net assets as of June 30, 2010; (ii) \$1.24 billion debt outstanding as of June 30, 2010 and (iii) hypothetical annual returns on our portfolio of minus 15 to plus 15 percent.

Assumed Return on Portfolio (Net of Expenses)(1)	-15%	-10%	-5%	0%	5%	10%	15%
Corresponding Return to Common Stockholders(2)	-25%	-17%	-10%	-2%	5%	13%	20%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table.

(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of our assets at June 30, 2010 to obtain an assumed

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return to us. From this amount, the interest expense (calculated by multiplying the weighted average interest rate of 4.74% by the \$1.24 billion in aggregate principal amount of indebtedness) 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 June 30, 2010 to determine the "Corresponding Return to Common Stockholders."

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

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

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

restrictions on our ability to incur liens; and

maintenance of a minimum level of stockholders' equity.

As of the date of this prospectus, we are in compliance with the covenants of the Facilities, the CLO Notes and the 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, net unrealized depreciation in our portfolio may increase in the future. Any such increase could result in our inability to comply with our obligation to restrict the level of indebtedness that we are able to incur in relation to the value of our assets or to maintain a minimum level of stockholders' equity.

Accordingly, although we believe we will continue to be in compliance, there are no assurances that we will continue to comply with the covenants in the Facilities, the CLO Notes and the Unsecured Notes. Failure to comply with these covenants would result in a default under the Revolving Credit Facility, the CP Funding Facility, the CLO Notes or the Unsecured Notes, which, if we were unable to obtain a waiver from the lenders under the Revolving Credit Facility, the purchasers under the CP Funding Facility, the trustee or holders of the CLO Notes or the trustees or holders of the Unsecured Notes, respectively, could accelerate repayment under the Revolving Credit Facility, the CP Funding Facility, the CLO Notes or the Unsecured Notes, respectively, and thereby have a material adverse impact on our business, financial condition and results of operations.

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

As of June 30, 2010, we had a long-term counterparty credit rating from Standard & Poor's Ratings Service of BBB, a long-term issuer default rating from Fitch Ratings of BBB and a long-term issuer rating from Moody's Investor Service of Ba1. Interest expense on our Revolving Credit Facility and the CP Funding Facility is based on a pricing grid that fluctuates depending on our credit ratings. There can be no assurance that our ratings will be maintained. If our ratings are downgraded, our cost of borrowing will increase.

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

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

We operate in a highly competitive market for investment opportunities.

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

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer. Rather, we compete with our competitors based on our existing investment platform, seasoned management team, 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 better terms to our portfolio companies than what we may have originally anticipated, which may impact our return on these investments.

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

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

The annual distribution requirement for a RIC is satisfied if we 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. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under our indebtedness that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. In that event, the resulting corporate-level taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Because we must make distributions to our stockholders as described above, such

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amounts, to the extent a stockholder is not participating in our dividend reinvestment plan, will not be available to fund investment originations. We will be subject to corporate-level U.S. federal income tax on any undistributed income and/or gain.

To qualify as a RIC, we must also meet certain annual income source requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to (a) dispose of certain investments quickly or (b) raise additional capital to prevent the loss of RIC status. Because most of our investments are in private companies and are generally illiquid, any such dispositions may be at disadvantageous prices and may result in losses. Also, the rules applicable to our qualification as a RIC are complex with many areas of uncertainty. Accordingly, no assurance can be given that we have qualified or will qualify as a RIC. If we fail to qualify as a RIC for any reason and become subject to regular "C" corporation income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders. See "Certain Material U.S. Federal Income Tax Considerations Taxation as a RIC."

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

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

Since, in certain cases, we may recognize income before or without receiving cash representing 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 taxes. See "Certain Material U.S. Federal Income Tax Considerations Taxation as a RIC."

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. The 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 by an entity on the obligation that resulted in the accrual of such income.

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

Because preferred stock is another form of leverage and the dividends on any preferred stock we issue must be cumulative, preferred stock has the same risks to our common stockholders as borrowings. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

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

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our investment objective and rate of return on invested capital. Because we borrow money and may issue debt securities or preferred stock to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities or preferred stock and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. 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 continue to do so in the future. However, we cannot assure you that such transactions will be successful in mitigating our exposure to credit risk. Hedging transactions may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments. Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to 10 years. This means that we are subject to greater risk (other things being equal) than a fund invested solely in shorter-term securities. A decline in the prices of the debt we own could adversely affect the trading price of our shares. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

Many of our portfolio investments are not publicly traded and, as a result, there is uncertainty as to the value of our portfolio investments.

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 the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, we may use additional independent valuation firms to review our valuation of investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. The types of factors that may be considered in valuing our investments include the enterprise value of the portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ 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.

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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 may 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 and 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. For example, Messrs. Ressler, Rosenthal and Kissick each have significant responsibilities for other Ares funds. Messrs. Ressler and Rosenthal are required to devote a substantial majority of their business time, and Mr. Kissick is required to devote a majority of his business time, to the affairs of ACOF. However, Ares believes that the efforts of Messrs. Ressler, Rosenthal and Kissick relative to Ares Capital and ACOF are synergistic with and beneficial to the affairs of each of Ares Capital and ACOF.

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. We may compete with these Ares funds or other investment vehicles managed by our investment adviser and its affiliates for capital and investment opportunities. Ares Capital Management endeavors to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to Ares Capital. Nevertheless, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares Capital Management. 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, including IHAM, or among the funds they manage. We may or may not participate in investments made by funds managed by us or one or more of our controlled affiliates.

We have from time to time sold assets to certain funds managed by IHAM and, as part of our investment strategy, we may offer to sell additional assets to funds managed by us and/or one or more of our controlled affiliates or we may purchase assets from funds managed by us, IHAM and/or one or more of our controlled affiliates. In addition, funds managed by us, IHAM or one or more of our controlled affiliates 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

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independent parties, there is an inherent conflict of interest in such transactions between us, IHAM and funds managed by us or one of our controlled affiliates.

We pay management and incentive fees to Ares Capital Management, and reimburse Ares Capital Management 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 through direct investments.

Ares Capital Management's management fee is based on a percentage of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and Ares Capital Management 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 acquisitions.

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

Our investment advisory and management agreement renews for successive annual periods if approved by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our 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 Ares Capital Management 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.

Pursuant to a separate amended and restated administration agreement, referred to herein as our "administration agreement," Ares Operations, an affiliate of Ares Capital Management, furnishes us with administrative services and we pay Ares Operations at cost 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 our officers and their respective staffs.

Our portfolio company, IHAM, is party to a separate administration agreement, referred to herein as the "IHAM administration agreement," with Ares Operations, pursuant to which Ares Operations provides IHAM with the facilities and administrative services necessary for the operations of IHAM. Under the IHAM administration agreement, IHAM reimburses Ares Operations for the costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the IHAM administration agreement. Prior to entering into the IHAM administration agreement, IHAM was party to a services agreement with Ares Capital Management, pursuant to which Ares Capital Management provided similar services.

We rent office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, we have entered into a sublease with Ares Management whereby Ares Management subleases approximately 25% of the office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. Further, IHAM reimburses us for a portion of our total rent, plus certain additional costs and expenses, which corresponds to the amount of office space used by IHAM. We recently entered into a new office lease pursuant to which we will lease new office facilities from a third party and start to pay rent on the new

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office space in the first quarter of 2011. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM will sublease approximately 15% and 20%, respectively, of the new office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under the new office lease, plus certain additional costs and expenses.

As a result of the arrangements described above, there may be times when the management teams of Ares Capital Management and Ares Management have interests that differ from those of our stockholders, giving rise to a conflict.

Our stockholders may have conflicting investment, tax and other objectives with respect to their investments in us. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of our investments, the structure or the acquisition of our investments, and the timing of disposition 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 legislation and 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 at the local, state and federal 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 legislation or regulation, and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities. In particular, Title IV of the Dodd-Frank Act, the Private Fund Investment Advisers Registration Act of 2010 (the "Advisers Registration Act"), becomes effective one year after the date of enactment and eliminates the "private adviser exemption" from SEC registration currently contained in Section 203(b)(3) of the Advisers Act. This provision exempted from registration investment advisers who do not hold themselves out to the public as investment advisers and have fewer than 15 clients. As a result, many investment advisers to private funds (with some exceptions) will be required to register with the SEC and will become subject to substantial regulatory reporting and recordkeeping requirements regarding the private funds they advise.

While the impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at

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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. In particular, the Advisers Registration Act will likely require our wholly owned portfolio company, IHAM, to register as an investment adviser under the Advisers Act. This would require IHAM to comply with the regulatory restrictions and obligations imposed on registered investment advisers generally. In addition, as a BDC, we are currently restricted in our ability to invest in a registered investment adviser.

We currently intend to seek relief from the SEC to enable us to continue to invest in IHAM; however, there can be no assurance that such relief will be granted. If we are not able to obtain relief, we may not be able to make future investments in IHAM, which could harm IHAM's business and the performance of our investments in IHAM.

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 managing members, officers and employees 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 managing members, officers and employees 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 Ares Capital Management 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, net operating losses and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our manager 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

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8.0% of our net assets 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.

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

Investors in Ares Capital are not acquiring an interest in other Ares managed funds. Accordingly, we cannot assure you that Ares Capital will replicate Ares' historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by those funds.

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

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

RISKS RELATING TO OUR INVESTMENTS

Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. We may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity

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sale occurs, we use the pricing indicated by the external event to corroborate our valuation. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Unprecedented declines in prices and liquidity in the corporate debt markets resulted in significant net unrealized depreciation in our portfolio in the recent past. The effect of all of these factors on our portfolio has reduced 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 additional unrealized losses in future periods, 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.

As of the date of this prospectus, the economy recently has been in the midst of a recession and in the difficult part of a credit cycle with industry defaults increasing. Many of our portfolio companies may be materially and adversely affected by the credit cycle and, in turn, may be unable to satisfy their financial obligations (including their loans to us) over the coming months.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods if we are required to write down the values of our investments. Adverse economic conditions also may 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.

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 secured assets, 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 Sarbanes Oxley Act of 2002 and other rules that govern public companies, and we may be unable to uncover all material

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

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

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

The debt that we invest in is typically not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's). Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Our mezzanine investments may result in an above average amount of risk and volatility or loss of principal. We also invest in assets other than mezzanine investments, including first and second lien loans, high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments. These investments will entail additional risks that could adversely affect our investment returns. In addition, to the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates. Also, such debt could subject us to phantom income, and since we generally do not receive any cash prior to maturity of the debt, the investment is of greater risk.

Investments in equity securities involve a substantial degree of risk.

We may purchase common and other equity securities. Although common stocks have historically generated higher average total returns than fixed income securities over the long term, common stocks also have experienced significantly more volatility in those returns and in recent years have 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 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 in equity securities; 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 our portfolio companies. Even if the portfolio companies are 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 sell our equity investments. 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.

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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 U.S. federal income tax purposes before we receive such distributions;

preferred securities are subordinated to debt in terms of priority to corporate 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 stocks or U.S. government securities; and

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

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

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

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

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.

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

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

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

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

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

Our portfolio companies may be highly leveraged.

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

Our investment adviser's incentive fee may induce Ares Capital Management 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

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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, including investors in offerings of common stock, securities convertible into our common stock or warrants representing rights to purchase our common stock or securities convertible into our common stock pursuant to this prospectus. In addition, the 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, the 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. The 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 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 debt may involve significant risks in addition to the risks inherent in U.S. investments. We may expose ourselves to risks if we engage in hedging transactions.

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

Although most of our investments will be U.S. dollar denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that such strategies will be effective.

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

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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, 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 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 loans and mezzanine debt.

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

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

Certain agreements of Allied Capital and Ares Capital or their controlled affiliates, including with respect to certain managed funds of Allied Capital and its affiliates, may have required the consent of one or more counterparties in connection with the Allied Acquisition. The failure to obtain any such consent may permit such counter-parties to terminate, or otherwise increase their rights or our or Allied Capital's obligations under, any such agreement because the Allied Acquisition may have violated an anti-assignment, change of control or similar provision. If this happens, we may have to seek to replace that agreement with a new agreement or seek a waiver or amendment to such agreement. We cannot assure you that we will be able to replace, amend or obtain a waiver under any such agreement on comparable terms or at all.

If any such agreement is material, the failure to obtain consents, amendments or waivers under, or to replace on similar terms or at all, any of these agreements could adversely affect the

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financial performance or results of operations of the Company, including preventing us from operating a material part of Allied Capital's business.

In addition, the Allied Acquisition may have violated, conflicted with, resulted in a breach of any provision of or the loss of any benefit under, constituted a default (or an event that, with or without notice or lapse of time or both, would constitute a default) under, or resulted in the termination, cancellation, acceleration or other change of any right or obligation (including any payment obligation) under our or Allied Capital's agreements. Any such violation, conflict, breach, loss, default or other effect could, if material, either individually or in the aggregate, adversely affect our business.

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 common stock offered hereby will trade at, above, or below net asset value. 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.

There is a risk that investors in our equity securities 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 securities, which may cause a default under the terms of our debt securities. 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 securities.

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

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Ares Capital or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable

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requirements of the Investment Company Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

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

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

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

The market price of our common stock may fluctuate significantly.

The capital and credit markets have experienced a period of extreme volatility and disruption that began in 2007. The market price and liquidity of the market for shares of our common stock may 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, business development companies 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 regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;

loss of RIC status;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

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

departure of Ares Capital Management's key personnel;

operating performance of companies comparable to us;

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

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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.

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 2010 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 7, 2010 and expiring on the earlier of the one-year anniversary of the date of the 2010 Annual Stockholders Meeting and the date of our 2011 Annual Stockholders Meeting, which is expected to be held in May 2011.

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

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

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

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

Further, if current stockholders of the Company do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value per share, their voting power will be diluted. For additional information and hypothetical

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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 and our stockholders' voting interests in us 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 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 do not participate in 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 do not participate in our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

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

In order to satisfy the annual distribution requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion can be as low as 10% for our taxable years ending on or before December 31, 2011) and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would

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be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our 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, 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.

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

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FORWARD-LOOKING STATEMENTS

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

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

the return or impact of current and future investments;

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

the impact of fluctuations in interest rates on our business;

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

our ability to successfully integrate our business and Allied Capital's business;

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;

the general economy and its impact on the industries in which we invest;

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

our expected financings and investments;

our ability to successfully integrate any acquisitions;

the adequacy of our cash resources and working capital;

the timing, form and amount of any dividend distributions;

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

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

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

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

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

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

Ares Capital Corporation and Subsidiaries
Pro Forma Condensed Consolidated Statements of Operations
For the Six Months Ended June 30, 2010
Unaudited
(in thousands, except share and per share data)

	Actual Ares Capital	Actual Allied Capital	Pro Forma Adjustments	Ares Capital Pro Forma Combined
Performance Data:				
Interest and dividend income	\$ 169,531	\$ 49,461	\$ (A)	\$ 218,992
Fees and other income	18,569	4,631		23,200
Total investment income	188,100	54,092		242,192
Interest and credit facility fees	31,698	23,605	(B)	55,303
Base management fees	20,125		7,875 (C)	28,000
Incentive management fees	23,119		(D)	23,119
Other expenses	31,388	31,357	(29,696)(E)	33,049
Total expenses	106,330	54,962	(21,821)	139,471
Net investment income before taxes	81,770	(870)	21,821	102,721
Income taxes	524	1,202		1,726
Net investment income	81,246	(2,072)	21,821	100,995
Net realized gains (losses)	7,426	(71,532)		(64,106)
Net unrealized gains (losses)	122,404	40,277		162,681
Net realized and unrealized gains (losses)	129,830	(31,255)		98,575
Gain on the Allied Acquisition	195,876		(195,876)	
Gain on extinguishment of debt		4,964		4,964
Loss on extinguishment of debt	(383)	(6,972)		(7,355)
Net increase (decrease) in stockholders' equity	\$ 406,569	\$ (35,335)	\$ (174,055)	\$ 197,179
Weighted average shares outstanding	157,978,337	179,938,219	29,407,851 (F)	187,386,188
Earnings (loss) per share	\$ 2.57	\$ (0.20)	\$ (5.92)	\$ 1.05

*

Please see Note 2 of the accompanying notes to pro forma condensed consolidated financial statements on page 54.

See accompanying notes to pro forma consolidated financial statements.

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Ares Capital Corporation and Subsidiaries
Pro Forma Condensed Consolidated Statements of Operations
For the Year Ended December 31, 2009
Unaudited
(in thousands, except share and per share data)

	Actual Ares Capital	Actual Allied Capital	Pro Forma Adjustments	Ares Capital Pro Forma Combined
Performance Data:				
Interest and dividend income	\$ 229,169	\$ 290,986	\$ (A)	\$ 520,155
Fees and other income	16,103	27,700		43,803
Total investment income	245,272	318,686		563,958
Interest and credit facility fees	24,262	171,068	(B)	195,330
Base management fees	30,409		43,039 (C)	73,448
Incentive management fees	33,332		(D)	33,332
Other expenses	23,287	86,479	(38,711)(E)	71,055
Total expenses	111,290	257,547	4,328	373,165
Net investment income before taxes	133,982	61,139	(4,328)	190,793
Income taxes	576	5,576		6,152
Net investment income	133,406	55,563	(4,328)	184,641
Net realized gains (losses)	(45,963)	(361,128)		(407,091)
Net unrealized gains (losses)	88,707	(176,689)		(87,982)
Net realized and unrealized gains (losses)	42,744	(537,817)		(495,073)
Gain on extinguishment of debt	26,543	83,532		110,075
Loss on extinguishment of debt		(122,776)		(122,776)
Net increase (decrease) in stockholders' equity	\$ 202,693	\$ (521,498)	\$ (4,328)	\$ (323,133)
Weighted average shares outstanding	101,719,800	178,994,228	58,492,537 (F)	160,212,337
Earnings (loss) per share	\$ 1.99	\$ (2.91)	\$ (0.07)	\$ (2.02)

*

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Please see Note 2 of the accompanying notes to pro forma condensed consolidated financial statements on page 54.

See accompanying notes to pro forma consolidated financial statements.

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Ares Capital Corporation and Subsidiaries
Notes to Pro Forma Condensed Consolidated Statements of Operations
Unaudited
(In thousands, except share and per share data unless otherwise stated)

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma condensed consolidated statements of operations related to the merger are included for the six months ended June 30, 2010 and for the year ended December 31, 2009. On October 26, 2009, we entered into a definitive agreement to acquire Allied Capital in an all stock transaction (the "Allied Acquisition"). On April 1, 2010, we completed the Allied Acquisition by acquiring the outstanding shares of Allied Capital in exchange for shares of our common stock in a transaction valued at approximately \$908 million as of the closing date. Concurrently with the completion of the Allied Acquisition, we assumed and then repaid in full the \$137 million of remaining amounts outstanding on Allied Capital's \$250 million senior secured term loan. We also assumed all of Allied Capital's other outstanding debt obligations, including approximately \$745 million in principal amount of Allied Capital's Unsecured Notes.

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

The Allied Acquisition was accounted for in accordance with the acquisition method of accounting as detailed in ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations*. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity based on their fair values as of the date of acquisition. As described in more detail in ASC 805-10, if the total acquisition date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred, the excess will be recognized as a gain. Upon completion of our determination of the fair value of Allied Capital's identifiable net assets as of April 1, 2010, the fair value of such net assets exceeded the fair value of the consideration transferred, thereby, resulting in the recognition of a gain. The valuation of the investments acquired as part of the Allied Acquisition was done in accordance with Ares Capital's valuation policy (see Notes 2 and 8 to the consolidated financial statements as of and for the period ended June 30, 2010).

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

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

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

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

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

2. PRO FORMA ADJUSTMENTS

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

- A. The purchase price of certain investments in debt securities being acquired from Allied Capital was determined by Ares Capital to be less than the expected recovery value of such investments. In accordance with GAAP, subsequent to April 1, 2010, Ares Capital will record the accretion to the expected recovery value in interest income over the remaining term of the investment. Other than what was included in the actual results for Ares Capital for the six months ended June 30, 2010, interest income has not been adjusted to reflect the accretion to the expected recovery value for the periods presented. The accretion for the first 12 months subsequent to April 1, 2010 is estimated to be approximately \$12 million. However, there can be no assurance that such accretion will be more or less than such estimate.
- B. The fair value of the outstanding debt assumed from Allied Capital was determined by Ares Capital to be below the face amount of such debt. In accordance with GAAP, subsequent to

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April 1, 2010, Ares Capital will record accretion to the face amount in interest expense over the remaining term of the debt. Other than what was included in the actual results for Ares Capital for the six months ended June 30, 2010, interest expense has not been adjusted to reflect the accretion to the face value for the periods presented. The accretion for the first 12 months subsequent to April 1, 2010 is estimated to be approximately \$11 million. However, there can be no assurance that such accretion will be more or less than such estimate.

- C. Base management fees were computed based on 1.5% of average total assets other than cash and cash equivalents but including assets purchased with borrowed funds per Ares Capital's investment advisory and management agreement with Ares Capital Management.
- D. Incentive management fees were recomputed based on the formula in Ares Capital's investment advisory and management agreement with Ares Capital Management.
- E. Adjustments to other expenses were made to reflect compensation costs for Allied Capital's employees that would have been covered by the base management fees paid to Ares Capital Management and therefore not incurred by Ares Capital. Additionally, all stock option costs were excluded as such costs would not exist at Ares Capital as there is no stock option plan maintained by Ares Capital. Payments of stock option costs to employees would have been similarly incurred by Ares Capital in the form of incentive management fees paid to Ares Capital Management. Lastly, any actual costs incurred related to the merger and subsequent combination, primarily various transaction costs, were also excluded.
- F. Weighted average shares for the six months ended June 30, 2010 and for the year ended December 31, 2009 have been adjusted to reflect the following:

	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2009
Ares Capital weighted average shares outstanding	157,978,337	101,719,800
Estimated additional weighted average shares outstanding as a result of the Allied Acquisition	29,407,851	58,492,537
Ares Capital adjusted weighted average shares outstanding	187,386,188	160,212,337

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USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective and strategies and market conditions. We also expect to use the net proceeds of an offering to repay or repurchase outstanding indebtedness, including indebtedness under (a) the Revolving Credit Facility (\$258.0 million outstanding as of September 1, 2010), (b) the CP Funding Facility (\$306.1 million outstanding as of September 1, 2010), (c) the CLO Notes under the Debt Securitization (\$214.4 million of CLO Notes outstanding as of September 1, 2010) and (d) the Unsecured Notes (\$669.6 million of Unsecured Notes outstanding as of September 1, 2010). The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six month) plus an applicable spread of between 2.50% and 4.00%. As of September 1, 2010, the one, two, three and six month LIBOR were 0.26%, 0.27%, 0.30% and 0.50%, respectively, and the effective LIBOR spread was 3.00%. The Revolving Credit Facility expires on January 22, 2013. Subject to certain exceptions, the interest charged on the CP Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a "base rate" (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case based on a pricing grid depending upon the credit rating of the Company. The effective LIBOR spread under the CP Funding Facility on September 1, 2010 is 2.75%. The CP Funding Facility is scheduled to expire on January 22, 2013 (subject to two one-year extension options exercisable upon mutual consent). As of September 1, 2010, the blended pricing of the CLO Notes, excluding fees, was approximately three-month LIBOR plus 0.33%. The CLO Notes mature on December 20, 2019. The interest charged on the Unsecured Notes is as follows: (a) 6.625%, in the case of the 2011 Notes, (b) 6.000%, in the case of the 2012 Notes, and (c) 6.875%, in the case of the 2047 Notes. The 2011 Notes, 2012 Notes and 2047 Notes mature on July 15, 2011, April 1, 2012 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 and strategies and market conditions, but no longer than within six months of any such offerings.

Our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt, and, to a lesser extent, equity securities of eligible portfolio companies. In addition to such investments, we may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. As part of this 30%, we may invest in debt of middle market companies located outside of the United States. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not be able to achieve our investment objective and/or pay any dividends during this period or, if we are able to do so, such dividends may be substantially lower than the dividends that we expect to pay when our portfolio is fully invested. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our shares may decline. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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

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

The following table sets forth, for each fiscal quarter during the last two fiscal years and the current fiscal year, the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock, the closing sales price as a percentage of net asset value and the dividends or distributions declared by us. On September 1, 2010, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$15.15 per share, which represented a premium of approximately 7.37% to the net asset value per share reported by us as of June 30, 2010.

	Net Asset Value(1)	Price Range		High Sales Price to Net Asset Value(2)	Low Sales Price to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
Year ended December 31, 2008						
First Quarter	\$ 15.17	\$ 13.81	\$ 11.65	94.9%	80.0%	\$ 0.42
Second Quarter	\$ 13.67	\$ 12.98	\$ 10.08	95.0%	73.7%	\$ 0.42
Third Quarter	\$ 12.83	\$ 12.60	\$ 9.30	98.2%	72.5%	\$ 0.42
Fourth Quarter	\$ 11.27	\$ 10.15	\$ 3.77	90.1%	33.5%	\$ 0.42
Year ending December 31, 2009						
First Quarter	\$ 11.20	\$ 7.39	\$ 3.21	66.0%	28.7%	\$ 0.42
Second Quarter	\$ 11.21	\$ 8.31	\$ 4.53	74.1%	40.4%	\$ 0.35
Third Quarter	\$ 11.16	\$ 11.02	\$ 7.04	98.7%	63.1%	\$ 0.35
Fourth Quarter	\$ 11.44	\$ 12.71	\$ 10.21	111.1%	89.2%	\$ 0.35
Year ending December 31, 2010						
First Quarter	11.78	\$ 14.82	\$ 11.75	125.8%	99.7%	\$ 0.35
Second Quarter	14.11	\$ 16.40	\$ 12.53	116.2%	88.8%	\$ 0.35
Third Quarter (through September 1, 2010)	*	\$ 15.15	\$ 12.44	*	*	\$ 0.35

- (1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.
- (2) Calculated as the respective high or low closing sales price divided by net asset value.
- (3) Represents the dividend or distribution declared in the relevant quarter.
- * Net asset value has not yet been calculated for this period.

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

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The following table summarizes our dividends declared to date:

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

To maintain our RIC status, we must timely distribute generally an amount equal to at least 90% of our investment company taxable income out of the assets legally available for distribution for each year. To avoid certain excise taxes imposed on RICs, we are generally required to distribute during each calendar year an amount at least equal to the sum of (a) 98% of our ordinary income for the calendar year, plus (b) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, plus (c) any ordinary income and capital gains for preceding years that were not distributed during such years. If this requirement is not met, we will be required to pay a nondeductible excise tax equal to 4% of the amount by which 98% of the current year's taxable income exceeds the distribution for the year. The taxable income on which an excise tax is paid is generally carried forward and distributed to stockholders in the next tax year. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in

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excess of current year distributions into the next tax year and pay a 4% excise tax on such income, as required. Our excise tax benefit for the six months ended June 30, 2010 was approximately \$0.1 million and \$0.1 million for the year ended December 31, 2009. We cannot assure you that we will achieve results that will permit the payment of any cash distributions.

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

RATIOS OF EARNINGS TO FIXED CHARGES

For the six months ended June 30, 2010 and the years ended December 31, 2009, 2008, 2007, 2006 and 2005, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006	For the Year Ended December 31, 2005
Earnings to Fixed Charges(1)	13.8	9.4	(2.8)	3.4	5.0	28.5

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 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 the net change in unrealized appreciation or depreciation. Net change in unrealized appreciation or depreciation can vary substantially from year to year. Excluding the net change in unrealized appreciation or depreciation, the earnings to fixed charges ratio would be 10.0 for the six months ended June 30, 2010, 5.7 for the year ended December 31, 2009, 4.5 for the year ended December 31, 2008, 3.7 for the year ended December 31, 2007, 5.8 for the year ended December 31, 2006 and 25.6 for the year ended December 31, 2005.

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

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

OVERVIEW

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

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. To a lesser extent, we also make equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent loan investment). However, we may increase the size or nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. For risks relating to these investments, see "Risk Factors Risks Relating to Our Investments Investments in equity securities involve a substantial degree of risk."

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

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

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

Allied Acquisition

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

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69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company. See "Risk Factors Risks Relating to Our Business We may be unable to realize the benefits anticipated by the Allied Acquisition, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits" for a description of the risks that the Company may face as a result of the Allied Acquisition.

Accordingly, other than as set forth in the pro forma financial information or otherwise specifically set forth herein, financial information presented herein for and as of periods ending on or prior to March 31, 2010 does not include any information in respect of Allied Capital. In addition, other than as set forth in the pro forma financial information or otherwise specifically set forth herein, financial information for the six months ended June 30, 2010, including, without limitation, with respect to the Company's consolidated statements of operations, stockholders' equity and cash flows, only includes results attributable to Allied Capital for the period beginning April 1, 2010.

CRITICAL ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States, and include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications which, 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 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 computed using the specific identification method. 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 the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, with approximately 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.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and

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realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation.

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

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the gains or losses that would be realized based on the valuations currently assigned. See "Risk Factors Risks Relating to our Investments Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation."

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

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

Preliminary valuations are reviewed and discussed with the entire investment professional and management team, and then valuation recommendations are presented to the board of directors.

The audit committee of our board of directors reviews these preliminary valuations, as well as the input of independent valuation firms with respect to the valuations of approximately 50% (based on value) of our portfolio companies without readily available market quotations.

The board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on the input of our management and audit committee and independent valuation firms.

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

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fair value for the acquired investments were the same value at April 1, 2010 (see Note 15 to the consolidated financial statements for the period ended June 30, 2010).

Interest Income Recognition

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Discounts and premiums from 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. Accrued 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.

Payment-in-Kind Interest

The Company has loans in its portfolio that contain a payment-in-kind ("PIK") provision. 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 consist of reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to the Company. In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, a portion of loan fees paid to the Company in such situations will be deferred and amortized over the estimated life of the loan. The Company's investment adviser may also take a seat on the board of directors of a portfolio company, or observe the meetings of the board of directors without taking a formal seat.

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

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Foreign Currency Translation

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

- (1) Market 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 rates of exchange prevailing on the respective dates of such transactions, income or expenses.

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

Accounting for Derivative Instruments

We do not utilize hedge accounting and marks its derivatives to market through operations.

Offering Expenses

Our offering costs are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

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

U.S. Federal Income Taxes

We have elected to be treated as a RIC under Subchapter M of the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, we are required to timely distribute to our stockholders generally at least 90% of investment company taxable income, as defined by the Code, for each year. We have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal income taxes.

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

Certain of our wholly owned subsidiaries are subject to U.S. Federal and state income taxes. Income taxes for certain of our subsidiaries are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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Dividends to Common Stockholders

Dividends and distributions to common stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by the board of directors each quarter and is generally based upon the current and expected future earnings estimated by management. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for investment.

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

Use of Estimates in the Preparation of Financial Statements

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

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued ASC 860 (previously SFAS No. 166, *Accounting for Transfer of Financial Assets*, which amends the guidance in SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*). It eliminates the concept of qualifying special-purpose entities ("QSPEs"), creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies derecognition criteria of the previous guidance, revises how retained interests are initially measured, and removes the guaranteed mortgage securitization recharacterization provisions. ASC 860 requires additional year-end and interim disclosures for public and nonpublic companies that are similar to the disclosures required by FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. ASC 860 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 (January 1, 2010 for calendar year-end companies), and for subsequent interim and annual reporting periods. ASC 860's disclosure requirements must be applied to transfers that occurred before and after its effective date. Early adoption of ASC 860 is prohibited. We are currently evaluating the effect that the provisions of ASC 860 may have on our financial condition and results of operations.

In June 2009, FASB issued ASC 810 (previously SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*, which amends the guidance in FASB Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*). It requires reporting entities to evaluate former QSPEs for consolidation, changes the approach to determining the primary beneficiary of a variable interest entity (a "VIE") from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. It also clarifies, but does not significantly change, the

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characteristics that identify a VIE. ASC 810 requires additional year-end and interim disclosures for public and non-public companies that are similar to the disclosures required by FSP FAS 140-4 and FIN 46(R)-8. ASC 810 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 (January 1, 2010 for calendar year-end companies), and for subsequent interim and annual reporting periods. All QSPE's and entities currently subject to FIN 46(R) will need to be reevaluated under the amended consolidation requirements as of the beginning of the first annual reporting period that begins after November 15, 2009. Early adoption of ASC 810 is prohibited. The FASB agreed at its January 27, 2010 meeting to issue an Accounting Standards Update to finalize its proposal to indefinitely defer ASC 810 for reporting enterprises' interests in entities that either have all of the characteristics of investments companies or for which it is industry practice to apply measurement principles for financial reporting purposes consistent with those that apply to investment companies. The provisions of ASC 810 will not have any impact on our financial condition or results of operations.

In June 2009, FASB issued ASC 2005, (previously SFAS NO. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("GAAP") a replacement of FASB Statement No. 162 ("Codification")*). This Codification will become the source of authoritative U.S. GAAP recognized by FASB to be applied by nongovernmental entities. Once the Codification is in effect, all of its content will carry the same level of authority, effectively superseding SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP: authoritative and nonauthoritative. The Codification is not intended to change GAAP, but it will change the way GAAP is organized and presented. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. In order to ease the transition to the Codification, the Company has provided the Codification cross-reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures About Fair Value Measurements. ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 inputs and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 inputs. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value, and entities will be required to provide fair value measurement disclosures for each class of assets and liabilities. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. Adoption of ASU 2010-06 is not expected to have a significant impact on the Company's financial condition and results of operations.

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(in millions, except number of new investment commitments, terms and percentages)

	Six months ended		Year Ended December 31,		
	June 30, 2010	June 30, 2009	2009	2008	2007
	(in millions, except number of new investment commitments, terms and percentages)		(in millions, except number of new investment commitments, terms and percentages)		
New investments(1)(4):					
New portfolio companies	\$ 419.5	\$ 11.7	\$ 317.6	\$ 600.5	\$ 1,091.6
Existing portfolio companies	289.2	69.2	162.2	305.0	256.0
Total new investments	708.7	80.9	479.8	905.5	1,347.6
Less:					
Investments exited(4)	838.9	185.3	604.4	430.3	654.1
New investments(4)	\$ (130.2)	\$ (104.4)	\$ (124.6)	\$ 475.2	\$ 693.5
Principal amount of investments purchased(4):					
Senior term debt	\$ 186.1	\$ 115.4	\$ 289.5	\$ 529.2	\$ 886.7
Senior subordinated debt	241.3	31.6	59.4	336.3	187.1
Senior Secured Loan Fund	44.7		165.0		
Equity and other	108.1	7.3	61.1	60.4	177.6
Total	\$ 580.2	\$ 154.3	\$ 575.0	\$ 925.9	\$ 1,251.4
Principal amount of investments sold or repaid(4):					
Senior term debt	\$ 594.0	\$ 127.2	\$ 283.4	\$ 448.8	\$ 608.3
Senior subordinated debt	154.4	38.5	202.4	29.0	89.8
Senior Secured Loan Fund	15.4				
Equity and other	7.4	0.2	29.4	7.4	20.6
Total	\$ 771.2	\$ 165.9	\$ 515.2	\$ 485.2	\$ 718.7
Principal amount of investments acquired as part of the Allied Acquisition:					
Senior term debt	\$ 661.1				
Senior subordinated debt	746.6				
Collateralized loan obligations	114.3				
Commercial real estate	41.0				
Equity and other	270.8				
Total	\$ 1,833.8				
Principal amount of investments acquired as part of the Allied Acquisition sold or repaid:					
Senior term debt	\$ 57.7				
Senior subordinated debt	71.1				
Collateralized loan obligations	1.8				
Equity and other	31.1				
Total	\$ 161.7				
Number of new investments(2)(4)	29	15	33	39	47
Average new investment amount(4)	\$ 25.1	\$ 5.55	\$ 14.5	\$ 23.2	\$ 28.7
Weighted average term for new investments (in months)(4)	49	54	74	66	69
Weighted average yield of debt and income producing securities at fair value funded during the period(3)(4)					
	13.91%	9.81%	13.42%	12.57%	11.51%
	13.96%	10.07%	13.67%	12.58%	11.53%

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Weighted average yield of debt and income producing securities at amortized cost funded during the period(3)(4)					
Weighted average yield of debt and income producing securities at fair value sold or repaid during the period(3)(4)	12.94%	9.95%	13.42%	9.49%	11.67%
Weighted average yield of debt and income producing securities at amortized cost sold or repaid during the period(3)(4)	12.97%	9.79%	12.22%	9.79%	11.72%
Weighted average yield of debt and income producing securities acquired as part of the Allied Acquisition at fair value and amortized cost(3)	13.96%	%	%	%	%
Weighted average yield of debt and income producing securities acquired as part of the Allied Acquisition at fair value sold or repaid during the period(3)	11.73%	%	%	%	%
Weighted average yield of debt and income producing securities acquired as part of the Allied Acquisition at amortized cost sold or repaid during the period(3)	11.70%	%	%	%	%

- (1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.
- (2) Number of new investments represents each commitment to a particular portfolio company.

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- (3) When we refer to the "weighted average yield at fair value" in this report, we compute it with respect to particular securities by taking 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 included in such securities, and dividing it by (b) total debt and income producing securities at fair value included in such securities. When we refer to the "weighted average yield at amortized cost" in this report, we compute it with respect to particular securities by taking 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 included in such securities, and dividing it by (b) total debt and income producing securities at amortized cost included in such securities.
- (4) Excludes investments acquired as a part of the Allied Acquisition on April 1, 2010.

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 risk of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (i.e. at the time of acquisition), although it may also take into account under certain circumstances the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. Under this system, investments with a grade of 4 involve the least amount of risk to our initial cost basis. The trends and risk factors for this investment since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments graded 3 involve a level of risk to our initial cost basis that is similar to the risk to our initial cost basis at the time of origination or acquisition. This portfolio company is generally performing as expected and the risk factors to our ability to ultimately recoup the cost of our investment are neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3. Investments graded 2 indicate that the risk to our ability to recoup the cost of such investment has increased materially since origination or acquisition, including as a result of factors such as declining performance and non-compliance with debt covenants; however, payments are generally not more than 120 days past due. An investment grade of 1 indicates that the risk to our ability to recoup the cost of such investment has substantially increased since origination or acquisition, and the portfolio company likely has materially declining performance. For debt investments with an investment grade of 1, most or all of the debt covenants are out of compliance and payments are substantially delinquent. For investments graded 1, it is not anticipated that we will be repaid in an amount equal to our full initial cost basis. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company.

Ares Capital assigned a fair value as of April 1, 2010 to each of the portfolio investments acquired in connection with the Allied Acquisition. Grades on each investment were initially assessed a grade of 3 (i.e., generally the grade we assign a portfolio company at acquisition), reflecting the relative risk to our initial cost basis of such investments. The initial cost basis of each investment acquired in connection with the Allied Acquisition was equal to the fair value of such investment as of April 1, 2010. Many of these portfolio investments were assigned a fair value reflecting a significant discount to Allied Capital's cost basis at the time of Allied Capital's origination or acquisition of the investment. It is important to note that our grading system does not take into account factors or events in respect of the period from when Allied Capital originated or acquired such portfolio investments or the current status of these portfolio investments in terms of compliance with debt facilities, financial performance and similar factors. Rather, it is only intended to measure the risk to Ares Capital's cost basis from the time that Ares Capital acquired the portfolio investment in connection with the Allied Acquisition. Accordingly, it is possible that the grade of certain of these portfolio investments may be reduced or increased in the future.

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Set forth below is the distribution of our portfolio companies as of June 30, 2010 and December 31, 2009 (dollar amounts in thousands).

	June 30, 2010		December 31, 2009	
	Fair Value	Number of Companies	Fair Value	Number of Companies
Grade 1	\$ 18,387	9	\$ 7,170	8
Grade 2	75,818	5	154,509	9
Grade 3	3,554,333(1)	168	1,796,641	70
Grade 4	145,482	6	213,494	8
	\$ 3,794,020	188	\$ 2,171,814	95

(1)

Includes investments acquired in the Allied Acquisition, which were all included in Grade 3 (as discussed above) of \$1.7 billion, including 99 companies.

As of June 30, 2010, the weighted average grade of the investments in our portfolio (excluding investments acquired in connection with the Allied Acquisition), the investments in our portfolio acquired in connection with the Allied Acquisition and the investments in our portfolio as a whole was each 3.0. The weighted average grade of the investments in our portfolio as of December 31, 2009 was 3.0.

As of June 30, 2010:

2.3% of our investments (excluding investments acquired in connection with the Allied Acquisition) at amortized cost (0.2% at fair value) were on non-accrual status;

7.1% of our investments acquired in connection with the Allied Acquisition at amortized cost (7.4% at fair value) were on non-accrual status; and

9.4% at amortized cost (or 7.6% at fair value) of the investments in our portfolio as a whole were on non-accrual status.

As of December 31, 2009, 2.5% of our investments at amortized cost (or 0.5% at fair value) were on non-accrual status.

The weighted average yields of the following portions of our portfolio as of June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010		December 31, 2009	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt and income producing securities	13.39%	13.40%	12.67%	12.08%
Debt and income producing securities for investments acquired as part of the Allied Acquisition	13.90%	14.29%	%	%
Total portfolio	10.12%	9.91%	11.19%	10.23%
Senior term debt	9.87%	9.50%	11.42%	10.62%
Senior subordinated debt	13.08%	12.64%	13.74%	12.47%
Senior Secured Loan Fund	19.94%	21.22%	17.00%	17.00%
Income producing equity securities	17.68%	22.16%	9.61%	10.52%
First lien senior term debt	9.33%	9.36%	10.67%	10.38%
Second lien senior term debt	12.47%	10.05%	12.92%	11.06%

Table of Contents**RESULTS OF OPERATIONS***For the three and six months ended June 30, 2010 and 2009*

Operating results for the three and six months ended June 30, 2010 and 2009 are as follows (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Total investment income	\$ 121,590	\$ 59,111	\$ 188,100	\$ 115,127
Total expenses	71,363	27,085	106,330	52,870
Net investment income before income taxes	50,227	32,026	81,770	62,257
Income tax expense (benefit), including excise tax	686	78	524	109
Net investment income	49,541	31,948	81,246	62,148
Net realized gains (losses) from investments	11,924	(741)	7,043	23,967
Net unrealized gains (losses) from investments	72,813	3,546	122,404	(16,328)
Gain from acquisition of Allied Capital	195,876		195,876	
Net increase in stockholders' equity resulting from operations	\$ 330,154	\$ 34,753	\$ 406,569	\$ 69,787

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

Investment Income

For the three months ended June 30, 2010, total investment income increased \$62.5 million, or 106%, to \$121.6 million from \$59.1 million for the comparable period in 2009. For the three months ended June 30, 2010, total investment income primarily consisted of \$104.1 million in interest income from investments, \$7.7 million in capital structuring service fees, \$4.1 million in management fees and \$3.4 million in dividend income. Interest income from investments increased \$50.1 million, or 93%, to \$104.1 million for the three months ended June 30, 2010 from \$54.0 million for the comparable period in 2009. The increase in interest income from investments was primarily due to the increase in investments and largely due to the investments acquired as part of the Allied Acquisition, as the average investments at fair value increased from \$2.0 billion for the three months ended June 30, 2009 to \$3.0 billion for the three months ended June 30, 2010. Interest income from investments acquired as part of the Allied Acquisition was approximately \$43.6 million for the three months ended June 30, 2010. Capital structuring service fees increased \$7.1 million, or 1,176%, to \$7.7 million for the three months ended June 30, 2010 from \$0.6 million for the comparable period in 2009. The increase in capital structuring service fees was primarily due to the increase in new investment commitments for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. Management fees increased \$2.2 million, or 119%, to \$4.1 million for the three months ended June 30, 2010 from \$1.9 million for the comparable period in 2009. The increase in management fees was primarily related to \$2.9 million in management fees related to the investments and management contracts acquired as part of the Allied Acquisition as well as management fees earned related to the Senior Secured Loan Fund.

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For the six months ended June 30, 2010, total investment income increased \$73.0 million, or 63%, to \$188.1 million from \$115.1 million for the comparable period in 2009. For the six months ended June 30, 2010, total investment income primarily consisted of \$165.6 million in interest income from investments, \$9.8 million in capital structuring service fees, \$5.6 million in management fees and \$3.9 million in dividend income. Interest income from investments increased \$59.3 million, or 56%, to \$165.6 million for the six months ended June 30, 2010 from \$106.3 million for the comparable period in 2009. The increase in interest income from investments was primarily due to the increase in investments and largely due to the investments acquired as part of the Allied Acquisition, as the average investments at fair value increased from \$2.2 billion for the six months ended June 30, 2009 to \$2.6 billion for the six months ended June 30, 2010. Interest income from investments acquired as part of the Allied Acquisition were approximately \$43.6 million for the six months ended June 30, 2010. Capital structuring service fees increased \$7.9 million, or 430%, to \$9.8 million for the six months ended June 30, 2010 from \$1.8 million for the comparable period in 2009. The increase in capital structuring service fees was primarily due to the increase in new investment commitments for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Management fees increased \$3.0 million, or 116%, to \$5.6 million for the six months ended June 30, 2010 from \$2.6 million for the comparable period in 2009. The increase in management fees was primarily related to \$2.9 million in management fees related to the investments and management contracts acquired as part of in the Allied Acquisition as well as management fees earned related to the Senior Secured Loan Fund.

Operating Expenses

For the three months ended June 30, 2010, total expenses increased \$44.3 million, or 163%, to \$71.4 million from \$27.1 million for the comparable period in 2009. Interest expense and credit facility fees increased \$16.8 million, or 267%, to \$23.1 million for the three months ended June 30, 2010 from \$6.3 million for the comparable period in 2009, primarily due to the additional interest expense incurred for the three months ended June 30, 2010 on the Unsecured Notes assumed in the Allied Acquisition of \$15.0 million. Base and incentive management fees increased \$11.2 million, or 74%, to \$26.7 million from \$15.4 million in total for the comparable period in 2009, primarily due to the increase in investments and the related interest income on those investments as a result of the Allied Acquisition, partially offset by an increase in interest expense related to the assumption of the Unsecured Notes in the Allied Acquisition. For the three months ended June 30, 2010, the Company also incurred \$12.5 million in professional fees and other costs related to the Allied Acquisition that were not incurred in the comparable period in 2009.

For the six months ended June 30, 2010, total expenses increased \$53.4 million, or 101%, to \$106.3 million from \$52.9 million for the comparable period in 2009. Interest expense and credit facility fees increased \$18.8 million, or 146%, to \$31.7 million for the six months ended June 30, 2010 from \$12.9 million for the comparable period in 2009, primarily due to the additional interest expense incurred for the six months ended June 30, 2010 on the Unsecured Notes assumed in the Allied Acquisition of \$15.0 million. For the six months ended June 30, 2010, the Company also incurred \$16.3 million in professional fees and other costs related to the Allied Acquisition that were not incurred in the comparable period in 2009. Base and incentive management fees increased \$12.7 million, or 42%, to \$43.3 million from \$30.5 million in total for the comparable period in 2009, primarily due to the increase in investments and the related interest income on those investments as a result of the Allied Acquisition.

Income Tax Expense, Including Excise Tax

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a

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RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. Among other things, the Company has, in order to maintain its RIC status, made and intends to continue to make the requisite distributions to its stockholders which will generally relieve the Company from U.S. Federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and six months ended June 30, 2010, the Company recorded no amounts for U.S. Federal excise tax. For the three months ended June 30, 2009, the Company recorded no amounts for U.S. Federal excise tax. For the six months ended June 30, 2009, the Company recognized \$0.1 million of benefits for U.S. Federal excise tax.

Certain of our subsidiaries are subject to U.S. Federal and state income taxes. For the three and six months ended June 30, 2010, we recorded a tax expense of \$0.7 million and \$0.5 million, respectively, for these subsidiaries, and for the three and six months ended June 30, 2009, we recorded a tax expense of approximately \$0.1 million and \$0.1 million, respectively, for these subsidiaries.

Net Unrealized Gains/Losses

For the three months ended June 30, 2010, the Company had net unrealized gains of \$72.8 million, which were primarily comprised of \$125.5 million in unrealized appreciation, \$43.3 million in unrealized depreciation and \$9.4 million related to the reversal of prior period net unrealized appreciation. Of the total net unrealized gains for the three months ended June 30, 2010, \$46.3 million were related to investments acquired as part of the Allied Acquisition, which were primarily comprised of \$73.1 million in unrealized appreciation and \$26.8 million in unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation for the total portfolio (excluding the reversal of prior period net unrealized appreciation) during the three months ended June 30, 2010 were as follows (in millions):

Portfolio Company	For the three months ended June 30, 2010 Net Unrealized Appreciation (Depreciation)
Senior Secured Loan Fund(1)	\$ 8.7
IHAM(1)	5.9
Component Hardware Group, Inc.	5.6
S.B. Restaurant Company	5.2
Air Medical Group Holdings LLC	4.8
Callidus Debt Partners CLO Fund VI, Ltd.	4.7
Callidus MAPS CLO Fund I, LLC	4.5
Stag-Parkway, Inc.	4.5
Callidus MAPS CLO Fund II, LLC	4.4
BenefitMall Holdings, Inc.	4.1
Callidus Debt Partners CLO Fund VII, Ltd.	4.0
DSI Renal, Inc.	3.9
Promo Works, LLC	3.8
Woodstream Corporation	3.6
Tradesmen International, Inc.	3.4

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Portfolio Company	For the three months ended June 30, 2010 Net Unrealized Appreciation (Depreciation)
Callidus Debt Partners CLO Fund III, Ltd.	3.2
Instituto de Banca y Comercio, Inc.	2.6
Canon Communications LLC	2.4
Callidus Debt Partners CLO Fund IV, Ltd.	2.3
Things Remembered, Inc.	2.3
Dryden XVIII Leveraged Loan 2007 Limited	2.2
Industrial Container Services, LLC	2.2
Network Hardware Resale LLC	1.9
Callidus Debt Partners CLO Fund V, Ltd.	1.7
Allied Capital Venture Fund	1.4
Coverall North America, Inc.	1.4
NPH, Inc	1.3
Fidus Mezzanine Capital, L.P.	1.3
OTG Management, Inc.	1.3
eInstruction Corporation	1.2
Apogee Retail LLC	1.2
Financial Pacific Company	1.2
Web Services Company, LLC	1.1
Bumble Bee Foods, LLC	1.1
Carador PLC	1.1
MPBP Holdings, Inc.	(1.1)
Pangaea CLO 2007-1 Ltd.	(1.2)
Huddle House Inc.	(1.7)
Tranzact Holdings LLC	(1.7)
Distant Lands Trading Co.	(1.8)
InSight Pharmaceuticals Corporation	(1.8)
Ciena Capital LLC	(1.9)
Crescent Hotels & Resorts, LLC	(2.4)
Border Foods, Inc.	(2.6)
Aquila Binks Forest Development, LLC	(2.8)
PENN Detroit Diesel Allison LLC	(2.9)
FirstLight Financial Corporation	(3.1)
The Step2 Company, LLC	(3.5)
Knightsbridge CLO 2007-1 Ltd.(1)	(3.5)
Knightsbridge CLO 2008-1 Ltd.(1)	(3.6)
Other	12.3
Total	\$ 82.2

(1)

See Note 10 to the consolidated financial statements for the period ended June 30, 2010.

For the three months ended June 30, 2009, the Company had net unrealized gains of \$3.5 million, which was primarily comprised of \$37.4 million in unrealized depreciation, \$40.9 million in

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unrealized appreciation. The most significant changes in net unrealized appreciation and depreciation during the three months ended June 30, 2009 were as follows (in millions):

Portfolio Company	For the three months ended June 30, 2009	
	Unrealized Appreciation (Depreciation)	
IHAM(1)	\$	8.0
Waste Pro USA, Inc.		3.1
DSI Renal, Inc.		2.9
Apple & Eve, LLC		2.7
Capella Healthcare, Inc.		2.6
Best Brands Corp.		2.5
ADF Restaurant Group, LLC		2.1
Booz Allen & Hamilton, Inc.		1.8
Savers, Inc.		1.7
Wyle Laboratories, Inc.		1.4
Encanto Restaurants, Inc.		1.2
Wear Me Apparel, LLC		1.2
Carador PLC		(1.1)
MPBP Holdings, Inc.		(1.3)
Wastequip, Inc.		(1.3)
Vistar Corporation		(1.5)
DirectBuy Investors, LP		(1.5)
Courtside Acquisition Corp.		(1.7)
Vantage Oncology, Inc		(1.8)
Sigma International Group, Inc.		(1.8)
Reflexite Corporation		(2.5)
National Print Group, Inc.		(2.8)
Summit Business Media, LLC		(3.0)
LVCG Holdings LLC		(3.7)
Firstlight Financial Corporation		(10.9)
Other		7.2
Total	\$	3.5

(1)

See Note 10 to the consolidated financial statements for the period ended June 30, 2010.

For the six months ended June 30, 2010, the Company had net unrealized gains of \$122.4 million, which was primarily comprised of \$183.1 million in unrealized appreciation, \$59.9 million in unrealized depreciation and \$0.8 million related to the reversal of prior period net unrealized appreciation. Of the total net unrealized gains for the six months ended June 30, 2010, \$46.3 million was related to investments acquired as part of the Allied Acquisition, which was primarily comprised of \$73.1 million in unrealized appreciation and \$26.8 million in unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation for the total (excluding the

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reversal of prior period net unrealized depreciation) during the six months ended June 30, 2010 were as follows (in millions):

Portfolio Company	For the six months ended June 30, 2010 Net Unrealized Appreciation (Depreciation)
R3 Education, Inc.	\$ 15.0
Senior Secured Loan Fund(1)	12.3
IHAM(1)	8.5
Things Remembered, Inc.	7.0
DSI Renal, Inc.	6.3
Component Hardware Group, Inc.	5.6
S.B. Restaurant Company	5.2
Air Medical Group Holdings LLC	4.8
Callidus Debt Partners CLO Fund VI, Ltd.	4.7
Woodstream Corporation	4.7
Callidus MAPS CLO Fund I, LLC	4.5
Stag-Parkway, Inc.	4.5
Callidus MAPS CLO Fund II, LLC	4.4
BenefitMall Holdings, Inc.	4.1
Callidus Debt Partners CLO Fund VII, Ltd.	4.0
Campus Management Corp.	4.0
Promo Works, LLC	3.8
VOTC Acquisition Corp.	3.7
Instituto de Banca y Comercio, Inc.	3.7
Industrial Container Services, LLC	3.4
Tradesmen International, Inc.	3.4
OTG Management, Inc.	3.2
Callidus Debt Partners CLO Fund III, Ltd.	3.2
Canon Communications LLC	2.4
Callidus Debt Partners CLO Fund IV, Ltd.	2.3
Dryden XVIII Leveraged Loan 2007 Limited	2.2
Web Services Company, LLC	2.2
Planet Organic Health Corp.	1.9
Network Hardware Resale LLC	1.9
Vistar Corporation	1.8
Waste Pro USA, Inc.	1.8
Apogee Retail LLC	1.7
Bumble Bee Foods, LLC	1.7
Growing Family, Inc.	1.7
Callidus Debt Partners CLO Fund V, Ltd.	1.7
Carador PLC	1.5
Allied Capital Venture Fund	1.4
The Kenan Advantage Group, Inc.	1.4
Coverall North America, Inc.	1.4
Pillar Holdings LLC	1.4
NPH, Inc	1.3
Fidus Mezzanine Capital, L.P.	1.3
Ivy Hill Middle Market Credit Fund, Ltd.	1.3
eInstruction Corporation	1.2

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Portfolio Company	For the six months ended June 30, 2010 Net Unrealized Appreciation (Depreciation)
Financial Pacific Company	1.2
GG Merger Sub I, Inc.	1.2
Pangaea CLO 2007-1 Ltd.	(1.2)
Tranzact Holdings LLC	(1.6)
Huddle House Inc.	(1.7)
Distant Lands Trading Co.	(1.8)
InSight Pharmaceuticals Corporation	(1.8)
Ciena Capital LLC	(1.9)
ADF Restaurant Group, LLC	(2.1)
Crescent Hotels & Resorts, LLC	(2.4)
Border Foods, Inc.	(2.6)
Trivergance Capital Partners, LP	(2.6)
Aquila Binks Forest Development, LLC	(2.8)
PENN Detroit Diesel Allison LLC	(2.9)
The Step2 Company, LLC	(3.5)
Knightsbridge CLO 2007-1 Ltd.(1)	(3.5)
Knightsbridge CLO 2008-1 Ltd.(1)	(3.6)
MPBP Holdings, Inc.	(5.6)
FirstLight Financial Corporation	(6.8)
Other	9.7
Total	\$ 123.2

(1)

See Note 10 to the consolidated financial statements for the period ended June 30, 2010.

For the six months ended June 30, 2009, the Company had net unrealized losses of \$16.3 million, which was primarily comprised of \$71.3 million in unrealized depreciation and \$53.6 million in unrealized appreciation and \$1.4 million relating to the reversal of prior period net

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unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation during the six months ended June 30, 2009 were as follows (in millions):

Portfolio Company	For the six months ended June 30, 2009	
		Unrealized Appreciation (Depreciation)
Apple & Eve, LLC	\$	8.2
IHAM(1)		8.0
Best Brands Corp.		6.3
Capella Healthcare, Inc.		4.3
Waste Pro USA, Inc.		3.2
Booz Allen Hamilton, Inc.		3.0
DSI Renal, Inc.		2.2
Prommis Solutions, LLC		2.1
ADF Restaurant Group		2.1
Magnacare Holdings, Inc.		1.4
Wyle Laboratories, Inc.		1.4
Diversified Collections Services, Inc.		1.3
Encanto Restaurants, Inc.		1.2
Wear Me Apparel, LLC		1.2
OTG Management, Inc.		(1.1)
MPBP Holdings, Inc.		(1.3)
Vistar Corporation		(1.5)
Sigma International Group, Inc.		(1.8)
Things Remembered, Inc.		(1.8)
HB&G Building Products		(1.8)
Carador PLC		(2.6)
Wastequip, Inc.		(2.7)
AWTP, LLC		(2.7)
VOTC Acquisition Corp.		(2.8)
Growing Family, Inc.		(3.4)
Courtside Acquisition Corp.		(3.4)
Summit Business Media, LLC		(4.0)
Direct Buy Holdings, Inc.		(4.1)
National Print Group, Inc.		(4.3)
LVCG Holdings LLC		(4.5)
Reflexite Corporation		(10.6)
Firstlight Financial Corporation		(11.0)
Other		1.8
Total	\$	(17.7)

(1)

See Note 10 to the consolidated financial statements for the period ended June 30, 2010.

Net Realized Gains/Losses

During the three months ended June 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$196 million (see Note 15 to the consolidated financial statements for the period ended June 30, 2010). Additionally, during the three months ended June 30, 2010, the Company had \$632 million of sales and repayments resulting in \$12.3 million of net realized gains. Net

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realized gains on investments were comprised of \$14.1 million of gross realized gains and \$1.8 million of gross realized losses. Of the \$12.3 million of net realized gains, approximately \$0.5 million were from investments acquired as part of the Allied Acquisition. The most significant realized gains and losses on investments for the three months ended June 30, 2010 (excluding the gain on the acquisition of Allied Capital) were as follows (in millions):

Portfolio Company	For the three months ended June 30, 2010	
	Realized Gain (Loss)	
Instituto de Banca y Comercio, Inc.	\$	3.6
DSI Renal, Inc.		3.0
The Kenan Advantage Group, Inc.		1.8
Capella Healthcare, Inc.		1.6
Planet Organic Health Corp.		(1.8)
Other		4.1
Total	\$	12.3

During the three months ended June 30, 2009, the Company had \$85.8 million of sales and repayments resulting in \$0.9 million of net realized losses. These sales and repayments included \$4.0 million of loans sold to the Ivy Hill Funds, the two middle market credit funds managed by our affiliate, IHAM (see Note 10 to the consolidated financial statements for the period ended June 30, 2010 for more detail on IHAM and its managed funds). Net realized losses on investments were comprised of \$0.1 million of gross realized gains and \$1.0 of gross realized losses. The most significant realized gains and losses on investments for the three months ended June 30, 2009 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)	
	Diversified Collection Services, Inc.	\$
Instituto de Banca y Comercio, Inc.		(0.9)
Other		(0.1)
Total	\$	(0.9)

During the six months ended June 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$196 million. Additionally, during the six months ended June 30, 2010, the Company had \$945 million of sales and repayments resulting in \$7.4 million of net realized gains. These sales and repayments included \$94.5 million of loans sold to Ivy Hill I and Ivy Hill II, two middle market credit funds managed by our portfolio company, IHAM (see Note 10 to the consolidated financial statements for the period ended June 30, 2010 for more detail on IHAM and its managed funds). Net realized gains on investments were comprised of \$21.6 million of gross realized

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gains and \$14.2 million of gross realized losses. The most significant realized gains and losses on investments for the six months ended June 30, 2010 were as follows (in millions):

Portfolio Company	For the six months ended June 30, 2010	
		Realized Gain (Loss)
DSI Renal, Inc.	\$	3.8
Instituto de Banca y Comercio, Inc.		3.6
Best Brands Corp.		2.4
The Kenan Advantage Group, Inc.		1.8
Capella Healthcare, Inc.		1.6
Daily Candy, Inc.		1.3
Magnacare Holdings, Inc.		1.2
Wyle Laboratories, Inc.		1.1
Savers, Inc.		1.0
Arrow Group Industries		(1.2)
Planet Organic Health Corp.		(1.8)
3091779 Nova Scotia Inc.		(3.5)
Growing Family, Inc.		(7.6)
Other		3.7
Total	\$	7.4

During the six months ended June 30, 2009, the Company repurchased \$34.8 million of the CLO Notes (as defined below) resulting in a \$26.5 million realized gain on the extinguishment of debt. The Company also had \$163.2 million of sales and repayments resulting in \$2.7 million of net realized losses. These sales and repayments included \$40.5 million of loans sold to the Ivy Hill Funds. Net realized losses on investments were comprised of \$0.2 million of gross realized gains and \$2.9 of gross realized losses. The most significant realized gains and losses on investments for the six months ended June 30, 2009 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)	
Diversified Collection Services, Inc.	\$	0.2
Heartland Dental Care, Inc.		(0.2)
Bumble Bee Foods, LLC		(0.2)
Campus Management Corp.		(0.5)
Instituto de Banca y Comercio, Inc.		(0.9)
Capella Healthcare, Inc.		(1.0)
Other		(0.1)
Total	\$	(2.7)

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Operating results for the years ended December 31, 2009, 2008 and 2007 are as follows (in thousands):

	For the Year Ended December 31,		
	2009	2008	2007
Total Investment Income	\$ 245,272	\$ 240,461	\$ 188,873
Total Expenses	111,290	113,221	94,750
Net Investment Income Before Income Taxes	133,982	127,240	94,123
Income Tax Expense (Benefit), Including Excise Tax	576	248	(826)
Net Investment Income	133,406	126,992	94,949
Net Realized Gains (Losses)	(19,420)	6,371	6,544
Net Unrealized Gains (Losses)	88,707	(272,818)	(10,661)
Net Increase (Decrease) in Stockholders' Equity Resulting From Operations	\$ 202,693	\$ (139,455)	\$ 90,832

Investment Income

For the year ended December 31, 2009, total investment income increased \$4.8 million, or 2% over the year ended December 31, 2008. Interest income from investments increased \$16.6 million, or 8%, to \$225.1 million for the year ended December 31, 2009 from \$208.5 million for the comparable period in 2008. The increase in interest income from investments was primarily due to the increase in the size of the portfolio as well as increases in the weighted average yield on the portfolio. The average investments, at amortized cost, for the year increased to \$2.3 billion for the year ended December 31, 2009 from \$2.2 billion for the comparable period in 2008. Capital structuring service fees decreased \$15.6 million, or 74%, to \$5.6 million for the year ended December 31, 2009 from \$21.2 million for the comparable period in 2008. The decrease in capital structuring service fees was primarily due to the decrease in new investments originated which declined from \$906 million for the year ended December 31, 2008 to \$480 million for the comparable period in 2009.

For the year ended December 31, 2008, total investment income increased \$51.6 million, or 27% over the year ended December 31, 2007. Interest income from investments increased \$46.0 million, or 28%, to \$208.5 million for the year ended December 31, 2008 from \$162.4 million for the comparable period in 2007. The increase in interest income from investments was primarily due to the increase in the size of the portfolio as well as increases in the weighted average yield on the portfolio. The average investments, at fair value, for the year increased to \$2.0 billion for the year ended December 31, 2008 from \$1.5 billion for the comparable period in 2007. Capital structuring service fees increased \$3.2 million, or 18%, to \$21.2 million for the year ended December 31, 2008 from \$18.0 million for the comparable period in 2007. The increase in capital structuring service fees was primarily due to the increase in fee percentages as a result of more favorable terms available in the current market.

Operating Expenses

For the year ended December 31, 2009, total expenses decreased \$1.9 million, or 2%, from the year ended December 31, 2008. Interest expense and credit facility fees decreased \$12.2 million, or 34%, to \$24.3 million for the year ended December 31, 2009 from \$36.5 million for the comparable period in 2008, despite increases in the outstanding borrowings for the period. The average outstanding borrowings during the year ended December 31, 2009 was \$870.0 million compared to average outstanding borrowings of \$819.0 million for the comparable period in 2008. The increase in

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outstanding borrowings was more than offset by the decline in the average cost of borrowing which went from 4.06% for the year ended December 31, 2008 to 2.16% for the year ended December 31, 2009. The decrease in interest expense and credit facility fees was partially offset by an increase in professional fees. For the year ended December 31, 2009, professional fees increased \$6.8 million, or 113%, to \$12.7 million for the year ended December 31, 2009 from \$5.9 million for the comparable period in 2008. Of the \$6.8 million increase in professional fees, \$4.9 million were related to the Allied Acquisition. Incentive fees related to pre-incentive fee net investment income increased \$1.6 million, or 5%, to \$33.3 million for the year ended December 31, 2009 from \$31.7 million for the comparable period in 2008, primarily due to the increase in the size of the portfolio and the related increase in net investment income.

For the year ended December 31, 2008, total expenses increased \$18.5 million, or 19%, from the year ended December 31, 2007. Base management fees increased \$6.9 million, or 29%, to \$30.5 million for the year ended December 31, 2008 from \$23.5 million for the comparable period in 2007, primarily due to the increase in the size of the portfolio. Incentive fees related to pre-incentive fee net investment income increased \$8.2 million, or 35%, to \$31.7 million for the year ended December 31, 2008 from \$23.5 million for the comparable period in 2007, primarily due to the increase in the size of the portfolio and the related increase in net investment income. The increase in total expenses was partially offset by the decline in interest expense and credit facility fees. Interest expense and credit facility fees decreased \$0.4 million, or 1%, to \$36.5 million for the year ended December 31, 2008 from \$36.9 million for the comparable period in 2007, despite significant increases in the outstanding borrowings for the period. The average outstanding borrowings during the year ended December 31, 2008 was \$819.0 million compared to average outstanding borrowings of \$567.9 million for the comparable period in 2007. The increase in outstanding borrowings was more than offset by the decline in the average cost of borrowing which went from 6.08% for the year ended December 31, 2007 to 4.06% for the year ended December 31, 2008.

Income Tax Expense, Including Excise Tax

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. Among other things, the Company has, in order to maintain its RIC status, made and intends to continue to make the requisite distributions to its stockholders which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the year ended December 31, 2009, a net benefit of \$0.1 million was recorded for federal excise tax. For the years ended December 31, 2008 and 2007 provisions of approximately \$0.1 million were recorded for federal excise tax for both years.

Certain of our wholly owned subsidiaries are subject to U.S. federal and state income taxes. For the years ended December 31, 2009 and 2008, we recorded a tax provision of approximately \$0.6 million and \$0.1 million, respectively, for these subsidiaries. For the year ended December 31, 2007, we recorded a tax benefit of \$0.9 million, for these subsidiaries, respectively.

Net Realized Gains/Losses

During the year ended December 31, 2009, the Company had \$461.8 million of sales, repayments or exits resulting in \$46.0 million of net realized losses. These sales, repayments or exits

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included \$44.1 million of loans sold to the Ivy Hill Funds. Net realized losses were comprised of \$20.3 million of gross realized gains and \$66.3 million of gross realized losses. The most significant realized gains and losses during the year ended December 31, 2009 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)
Waste Pro USA, Inc.	\$ 12.3
Bumble Bee Foods, LLC.	3.6
PODS Holdings, Inc	1.8
Best Brands Corporation.	1.2
Capella Healthcare, Inc	(1.0)
Making Memories Wholesale, Inc	(14.2)
Wear Me Apparel, LLC	(15.0)
Courtside Acquisition Corp.	(34.3)
Other	(0.4)
Total	\$ (46.0)

During the year ended December 31, 2008, the Company had \$495.6 million of sales and repayments resulting in \$6.6 million of net realized gains. These sales and repayments included the \$75.5 million of loans sold to the Ivy Hill Funds. Net realized gains were comprised of \$6.8 million of gross realized gains and \$0.2 million of gross realized losses. The most significant realized gains and losses during the year ended December 31, 2008 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)
Dufry AG	\$ 2.8
Waste Pro USA, Inc.	2.0
Daily Candy, Inc.	1.3
Other	0.5
Total	\$ 6.6

During the year ended December 31, 2007, the Company had \$725.2 million of sales and repayments resulting in \$6.6 million of net realized gains. These sales and repayments included the \$133.0 million of loans sold to Ivy Hill I. Net realized gains were comprised of \$16.2 million of gross realized gains and \$9.7 million of gross realized losses. The most significant realized gains and losses during the year ended December 31, 2007 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)
The GSI Group, Inc.	\$ 6.2
Varel Holdings, Inc.	4.0
Equinox SMU Partners LLC	3.5
Berkline/Benchcraft Holdings LLC	(8.8)
Other	1.7
Total	\$ 6.6

Net Unrealized Gains/Losses

For the year ended December 31, 2009, the Company had net unrealized gains of \$88.7 million, which was comprised of \$125.0 million in unrealized appreciation, \$92.4 million in unrealized depreciation and \$56.1 million related to the reversal of prior period net unrealized

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depreciation recorded upon exit of an investment. The most significant changes in net unrealized appreciation and depreciation during the year ended December 31, 2009 were as follows (in millions):

Portfolio Company	Unrealized Appreciation (Depreciation)
DSI Renal, Inc.	\$ 19.0
Apple & Eve, LLC	12.4
IHAM	11.6
Best Brands Corporation	7.9
Capella Healthcare, Inc.	7.2
Wear Me Apparel, LLC	6.0
Prommis Solutions, LLC	4.8
Waste Pro USA, Inc.	4.2
Instituto de Banco Y Comercio, Inc.	3.6
Booz Allen Hamilton, Inc.	3.5
MPBP Holdings, Inc.	(3.1)
National Print Group, Inc.	(3.2)
Courtside Acquisition Corp.	(3.4)
Direct Buy Holdings, Inc.	(3.4)
HCP Acquisitions Holdings, LLC.	(3.7)
Canon Communications LLC.	(3.9)
Growing Family, Inc.	(5.0)
AWTP, LLC.	(5.5)
Summit Business Media, LLC	(5.7)
Wastequip, Inc.	(5.9)
LVCG Holdings LLC	(8.2)
Reflexite Corporation	(10.9)
Firstlight Financial Corporation	(11.1)
Other	25.4
Total	\$ 32.6

For the year ended December 31, 2008, the Company had net unrealized losses of \$272.8 million, which was comprised of \$54.9 million in unrealized appreciation, \$323.9 million in unrealized depreciation and \$3.8 million relating to the reversal of prior period net unrealized

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appreciation. The most significant changes in net unrealized appreciation and depreciation during the year ended December 31, 2008 were as follows (in millions):

Portfolio Company	Unrealized Appreciation (Depreciation)
R3 Education, Inc.	\$ 5.0
Instituto de Banco Y Comercio, Inc.	4.5
Industrial Container Services LLC	4.1
Diversified Collection Services, Inc.	3.4
Campus Management Corp.	3.0
Prommis Solutions, LLC	(3.1)
309179 Nova Scotia, Inc.	(3.1)
National Print Group, Inc.	(3.1)
Athletic Club Holdings, Inc.	(3.2)
Booz Allen Hamilton, Inc.	(3.2)
Wastequip, Inc.	(3.3)
Direct Buy Holdings, Inc.	(3.6)
OnCURE Medical Corp.	(3.6)
VSS-Tranzact Holdings, LLC	(4.0)
Summit Business Media, LLC	(4.0)
Best Brands Corporation	(4.3)
GG Merger Sub I, Inc.	(4.7)
Apogee Retail, LLC	(4.8)
Ivy Hill Middle Market Credit Fund, Ltd.	(5.6)
Making Memories Wholesale, Inc.	(6.7)
Vistar Corporation	(6.9)
HB&G Building Products	(7.4)
Growing Family, Inc.	(7.5)
Primis Marketing Group, Inc.	(7.6)
Capella Healthcare, Inc.	(9.5)
Wear Me Apparel, LLC	(12.1)
Things Remembered, Inc.	(12.3)
Apple & Eve, LLC	(12.4)
MPBP Holdings, Inc.	(15.3)
DSI Renal, Inc.	(18.1)
Reflexite Corporation	(19.2)
Courtside Acquisition Corp.	(30.9)
Firstlight Financial Corporation	(37.0)
Other	(32.5)
Total	\$ (269.0)

For the year ended December 31, 2007, the Company had net unrealized losses of \$10.7 million, which was comprised of \$52.5 million in unrealized appreciation, \$60.4 million in unrealized depreciation and \$2.8 million relating to the reversal of prior period net unrealized

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appreciation. The most significant changes in unrealized appreciation and depreciation during the year ended December 31, 2007 were as follows (in millions):

Portfolio Company	Unrealized Appreciation (Depreciation)
Reflexite Corporation	\$ 27.2
The GSI Group, Inc.	5.6
Waste Pro, Inc.	4.0
Daily Candy, Inc.	3.6
Industrial Container Services, Inc.	3.2
Varel Holdings, Inc.	3.0
Wastequip, Inc.	(3.2)
Making Memories Wholesale, Inc.	(5.0)
Primis Marketing Group, Inc.	(5.6)
Universal Trailer Corporation	(7.2)
Wear Me Apparel, LLC	(8.0)
Firstlight Financial Corporation	(10.0)
MPBP Holdings, Inc.	(10.5)
Other	(5.0)
Total	\$ (7.9)

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Since the Company's inception, the Company's liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, the Debt Securitization and advances from the Facilities, as well as cash flows from operations. In addition, as part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including the Unsecured Notes, which include the 2011 Notes, the 2012 Notes and the 2047 Notes.

As of June 30, 2010, the Company had \$139 million in cash and cash equivalents and \$1.2 billion in total indebtedness outstanding at carrying value (\$1.3 billion at aggregate principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$807 million available for additional borrowings under the Facilities and Debt Securitization as of June 30, 2010. As of December 31, 2009, the Company had \$99.2 million in cash and cash equivalents and \$969.5 million in total indebtedness outstanding. Subject to leverage and borrowing base restrictions, the Company had approximately \$252.1 million available for additional borrowings under the Facilities and the Debt Securitization as of December 31, 2009.

Equity Offerings

In February 2010, we completed a public add-on equity offering (the "February Add-on Offering") of 22,957,993 shares of common stock (including 1,957,993 shares pursuant to the partial exercise by the underwriters of their overallotment option) at a price of \$12.75 per share, less an underwriting discount of \$0.6375 per share. Total proceeds from the February Add-on Offering, net of underwriters' discount and offering costs, were approximately \$277 million.

In August 2009, we completed a public add-on equity offering (the "August Add-on Offering") of 12,439,908 shares of common stock (including 1,439,908 shares purchased pursuant to the underwriters' over-allotment option) at a price of \$9.25 per share, less an underwriting discount totaling approximately \$0.42 per share. The shares were offered at a discount from the then most recently determined net asset value per share of \$11.21 pursuant to authority granted by our common stockholders at the annual meeting of stockholders held on May 4, 2009. Total proceeds received from the August Add-on Offering, net of underwriters' discount and offering costs, were approximately \$109.1 million.

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The following table summarizes the total shares issued and proceeds we received in underwritten public offerings of our common stock net of underwriter, dealer manager and offering costs for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007 (in millions, except per share data):

	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
2010			
February 2010 public offering	23.0	\$ 12.75	\$ 277.0
Total for the six months ended June 30, 2010	23.0		\$ 277.0
2009			
August 2009 public offering	12.4	\$ 9.25	\$ 109.1
Total for the year ended December 31, 2009	12.4		\$ 109.1
2008			
April 2008 public offering	24.2	\$ 11.00	\$ 259.8
Total for the year ended December 31, 2008	24.2		\$ 259.8
2007			
August 2007 public offering	2.6	\$ 16.30	\$ 42.3
April 2007 public offering	15.5	\$ 17.97	267.2
February 2007 public offering	1.4	\$ 19.95	27.2
Underwriters over-allotment option related to December 2006 public offering	0.4	\$ 18.50	7.5
Total for the year ended December 31, 2007	19.9		\$ 344.2

In addition, in connection with the closing of the Allied Acquisition, on April 1, 2010 we issued 58,492,537 shares of common stock valued at approximately \$872.7 million.

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

As of June 30, 2010, total market capitalization for the Company was \$2.4 billion compared to \$1.4 billion as of December 31, 2009.

Table of Contents**Debt Capital Activities**

Our debt obligations as of June 30, 2010 and December 31, 2009 consisted of the following (in millions):

	June 30, 2010		December 31, 2009	
	Carrying Value(4)	Total Available(1)	Carrying Value	Total Available(1)
CP Funding Facility	\$ 204.9	\$ 400.0	\$ 221.6	\$ 221.6
Revolving Credit Facility	153.0	750.0	474.1	525.0
CP Funding II Facility(2)				200.0
Debt Securitization	214.4	229.0	273.8	275.0
2011 Notes (principal amount outstanding of \$314.9)	306.4(3)	314.9		
2012 Notes (principal amount outstanding of \$190.6)	185.6(3)	190.6		
2047 Notes (principal amount outstanding of \$230.0)	180.7(3)	230.0		
	\$ 1,245.0	\$ 2,114.5	\$ 969.5	\$ 1,221.6

- (1) Subject to borrowing base and leverage restrictions.
- (2) The CP Funding II Facility was combined with the CP Funding Facility on January 22, 2010. In connection therewith the CP Funding II Facility was terminated.
- (3) Represents the aggregate principal amount of the applicable series of notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.
- (4) Except for the Unsecured Notes, all carrying values are the same as the principal amounts outstanding.

The weighted average interest rate and weighted average maturity both on principal value, of all our outstanding borrowings as of June 30, 2010 were 4.74% and 9 years, respectively. The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of December 31, 2009 were 2.05% and 3.8 years, respectively.

The ratio of total principal debt outstanding to stockholders' equity as of June 30, 2010 was 0.48:1.00 compared to 0.77:1.00 as of December 31, 2009. The ratio of total carrying value of debt to stockholders' equity as of June 30, 2010 was 0.46:1.00.

As required by the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of June 30, 2010, our asset coverage for borrowed amounts was 318%.

CP Funding Facilities

In October 2004, we formed Ares Capital CP, a wholly owned subsidiary of the Company, through which we established the CP Funding Facility that allowed Ares Capital CP to issue up to \$350 million of variable funding certificates ("VFC"). On May 7, 2009, the Company and Ares Capital CP entered into an amendment that, among other things, converted the CP Funding Facility from a revolving facility to an amortizing facility, extended the maturity from July 21, 2009 to May 7, 2012 and reduced the availability from \$350 million to \$225 million.

On July 21, 2009, we entered into an agreement with Wachovia Bank N.A. ("Wachovia") to establish a new revolving facility (the "CP Funding II Facility") whereby Wachovia agreed to extend credit to us in an aggregate principal amount not exceeding \$200 million at any one time outstanding.

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Prior to its combination with the CP Funding Facility, the CP Funding II Facility was scheduled to expire on July 21, 2012.

On January 22, 2010, we combined the CP Funding Facility with the CP Funding II Facility into a single \$400 million revolving securitized facility. In connection with the combination, we terminated the CP Funding II Facility and entered into an Amended and Restated Purchase and Sale Agreement with Ares Capital CP Funding Holdings LLC, our wholly owned subsidiary ("CP Holdings"), pursuant to which we may sell to CP Holdings certain loans that we have originated or acquired, or will originate or acquire (the "Loans") from time to time, which CP Holdings will subsequently sell to Ares Capital CP, which is a wholly owned subsidiary of CP Holdings. The CP Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The CP Funding Facility, among other things, extends the maturity date of the facility to January 22, 2013 (with two one-year extension options, subject to mutual consent). Prior to January 22, 2010, the interest rate charged on the CP Funding Facility was the commercial paper rate plus 3.50%. After January 22, 2010, subject to certain exceptions, the interest charged on the CP Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a "base rate" (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case, based on a pricing grid depending upon our credit rating. Additionally, we are required to pay a commitment fee of between 0.50% and 2.00% depending on the usage level on any unused portion of the CP Funding Facility.

As of June 30, 2010, the principal amount outstanding under the CP Funding Facility was \$205 million and the Company continues to be in material compliance with all of the limitations and requirements of the CP Funding Facility. See Note 7 to our consolidated financial statements for the period ended June 30, 2010 for more detail on the CP Funding Facility.

Revolving Credit Facility

In December 2005, we entered into the Revolving Credit Facility under which, as amended, the lenders agreed to extend credit to the Company. On January 22, 2010, we entered into an agreement to amend and restate the Revolving Credit Facility. The amendment and restatement of the Revolving Credit Facility, among other things, increased the size of the facility from \$525 million to \$690 million (comprised of \$615 million in commitments on a stand-alone basis and an additional \$75 million in commitments that became effective upon the closing of the Allied Acquisition), extended the maturity date from December 28, 2010 to January 22, 2013 and modified pricing. The Revolving Credit Facility also includes an "accordion" feature that allows us, under certain circumstances, to increase the size of the facility to a maximum of \$1.05 billion. During the six months ended June 30, 2010, we exercised this "accordion" feature and increased the size of the facility by \$60 million to bring the total facility size to \$750 million. As of June 30, 2010, there was \$153 outstanding under the Revolving Credit Facility and the Company continues to be in material compliance with all of the limitations and requirements of the Revolving Credit Facility.

Prior to January 22, 2010, subject to certain exceptions, pricing on the Revolving Credit Facility was based on LIBOR plus 1.00% or on an "alternate base rate" (which was the highest of a prime rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%). After January 22, 2010, subject to certain exceptions, pricing under the Revolving Credit Facility is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the "alternate base rate" plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending upon our credit rating. See Note 7 to our consolidated financial statements for the period ended June 30, 2010 for more detail on the Revolving Credit Facility.

Table of Contents**Debt Securitization**

In July 2006, through ARCC CLO, we completed the \$400 million Debt Securitization and issued approximately \$314 million principal amount of CLO Notes (including revolving notes in an aggregate amount of up to \$50 million, \$35.4 million of which were drawn down as of June 30, 2010) to third parties that were secured by a pool of middle market loans that have been purchased or originated by the Company. We serve as the servicer to ARCC CLO. The CLO Notes are included in the June 30, 2010 consolidated balance sheet. We retained approximately \$86 million of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization. During the first quarter of 2009, we repurchased \$34.8 million of various tranches of the CLO Notes, bringing our total holdings of CLO Notes to \$120.8 million (the "Retained Notes"). During the six months ended June 30, 2010, we repaid \$59.4 million of the CLO Notes.

The CLO Notes mature on December 20, 2019 and have a blended pricing of LIBOR plus 0.33%. As of June 30, 2010, there was \$214.4 million outstanding under the Debt Securitization (excluding the Retained Notes). See Note 7 to our consolidated financial statements for the period ended June 30, 2010 for more detail on the Debt Securitization.

Publicly Issued Unsecured Notes Payable

As part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including the Unsecured Notes, which include the 2011 Notes, the 2012 Notes and the 2047 Notes.

	Carrying Value(1)
2011 Notes (principal amount of \$314.9)	\$ 306.4
2012 Notes (principal amount of \$190.6)	185.6
2047 Notes (principal amount of \$230.0)	180.7
 Total	 \$ 672.7

(1) Represents the principal amount of the notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.

The 2011 Notes and the 2012 Notes require payment of interest semi-annually, and all principal is due upon maturity. The Company has the option to redeem these notes in whole or in part, together with a redemption premium, as stipulated in the notes.

The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time on or after April 15, 2012, at par and upon the occurrence of certain tax events as stipulated in the notes.

In addition, the Company may purchase the Unsecured Notes in the market to the extent permitted by the Investment Company Act. During the three months ended June 30, 2010, the Company purchased \$5 million of the 2011 Notes and \$5 million of the 2012 Notes. As a result of these transactions a realized loss of \$0.4 million was recognized during the period.

Corporate Credit Rating

As of June 30, 2010, we had a long-term counterparty credit rating from Standard & Poor's Ratings Service of BBB, a long-term issuer default rating from Fitch Ratings of BBB and a long-term issuer rating of Ba1 from Moody's Investor Service.

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PORTFOLIO VALUATION

Investment transactions are recorded on the trade date. Realized gains or losses are computed using the specific identification method. 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 the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, with approximately 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.

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

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

In addition, changes in the market environment, such as inflation, and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the gains or losses that would be realized based on the valuations currently assigned. See "Risk Factors Risks Relating to our Investments Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation."

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

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

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Preliminary valuations are reviewed and discussed with the entire investment professional and management team, and then valuation recommendations are presented to the board of directors.

The audit committee of our board of directors reviews these preliminary valuations, as well as the input of independent valuation firms with respect to the valuations of approximately 50% (based on value) of our portfolio companies without readily available market quotations.

The board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on the input of our management and audit committee and independent valuation firms.

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

OFF BALANCE SHEET ARRANGEMENTS

As of June 30, 2010 and December 31, 2009, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans to its portfolio companies (in millions):

	June 30, 2010	December 31, 2009
Total revolving and delayed draw commitments	\$ 661.7	\$ 136.8
Less: funded commitments	(387.0)	(37.2)
Total unfunded commitments	274.7	99.6
Less: commitments substantially at discretion of the Company	(65.0)	(4.0)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(29.7)	(16.2)
Total net adjusted unfunded commitments	\$ 180.0	\$ 79.4

Of the total net adjusted unfunded commitments as of June 30, 2010, \$86.4 million are from commitments for investments acquired as part of the Allied Acquisition. Also, of the total commitments as of June 30, 2010, \$176.9 million extend beyond the maturity date for our Revolving Credit Facility. Included within the total commitments as of June 30, 2010 are commitments to issue up to \$19.9 million in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. As of June 30, 2010, the Company had \$11.9 million in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability on the balance sheet as they are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$0.3 million expire in August 2010, \$2.3 million expire in September 2010, \$0.3 million expire in December 2010, \$0.8 million expire in January 2011, and \$8.2 million expire in February 2011.

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As of June 30, 2010 and December 31, 2009, the Company was a party to subscription agreements to fund equity investments in private equity investment partnerships. The Company's obligation to fund these commitments are as follows (in millions):

	June 30, 2010	December 31, 2009
Total private equity commitments	\$ 548.0	\$ 428.3
Total unfunded private equity commitments	\$ 446.0	\$ 415.4

Of the total unfunded private equity commitments as of June 30, 2010, \$400.7 million are substantially at the discretion of the Company. Additionally, of the total unfunded private equity commitments as of June 30, 2010, \$21.3 million are for investments acquired as part of the Allied Acquisition.

As of June 30, 2010, one of the Company's portfolio companies, Ciena Capital LLC ("Ciena"), had one non-recourse securitization Small Business Administration ("SBA") loan warehouse facility, which has reached its maturity date but remains outstanding. Ciena is working with the providers of the SBA loan warehouse facility with regard to the repayment of that facility. Allied Capital had previously issued a performance guaranty (which Ares Capital succeeded to as a result of the Allied Acquisition) whereby Ares Capital must indemnify the warehouse providers for any damages, losses, liabilities and related costs and expenses that they may incur as a result of Ciena's failure to perform any of its obligations as loan originator, loan seller or loan servicer under the warehouse facility. As of June 30, 2010, there are no known issues or claims with respect to this performance guaranty.

RECENT DEVELOPMENTS

On August 4, 2010, we exercised the "accordion" feature of the Revolving Credit Facility and increased the size of the facility by \$25 million, bringing the total amount available for borrowing under the Revolving Credit Facility to \$775 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

As of June 30, 2010, approximately 52% of the investments at fair value in our portfolio were at fixed rates while approximately 24% were at variable rates and 24% were non-interest earning. Additionally, as of June 30, 2010, 14% of the investments at fair value or 57% of the investments at fair value with variable rates contain interest rate floors. The Debt Securitization, the CP Funding Facility and the Revolving Credit Facility all bear interest at variable rates while the 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.

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In October 2008, we entered into a two-year interest rate swap agreement for a total notional amount of \$75 million. Under the interest rate swap agreement, we will pay a fixed interest rate of 2.985% and receive a floating rate based on the prevailing three-month LIBOR.

While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Based on our June 30, 2010 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure and reflecting the effect of our interest rate swap agreement described above and in Note 11 to the consolidated financial statements for the period ended June 30, 2010 (in millions):

Basis Point Change	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 18.4	\$ 14.9	\$ 3.5
Up 200 basis points	\$ 10.6	\$ 9.9	\$ 0.7
Up 100 basis points	\$ 4.6	\$ 5.0	\$ (0.4)
Down 100 basis points	\$ (1.9)	\$ (2.2)	\$ 0.3
Down 200 basis points	\$ (2.2)	\$ (2.2)	\$ 0.0
Down 300 basis points	\$ (2.4)	\$ (2.2)	\$ (0.2)

Based on our December 31, 2009 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 and reflecting the effect of our interest rate swap agreement described above and in Note 11 to the consolidated financial statements for the period ended June 30, 2010 (in millions):

Basis Point Change	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 17.6	\$ 26.8	\$ (9.2)
Up 200 basis points	\$ 11.2	\$ 17.9	\$ (6.7)
Up 100 basis points	\$ 5.6	\$ 8.9	\$ (3.3)
Down 100 basis points	\$ (2.1)	\$ (2.9)	\$ 0.8
Down 200 basis points	\$ (3.1)	\$ (2.9)	\$ (0.2)
Down 300 basis points	\$ (4.1)	\$ (2.9)	\$ (1.2)

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

Information about our senior securities (including preferred stock, debt securities and other indebtedness) is shown in the following tables as of each fiscal year ended December 31 since we commenced operations and as of June 30, 2010. The report of our independent registered public accounting firm, KPMG LLP, on the senior securities table as of December 31, 2009, is attached as an exhibit to the registration statement of which this prospectus is a part. The " " indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2010 (as of June 30, 2010, unaudited)	\$ 153,000	\$ 390.55	\$	N/A
Fiscal 2009	\$ 474,144	\$ 1,123.66	\$	N/A
Fiscal 2008	\$ 480,486	\$ 1,165.69	\$	N/A
Fiscal 2007	\$ 282,528	\$ 1,098.58	\$	N/A
Fiscal 2006	\$ 193,000	\$ 1,056.23	\$	N/A
Fiscal 2005	\$	\$	\$	N/A
CP Funding Facility				
Fiscal 2010 (as of June 30, 2010, unaudited)	\$ 204,853	\$ 522.91	\$	N/A
Fiscal 2009	\$ 221,569	\$ 525.09	\$	N/A
Fiscal 2008	\$ 114,300	\$ 277.30	\$	N/A
Fiscal 2007	\$ 85,000	\$ 330.07	\$	N/A
Fiscal 2006	\$ 15,000	\$ 82.09	\$	N/A
Fiscal 2005	\$ 18,000	\$ 32,645.12	\$	N/A
CP Funding II Facility				
Fiscal 2009	\$ 0	N/A	\$	N/A
Debt Securitization				
Fiscal 2010 (as of June 30, 2010, unaudited)	\$ 214,400	\$ 547.28	\$	N/A
Fiscal 2009	\$ 273,752	\$ 648.76	\$	N/A
Fiscal 2008	\$ 314,000	\$ 761.78	\$	N/A
Fiscal 2007	\$ 314,000	\$ 1,220.95	\$	N/A
Fiscal 2006	\$ 274,000	\$ 1,499.51	\$	N/A
2011 Notes				
Fiscal 2010 (as of June 30, 2010, unaudited)	\$ 306,408	\$ 782.14	\$	\$ 1,013
2012 Notes				
Fiscal 2010 (as of June 30, 2010, unaudited)	\$ 185,572	\$ 473.69	\$	\$ 1,012
2047 Notes				
Fiscal 2010 (as of June 30, 2010, unaudited)	\$ 180,705	\$ 461.27	\$	\$ 776

(1) Total amount of each class of senior securities outstanding 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 senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each of the Revolving Credit Facility, the CP Funding Facility and the Debt Securitization, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each.

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- (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 and the 2047 Notes, as none of our other current senior securities are registered for public trading. The average market value per unit for each of the 2011 Notes, the 2012 Notes and the 2047 Notes is based on the quoted prices of such notes.

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BUSINESS

GENERAL

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a BDC under the Investment Company Act. We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately \$12 billion of total committed capital under management as of June 30, 2010, including available debt capacity (subject to leverage restrictions), funds co-managed by us and funds managed or sub-managed by our wholly owned portfolio company, IHAM.

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

On April 1, 2010, we consummated the Allied Acquisition in an all stock merger where each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and then-existing Allied Capital stockholders owning approximately 31% of the combined company. See "Risk Factors Risks Relating to Our Business We may be unable to realize the benefits anticipated by the Allied Acquisition, including estimated cost savings and synergies, or it may take longer than anticipated to achieve such benefits" for a description of the risks that the Company may face as a result of the Allied Acquisition.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments have ranged between \$20 million and \$200 million each, although the investment sizes may be more or less than the targeted range. Our investment sizes are expected to grow with our capital availability and following our April 2010 consummation of the Allied Acquisition.

To a lesser extent, we also make equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent loan investment). However, we may increase the size or nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. For risks relating to these investments, see "Risk Factors Risks Relating to Our Investments Investments in equity securities involve a substantial degree of risk."

The proportion of these investments will change over time given our views on, among other things, the economic and credit environment we are operating in. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio

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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 syndicate a portion of such amount to third parties, such that we make a smaller investment than what was reflected in our original commitment.

The first and second lien senior loans generally have stated terms of three to 10 years and the mezzanine debt investments 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 securities with any maturity or duration. The debt that we invest in typically is 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). We may invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage Ares' current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 12 years and its senior principals have an average of over 20 years experience investing in senior loans, high yield bonds, mezzanine debt and private equity securities. The Company has access to the Ares staff of approximately 140 investment professionals and approximately 190 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance, operations, technology and investor relations.

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

We and GE Commercial Finance Investment Advisory Services LLC also co-manage the Senior Secured Loan Fund.

We also manage the AGILE Fund, and our wholly owned subsidiary A.C. Corporation manages the Emporia Funds.

In addition, we have made investments in our portfolio company, IHAM, which manages five unconsolidated senior debt funds, the Ivy Hill Funds and the Knightsbridge Funds, and serves as the sub-adviser/sub-manager to four others: the CoLTS Funds and FirstLight. As of June 30, 2010, IHAM had total committed capital under management of over \$2.9 billion, which includes approximately \$0.3 billion of capital committed by Ares Capital.

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About Ares

Founded in 1997, Ares is a global alternative asset manager and SEC registered investment adviser with approximately \$37 billion of total committed capital under management and over 330 employees as of June 30, 2010.

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

Ares is comprised of the following groups:

Private Debt Group. The Ares Private Debt Group manages the assets of Ares Capital, Ares Credit Strategies Fund II, L.P. and ACE, which together had approximately \$13 billion of committed capital under management as of June 30, 2010. The Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt, which in some cases may include an equity component. The Private Debt Group also makes equity investments in private middle market companies, usually in conjunction with loans.

Capital Markets Group. The Ares Capital Markets Group manages approximately \$18 billion of committed capital as of June 30, 2010 through a variety of funds and investment vehicles, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

Private Equity Group. The Ares Private Equity Group manages approximately \$6 billion of committed capital as of June 30, 2010, primarily through ACOF. ACOF generally makes private equity investments in amounts substantially larger than the private equity investments anticipated to be made by us. In particular, the Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

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

Ares Capital Management

Ares Capital Management, our investment adviser, is served by a dedicated origination and transaction development team of approximately 65 investment professionals led by the senior partners of Ares Capital Management: Michael Arougheti, Eric Beckman, Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' entire investment platform and benefits from the significant capital markets, trading and research expertise of all of Ares' investment professionals. Ares funds currently hold over 1,000 investments in over 30 different industries. Ares Capital Management's investment committee has eight members, including the senior partners of Ares Capital Management and certain Senior Partners of Ares' Capital Markets Group, Private Equity Group and the Managing Director of ACE.

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MARKET OPPORTUNITY

We believe there are opportunities for us to invest in middle market companies for the following reasons:

We believe that as of the date of this prospectus, the recent dislocation in the credit markets has resulted in reduced competition, a widening of interest spreads, increased fees and generally more conservative capital structures and deal terms. Although secondary loan prices have rebounded from historic lows, attractive opportunities to purchase debt in the secondary market continue to exist in certain situations.

We believe that many senior lenders have, in recent years, de-emphasized their service and product offerings to middle market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, commercial and investment banks are severely limited in their ability to underwrite new financings as they seek to replenish their capital bases and reduce leverage, resulting in opportunities for alternative funding sources.

We believe there is increased demand among private middle market companies for primary capital. Many middle market firms have faced increased difficulty raising debt in the capital markets, as commercial and investment banks are capital-constrained and largely unable to underwrite and syndicate bank loans and high yield securities, particularly for middle market issuers.

We believe there is a large pool of uninvested private equity capital for middle market companies. 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.

We believe that as of the date of this prospectus, the recent economic downturn has resulted (and will continue to result) in defaults and covenant breaches by middle market companies, which will require new junior capital to shore up liquidity or provide new capital through restructuring.

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

COMPETITIVE ADVANTAGES

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

Existing Investment Platform

As of June 30, 2010, Ares managed approximately \$37 billion of total committed capital under management in the related asset classes of non-syndicated first and second lien senior loans, syndicated loans, high yield bonds, mezzanine debt and private equity. We believe Ares' current investment platform provides a competitive advantage in terms of access to origination and marketing activities and diligence for Ares Capital. Specifically, the Ares platform provides the Company an advantage through its deal flow generation and investment evaluation process. Ares' asset management platform also provides additional market information, company knowledge and industry insight that benefit the investment and due diligence process. Ares' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

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Seasoned Management Team

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

Experience and Focus on Middle Market Companies

Ares has historically focused on investments in middle market companies and we benefit from this experience. In sourcing and analyzing deals, our investment adviser uses Ares' extensive network of relationships with intermediaries 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 long term relationships. We believe this network enables us to attract well-positioned prospective portfolio company investments. Our investment adviser works closely with the Ares investment professionals, who oversee a portfolio of investments in over 1,000 companies and provide access to an extensive network of relationships and insights into industry trends and the state of the capital markets.

Disciplined Investment Philosophy

In making its investment decisions, our investment adviser has adopted Ares' long-standing, consistent credit-based investment approach that was developed over 20 years ago by its founders. Specifically, Ares Capital Management's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment, 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, Ares Capital Management'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;

cash flows that are dependable and predictable;

management teams with demonstrated track records and economic incentives;

rates of return commensurate with the perceived risks; and

securities or investments that are structured with protective terms and covenants.

Extensive Industry Focus

We 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. Since its inception in 1997, Ares investment professionals have invested in over 30 different industries. Ares investment professionals have developed long-term relationships with management teams and management consultants in these industries and have accumulated substantial information and identified potential trends within these industries. The experience of Ares' investment professionals investing across these industries throughout various stages of the economic cycle provides our investment adviser with access to market insights and investment opportunities.

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Flexible Transaction Structuring

We are flexible in structuring investments, including the types of securities in which we invest and the terms associated with such investments. Our investment adviser and its affiliates have extensive experience investing in a wide variety of securities for leveraged companies with a diverse set of terms and conditions. We believe this approach and experience enables our investment adviser to identify attractive investment opportunities throughout economic cycles and across a company's capital structure so we can make investments consistent with our stated investment objective and preserve principal while seeking appropriate risk adjusted returns. In addition, we have the ability to provide "one stop" financing with the ability to invest capital across the balance sheet and hold and syndicate larger investments than many of our competitors. The ability to underwrite, syndicate and hold larger investments benefits our stockholders by (a) potentially increasing net income and earnings through syndication, (b) increasing originated deal flow flexibility, (c) broadening market relationships and deal flow, (d) allowing us to optimize our portfolio composition and (e) allowing us to provide capital to middle market companies, which we believe currently have limited access to capital from traditional lending sources. We believe that the ability to provide capital at every level provides a strong value proposition to middle market borrowers and our senior debt capabilities provide superior deal origination and relative value analysis capabilities compared to traditional "mezzanine only" lenders.

Broad Origination Strategy

Our investment adviser focuses on self-originating most of our investments by identifying a broad array of investment opportunities across multiple channels. It also leverages off of the extensive relationships of the broader Ares platform, including relationships with the companies in the funds managed by IHAM, 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 provides us with the ability to actively manage our investments. Moreover, by leading the investment process, our investment adviser is often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. Our investment adviser also has originated substantial proprietary deal flow from middle market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

OPERATING AND REGULATORY STRUCTURE

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

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

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Factors Risks Relating to Our Business We may not replicate Ares' historical success and our ability to enter into transactions with Ares and our other affiliates is restricted."

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant respects. As a BDC and a RIC, we are dependent on our ability to raise capital through the issuance of our common stock. RICs generally must distribute substantially all of their earnings to stockholders as dividends in order to preserve their status as RICs and avoid corporate-level U.S. income tax, which prevents us from using those earnings to support operations, which may include new investments (including investments into existing portfolio companies). Further, BDCs must meet a debt to equity ratio of less than 1:1 in order to incur debt or issue senior securities, which requires us to finance our investments with at least as much equity as debt and senior securities in the aggregate. Our credit facilities also require that we maintain a debt to equity ratio of less than 1:1.

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 debt investments generally range between \$20 million to \$200 million on average, although the investment size may be more or less than this range depending on capital availability. Our equity investments have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent loan investment). However, we may increase the size or nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful.

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

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

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

Our principal focus is investing in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity capital, of middle market companies in a variety of industries. We generally target companies that generate positive cash flows. Ares has a staff of approximately 140 investment professionals who specialize in specific industries. We generally seek to invest in companies from the industries in which Ares' investment professionals have direct expertise. The following is a representative list of the industries in which Ares has invested:

Aerospace and Defense

Airlines

Broadcasting/Cable

Cargo Transport

Chemicals

Consumer Products

Containers/Packaging

Education

Energy

Environmental Services

Farming and Agriculture

Financial

Food and Beverage

Gaming

Health Care

Homebuilding

Lodging and Leisure

Manufacturing

Metals/Mining

Paper and Forest Products

Printing/Publishing/Media

Retail

Restaurants

Supermarket and Drug

Technology

Utilities

Wireless and Wireline Telecom

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 as of June 30, 2010 and December 31, 2009 were as follows:

Industry	June 30, 2010	December 31, 2009
Financial	22.0%	16.2%
Business Services	17.8	5.8
Healthcare	11.7	18.3
Consumer Products	11.2	3.2
Restaurants and Food Services	7.1	7.8
Education	6.2	10.1
Beverage/Food/Tobacco	6.1	6.1
Other Services	4.2	8.2
Retail	2.6	5.9
Manufacturing	2.3	3.8
Computers/Electronics	1.3	1.4
Telecommunications	1.2	1.8
Industrial Products	1.2	0.0
Commercial Real Estate	1.1	0.0
Environmental Services	0.9	1.5
Printing/Publishing/Media	0.8	2.6
Aerospace and Defense	0.8	2.8
Containers/Packaging	0.6	1.0
Health Clubs	0.4	1.1
Oil and Gas	0.4	0.0
Automobile	0.1	0.0
Homebuilding	0.0	0.1
Cargo Transport	0.0	1.4
Grocery	0.0	0.9
Total	100.0%	100.0%

Geographic Region	June 30, 2010	December 31, 2009
Mid-Atlantic	29.5%	22.2%
Midwest	24.2	19.7
West	20.3	24.8
Southeast	18.4	19.7
International	4.5	10.4
Northeast	3.1	3.2
Total	100.0%	100.0%

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

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Managed Funds Portfolio

We and GE Commercial Finance Investment Advisory Services LLC co-manage an unconsolidated senior debt fund: the Senior Secured Loan Fund. We acquired our interests in the Senior Secured Loan Fund from Allied Capital on October 30, 2009. The Senior Secured Loan Fund primarily invests in "unitranche" loans (loans that combine both senior and subordinated debt, generally in a first lien position) of middle market companies. The Senior Secured Loan Fund was initially formed in December 2007 and has approximately \$3.6 billion of committed capital, approximately \$915 million in aggregate principal amount of which is funded as of June 30, 2010. Of the \$2.7 billion of unfunded committed capital as of June 30, 2010, approximately \$340 million would be funded by Ares Capital.

In addition, we manage the AGILE Fund, and our wholly owned subsidiary A.C. Corporation manages the Emporia Funds. We acquired our interests in the Emporia Funds as part of the Allied Acquisition on April 1, 2010.

Our portfolio company, IHAM, manages an unconsolidated middle market credit fund, Ivy Hill I, in exchange for a combined 0.50% management fee on the average total assets of Ivy Hill I. Ivy Hill I primarily invests in first and second lien bank debt of middle market companies. Ivy Hill I was initially funded in November 2007 with \$404.0 million of capital including a \$56.0 million investment by us consisting of \$40.0 million of Class B Notes and \$16.0 million of subordinated notes. Ivy Hill I purchased \$8.0 million and \$18.0 million of investments from us for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

On November 5, 2008, we established Ivy Hill II, which is also managed by IHAM in exchange for a combined 0.50% management fee on the average total assets of Ivy Hill II. Ivy Hill II primarily invests in second lien and subordinated bank debt of middle market companies. Ivy Hill II was initially funded with \$250.0 million of subordinated notes, and may grow over time with leverage. Ivy Hill II purchased \$86.5 million and \$28.0 million of investments from us for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

On December 29, 2009, we made an incremental investment in IHAM to facilitate its acquisition of Allied Capital's management rights in respect of, and interests in, the Allied Capital Senior Debt Fund, L.P. (now referred to as Ivy Hill SDF), for approximately \$33 million in cash. As of June 30, 2010, Ivy Hill SDF had approximately \$252 million of committed capital, which includes approximately \$30 million committed by Ares Capital and IHAM, invested primarily in first lien loans and to a lesser extent, second lien loans of middle market companies. IHAM manages Ivy Hill SDF and receives fee income and is entitled to potential equity distributions in respect of interests that it acquired in Ivy Hill SDF.

On March 24, 2010, we made an incremental investment in IHAM to facilitate its acquisition of Allied Capital's management rights in respect of, and a portion of its interests in, the Knightsbridge Funds. We also acquired interests in the Knightsbridge Funds.

The Ivy Hill Funds and the Knightsbridge Funds may, from time to time, buy additional loans from us.

IHAM also serves as the sub-advisor/sub-manager to four other funds: the CoLTS Funds and FirstLight. As of June 30, 2010, IHAM had total committed capital under management of over \$2.9 billion, which includes approximately \$0.3 billion of capital committed by Ares Capital.

Our portfolio company, IHAM, is party to the IHAM administration agreement with Ares Operations, pursuant to which Ares Operations provides IHAM with the facilities and administrative services necessary for the operations of IHAM. Under the IHAM administration agreement, IHAM reimburses Ares Operations for the costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers and respective staff in performing its

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obligations under the IHAM administration agreement. Prior to entering into the IHAM administration agreement, IHAM was party to a services agreement with Ares Capital Management, pursuant to which Ares Capital Management provided similar services.

INVESTMENT SELECTION

Ares' investment philosophy was developed over the past 20 years and has remained consistent and relevant throughout a number of economic cycles. In managing us, Ares Capital Management employs the same investment philosophy and portfolio management methodologies used by the investment professionals of Ares in Ares' private investment funds.

Ares Capital Management's investment philosophy and portfolio management involve:

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. Ares Capital Management has adopted this philosophy and follows a rigorous 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.

Ares Capital Management seeks 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 Ares Capital Management makes an investment decision 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, Ares Capital Management will engage in an intensive due diligence process. Approximately 30-40% of the investments initially reviewed proceed to this phase. Though each transaction will involve a somewhat different approach, the regular due diligence steps generally undertaken include:

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

checking management's backgrounds and references;

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

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

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

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

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

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

investigating legal risks and financial and accounting systems.

Selective Investment Process

Ares Capital Management employs Ares' long-standing, consistent investment approach, which is focused on selectively narrowing investment opportunities through a process designed to identify the most attractive opportunities.

After an investment has been identified and diligence has been completed, a credit research and analysis report is prepared. This report will be 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 Ares Capital Management. If the underwriting committee approves of the potential investment it is then presented to the investment committee. However, the portfolio managers of Ares Capital Management are responsible for the day-to-day management of our portfolio.

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 the underwriting committee 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 of that company and its other capital providers, including senior, junior, and equity capital providers, to finalize the structure of the investment. Approximately 5% of the investments initially reviewed eventually result in the issuance of formal commitments.

Debt Investments

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

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

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investment. Also, in some cases our mezzanine debt will be collateralized by a subordinated lien on some or all of the assets of the borrower.

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

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

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

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

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

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

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

Our equity investments may consist of preferred equity that is expected to pay dividends on a current basis or preferred equity that does not pay current dividends. Preferred equity generally has a preference over common equity as to dividends and distributions upon liquidation. In some cases, we may acquire common equity. Our equity investments have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent loan investment). However, we may increase the size or nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate

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them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. For risks relating to these investments, see "Risk Factors Risks Relating to Our Investments Investments in equity securities involve a substantial degree of risk."

ON-GOING RELATIONSHIPS WITH AND MONITORING OF PORTFOLIO COMPANIES

Ares Capital Management closely monitors each investment we make, maintains a regular dialogue with both the management team and other stakeholders and seeks specifically tailored financial reporting. In addition, senior investment professionals of Ares may take board seats or obtain board observation rights for our portfolio companies. As of June 30, 2010, of our 188 portfolio companies, we were entitled to board seats or board observation rights on 52% 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.

In addition to various risk management and monitoring tools, our investment adviser grades the risk of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (i.e. at the time of acquisition), although it may also take into account under certain circumstances the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. Under this system, investments with a grade of 4 involve the least amount of risk to our initial cost basis. The trends and risk factors for this investment since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments graded 3 involve a level of risk to our initial cost basis that is similar to the risk to our initial cost basis at the time of origination or acquisition. This portfolio company is generally performing as expected and the risk factors to our ability to ultimately recoup the cost of our investment are neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3. Investments graded 2 indicate that the risk to our ability to recoup the cost of such investment has increased materially since origination or acquisition, including as a result of factors such as declining performance and non-compliance with debt covenants; however, payments are generally not more than 120 days past due. An investment grade of 1 indicates that the risk to our ability to recoup the cost of such investment has substantially increased since origination or acquisition, and the portfolio company likely has materially declining performance. For debt investments with an investment grade of 1, most or all of the debt covenants are out of compliance and payments are substantially delinquent. For investments graded 1, it is not anticipated that we will be repaid in an amount equal to our full initial cost basis. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company.

Ares Capital assigned a fair value as of April 1, 2010 to each of the portfolio investments acquired in connection with the Allied Acquisition. Grades on each investment were initially assessed a grade of 3 (i.e., generally the grade we assign a portfolio company at acquisition), reflecting the relative risk to our initial cost basis of such investments. The initial cost basis of each investment acquired in connection with the Allied Acquisition was equal to the fair value of such investment as of April 1, 2010. Many of these portfolio investments were assigned a fair value reflecting a significant discount to Allied Capital's cost basis at the time of Allied Capital's origination or acquisition of the investment. It is important to note that our grading system does not take into account factors or events in respect of the period from when Allied Capital originated or acquired such portfolio investments or the current status of these portfolio investments in terms of compliance with debt facilities, financial performance

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and similar factors. Rather, it is only intended to measure the risk to Ares Capital's cost basis from the time that Ares Capital acquired the portfolio investment in connection with the Allied Acquisition. Accordingly, it is possible that the grade of certain of these portfolio investments may be reduced or increased in the future.

MANAGERIAL ASSISTANCE

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

COMPETITION

Our primary competition to provide financing to middle market companies include public and private funds, commercial and investment banks, commercial financing companies and private equity funds. 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 us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC.

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. In addition, we believe that the relationships of the members of Ares Capital Management's investment committees and of the senior principals of Ares, enable us to learn about, and compete effectively for, financing opportunities with attractive middle market companies in the industries in which we seek to invest. The 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. 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."

MARKET CONDITIONS

Due to volatility in global markets, the availability of capital and access to capital markets has been limited over the last two years. We have responded to constraints on raising new capital by pursuing other avenues of liquidity and growth, such as adjusting the pace of our investments, becoming more selective in evaluating investment opportunities, pursuing asset sales, developing our third-party asset management capabilities and/or reinvesting the proceeds from sales of lower yielding investments into higher yielding investments. We also intend to continue pursuing opportunities to manage third-party funds. As the global liquidity situation and market conditions evolve, we will continue to monitor and adjust our approach to funding accordingly. However, given the unprecedented nature of the volatility in the global markets, there can be no assurances that these activities will be successful. While levels of market disruption and volatility have improved, there can be no assurance that they will not worsen. If they do, we could face materially higher financing costs. Consequently, our operating strategy could be materially and adversely affected.

Consistent with the depressed market conditions of the general economy, during 2008 and much of 2009, the stocks of BDCs as an industry traded at near historic lows as a result of concerns over liquidity, credit quality, leverage restrictions and distribution requirements. As a result of this market volatility, several of our peers are no longer active in the market and are winding down their

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investments, have defaulted on their indebtedness and/or have decreased their distributions to stockholders. While market conditions have improved, we cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

See "Risk Factors Risks Relating to Our Business Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States, which has had, and may in the future have, a negative impact on our business and operations."

STAFFING

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees of Ares Capital Management and Ares Operations, pursuant to the terms of the investment advisory and management agreement and the administration agreement, respectively, each as described below. Each of our executive officers described under "Management Executive Officers Who Are Not Directors" is an employee of Ares Operations or Ares Capital Management. Our day-to-day investment activities are managed by our investment adviser. Most of the services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by Ares Capital Management. Ares Capital Management has approximately 65 investment professionals who focus on origination and transaction development and the ongoing monitoring of our investments. See "Management Investment Advisory and Management Agreement." In addition, we reimburse Ares Operations for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers (including our chief compliance officer, chief financial officer, secretary and treasurer) and their respective staffs. See "Management Administration Agreement."

PROPERTIES

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are currently located at 280 Park Avenue, 22nd Floor, Building East, New York, New York 10017. We rent the office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, we have entered into a sublease with Ares Management whereby Ares Management subleases approximately 25% of certain office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. Further, IHAM reimburses us for a portion of our total rent, plus certain additional costs and expenses, which corresponds to the amount of office space used by IHAM. We recently entered into a new office lease pursuant to which we will lease new office facilities from a third party and start to pay rent on the new office space in the first quarter of 2011. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM will sublease approximately 15% and 20%, respectively, of the new office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under the new office lease, plus certain additional costs and expenses.

LEGAL PROCEEDINGS

The Company is party to certain lawsuits in the normal course of business. Allied Capital was also involved in various other legal proceedings. To our knowledge, our portfolio company, Ciena, is the subject of ongoing governmental investigations, audits and reviews being conducted by the Small Business Administration, the United States Secret Service, the U.S. Department of Agriculture and the U.S. Department of Justice. Furthermore, third parties may try to seek to impose liability on Ares Capital in connection with the activities of its portfolio companies. While the outcome of any such open legal proceedings cannot at this time be predicted with certainty, the Company does not expect these matters will materially affect its financial condition or results of operations.

Table of Contents**PORTFOLIO COMPANIES**

Our investment adviser employs an investment rating system to categorize our investments. See "Business On-Going Relationships With and Monitoring of Portfolio Companies." As of June 30, 2010, the weighted average grade of the investments in our portfolio (excluding investments acquired in connection with the Allied Acquisition), the investments in our portfolio acquired in connection with the Allied Acquisition and the investments in our portfolio as a whole were each 3.0. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity." As of June 30, 2010, (i) 2.3% of our investments (excluding investments acquired in connection with the Allied Acquisition) at amortized cost (0.2% at fair value) were on non-accrual status; (ii) 7.1% of our investments acquired in connection with the Allied Acquisition at amortized cost (7.4% at fair value) were on non-accrual status; and (iii) 9.4% at amortized cost (or 7.6% at fair value) of the investments in our portfolio as a whole were on non-accrual status. As of June 30, 2010, the weighted average yield of debt and income producing securities at fair value in our portfolio was approximately 13.39% (13.40% at amortized cost) (fair value is computed as (1) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount on accruing debt divided by (2) total debt and income producing securities at fair value and amortized cost is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, divided by (b) total debt and income producing securities at amortized cost included in such securities).

The following table describes each of the businesses included in our portfolio and reflects data as of June 30, 2010. Percentages shown for class of investment securities held by us represent percentage of the class owned and do not necessarily represent voting ownership. Percentages shown for equity securities, other than warrants or options, represent the actual percentage of the class of security held before dilution. Percentages shown for warrants and options held represent the percentage of class of security we may own assuming we exercise our warrants or options before dilution.

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

ARES CAPITAL AND SUBSIDIARIES
PORTFOLIO COMPANIES
As of June 30, 2010
(dollar amounts in thousands)

Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
10th Street, LLC(2)	Document storage	Senior subordinated loan	8.93% Cash, 4.07% PIK	11/2/2014		\$ 22,781
5 North 11th Street Brooklyn, NY 11211	and management services	Member interest Option			10.00% 50.10%	\$ 596 \$ 35(3)
ADF Capital, Inc. & ADF Restaurant Group, LLC 165 Passaic Avenue Fairfield, NJ 07004	Restaurant owner and operator	Senior secured revolving loan	6.50% (Libor + 3.50%/Q)	11/27/2012		\$ 2,010(4)
		Senior secured revolving loan	6.50% (Base Rate + 2.50%/Q)	11/27/2012		\$ 233(4)
		Senior secured loan	12.50% (Libor + 6.50%/Q)	11/27/2013		\$ 23,399
		Senior secured loan	12.50% (Libor + 6.50%/Q)	11/27/2013		\$ 10,967
		Promissory note	12.00% PIK	11/27/2016		\$ 13,093
		Warrants			83.33%	\$ 665(3)

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
AGILE Fund I, LLC(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Member interest			0.50%	\$ 264
Air Medical Group Holdings LLC(2) 306 Davis Drive P.O. Box 768 West Plains, MO 65775	Medical escort services	Senior secured revolving loan Senior secured revolving loan Preferred stock Preferred stock Common stock	2.48% (Libor + 2.00%/Q) 4.25% (Base Rate + 1.00%/Q)	3/31/2011 3/31/2011		\$ 2,940(6) \$ 1,749(6) \$ 19,076 \$ 3,912 \$
AllBridgE Financial, LLC(5) 13760 Noel Road, Suite 1100 Dallas, TX 75240	Investment company	Equity interest			95.24%	\$ 12,088
Allied Capital REIT, Inc.(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067		Real estate equity interests			100.00%	\$ 364
American Broadband Communications, LLC and American Broadband Holding Company 401 N. Tryon Street, 10th Floor Charlotte, NC 28202	Broadband communication services	Senior subordinated loan Senior subordinated loan Common stock warrants	16.00% (12.00% Cash, 4.00% PIK/Q) 16.00% (12.00% Cash, 4.00% PIK/Q)	11/7/2014 11/7/2014		\$ 32,538 \$ 10,248 \$ 910(3)
American Commercial Coatings 2008 Cypress Street Paris, KY 40362		Commercial mortgage loan		12/1/2025		\$ 2,000
AP Global Holdings, Inc. 1043 North 47th Avenue Phoenix, AZ 85043	Safety and security equipment manufacturer	Senior secured loan	4.85% (Libor + 4.50%/M)	10/26/2013		\$ 6,212
Apogee Retail, LLC 1387 Cope Ave E Maplewood, MN 55109	For-profit thrift retailer	Senior secured revolving loan Senior secured loan Senior secured loan Senior secured loan Senior secured loan		3/27/2012 3/27/2012 3/27/2012 3/27/2012 9/27/2012 9/27/2012		\$ (7) \$ 25,458 \$ 11,140 \$ 2,895 \$ 3,352 \$ 11,293
Apple & Eve, LLC and US Juice Partners, LLC(2) 2 Seaview Blvd Port Washington, NY 11050	Juice manufacturer	Senior secured revolving loan Senior secured loan Senior secured loan Senior units		10/1/2013 10/1/2013 10/1/2013		\$ (8) \$ 14,242 \$ 14,985 \$ 5,500
Aquila Binks Forest Development, LLC 15430 Endeavour Drive Jupiter, FL 33478		Commercial mortgage loan Real estate equity interests	2.50%	6/1/2011	85.00%	\$ 7,933 \$
Athletic Club Holdings, Inc.		Senior secured loan	4.85% (Libor + 4.50%/M)	10/11/2013		\$ 6,380

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5201 East Tudor Road Anchorage, AL 99507	Premier health club operator	Senior secured loan	4.85% (Libor + 4.50%/M)	10/11/2013	\$ 10,120
Avborne, Inc.(5) PO Box 52-2602 Miami, FL 33152	Maintenance, repair and overhaul service provider	Common stock		27.20%	\$ 39
Aviation Properties Corporation(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Aviation services	Common stock		100.00%	\$
AWTP, LLC 2080 Lunt Avenue Elk Grove Village, IL 60007	Water treatment services	Junior secured loan		12/23/2012	\$ 1,664
		Junior secured loan		12/23/2012	\$ 730
		Junior secured loan		12/23/2012	\$ 1,664
		Junior secured loan		12/23/2012	\$ 730
Axiom Healthcare Pharmacy, Inc. 550 Technology Park Lake Mary, FL 32746	Specialty pharmacy provider	Senior subordinated loan	8.00% PIK	3/31/2015	\$ 3,063
BB&T Capital Partners/Windsor Mezzanine Fund, LLC(2) 101 N. Cherry Street, Suite 700 Winston-Salem, NC 27101	Investment company	Member interest		9.90%	\$ 14,785
BenefitMall Holdings, Inc. 4851 LBJ Freeway, Suite 1100 Dallas, TX 75244	Employee benefits broker services company	Senior subordinated loan	18.00%	6/30/2014	\$ 40,326
		Common stock		68.10%	\$ 57,647
		Warrants		100.00%	\$ (3)

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Blacksmith Brands Holdings, Inc. and Blacksmith Brands, Inc. 200 White Plains Road, Suite #275 Tarrytown, NY 10591	Consumer products and personal care manufacturer	Senior secured loan	12.50% (Base Rate + 8.50%/Q)	12/31/2014		\$ 22,229
Booz Allen Hamilton, Inc. 8283 Greensboro Drive McLean, VA 22102	Strategy and technology consulting services	Senior secured loan Senior subordinated loan	7.50% (Libor + 4.50%/Q) 13.00%	7/31/2015 7/31/2016		\$ 737 \$ 12,400
		Senior subordinated loan	13.00%	7/31/2016		\$ 250
Border Foods, Inc.(5) 4065 J Street SE Deming, NM 88030	Mexican Ingredient and Food Product Manufacturer	Senior secured loan Senior secured loan Preferred stock Common stock Common stock Common stock	9.00% (Base Rate + 4.00%/M) 13.50%	3/19/2012 3/19/2012		\$ 4,250 \$ 29,876 100.00% \$ 21,808 100.00% \$ 5,942 100.00% \$ 3,502 100.00% \$ 955
Bumble Bee Foods, LLC and BB Co-Invest LP 9655 Granite Ridge Dr. Suite 100 San Diego, CA 92123	Canned seafood manufacturer	Common stock			5.84%	\$ 8,480
Bushnell, Inc. 9200 Cody Overland Park, KS 66214	Sports optics manufacturer	Senior subordinated loan	6.79% (Libor + 6.50%/Q)	2/24/2014		\$ 28,928
Callidus Capital Corporation(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Senior subordinated loan Common stock		8/31/2013		\$ 5,088 100.00% \$
Callidus Debt Partners CDO Fund I, Ltd. GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017	Investment company	Class C notes Class D notes	2.13%	12/20/2013 12/20/2013		\$ 1,777 \$
Callidus Debt Partners CLO Fund III, Ltd. GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017	Investment company	Preferred stock	13.72%		68.41%	\$ 8,151
Callidus Debt Partners CLO Fund IV, Ltd. GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017	Investment company	Class D notes Subordinated notes	5.08% (Libor + 4.55%/Q) 1.80%	4/17/2020 4/17/2020		\$ 1,739 38.50% \$ 9,935
Callidus Debt Partners CLO Fund V, Ltd. GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017	Investment company	Subordinated notes	11.10%	11/20/2020	43.14%	\$ 10,091
Callidus Debt Partners CLO Fund VI, Ltd. GSO Capital Partners LP 280 Park Avenue, 11th Floor	Investment company	Class D notes Subordinated notes	6.53% (Libor + 6.00%/Q) 4.30%	10/23/2021 10/23/2021		\$ 4,243 100.00% \$ 14,227

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Callidus Debt Partners CLO Fund VII, Ltd. GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017	Investment company	Subordinated notes	18.16%	1/21/2021	50.90%	\$ 14,516
Callidus MAPS CLO Fund I LLC	Investment company	Class E notes	5.80% (Libor + 5.53%/Q)	12/21/2017		\$ 11,274
GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017		Subordinated notes	14.84%	12/21/2017	86.50%	\$ 19,031
Callidus MAPS CLO Fund II, Ltd.	Investment company	Class D notes	4.78% (Libor + 4.25%/Q)	7/20/2022		\$ 4,035
GSO Capital Partners LP 280 Park Avenue, 11th Floor New York, NY 10017		Subordinated notes	8.40%	7/20/2022	47.10%	\$ 12,298
Campus Management Corp.(2) and Campus Management Acquisition Corp. c/o Leeds Equity Partners, LLC 350 Park Avenue, 23rd Floor New York, NY 10022	Education software developer	Senior secured loan	10.00% Cash, 3.00% PIK	8/8/2013		\$ 3,306
		Senior secured loan	10.00% Cash, 3.00% PIK	8/8/2013		\$ 30,731
		Senior secured loan	10.00% Cash, 3.00% PIK	8/8/2013		\$ 9,098
		Preferred stock	8.00% PIK		5.51%	\$ 18,005
Canon Communications LLC 11444 W. Olympic Blvd. Los Angeles, CA 90064	Print publications services	Junior secured loan	13.75% (Libor + 8.75% Cash, 2.00% PIK/Q)	11/30/2011		\$ 10,884
		Junior secured loan	13.75% (Libor + 8.75% Cash, 2.00% PIK/Q)	11/30/2011		\$ 11,092

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Carador PLC(2) Georges Quay House 43 Townend Street Dublin 2, Ireland	Investment company	Ordinary shares			5.08%	\$ 3,982
Carlisle Wide Plank Floors, Inc. 1676 Route 9 Stoddard, NH 03464	Hardwood floor manufacturer	Senior secured loan Member interest Common stock	12.00% Cash, 2.00% PIK	6/16/2011	3.80% 3.31%	\$ 1,508 \$ \$
Catterton Partners VI, L.P. 599 West Putnam Avenue, 2nd Floor Greenwich, CT 06830	Investment partnership	Limited partnership interest			0.50%	\$ 1,716
Charter Baking Company, Inc. 3300 Walnut Street, Unit C Boulder, CO 80301	Baked goods manufacturer	Senior subordinated loan Preferred stock	13.00% PIK	2/6/2013		\$ 6,272 \$ 1,725
CIC Flex, LP 60 South Sixth Street, Suite 3720 Minneapolis, MN 55402	Investment partnership	Limited partnership units			14.28%	\$
Ciena Capital LLC(5) 1633 Broadway, 39th Floor New York, NY 10019	Investment banking services	Senior secured revolving loan Senior secured loan Class A equity interest Class B equity interest Class C equity interest		3/17/2011 3/17/2011		\$ 77,183(8) \$ 4,969 20.00% \$ 100.00% \$ 94.90% \$
CitiPostal Inc.(5) 5 North 11th Street Brooklyn, NY 11211	Document storage and management services	Senior secured revolving loan Senior secured revolving loan Senior secured loan Senior secured loan Senior subordinated loan Common stock	6.50% (Libor + 4.50%/M) 6.75% (Base Rate + 3.50%/Q) 11.00% Cash, 2.00% PIK 11.00% Cash, 2.00% PIK 16.00% PIK	12/21/2013 12/21/2013 12/21/2013 12/21/2013 12/21/2015		\$ 691(9) \$ 1,250(9) \$ 487 \$ 49,838 \$ 11,566 63.10% \$
Cleveland East Equity 26300 Harvard Road Warrensville Heights, OH 44122		Real estate equity interests			50.00%	\$ 710
Commercial Credit Group, Inc. 121 West Trade Street, Suite 2100 Charlotte, NC 28202	Commercial equipment finance and leasing company	Senior subordinated loan Senior subordinated loan Senior subordinated loan	15.00% 15.00% 15.00%	6/30/2015 6/30/2015 6/30/2015		\$ 6,000 \$ 4,000 \$ 9,500
Commons R-3, LLC 5555 Glenridge Connector, Suite 700 Atlanta, GA 30342		Real estate equity interests				\$
Community Education Centers, Inc. 35 Fairfield Place	Offender re-entry and in-prison treatment	Senior subordinated loan		11/18/2013		\$ 35,810

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West Caldwell, NJ 07006	services provider					
Compass Group Diversified Holdings, LLC 61 Wilton Road, 2nd Floor	Middle market business manager	Senior secured revolving loan	3.04% (Libor + 2.50%/Q)	12/7/2012	\$	882(10)
		Senior secured revolving loan	3.04% (Libor + 2.50%/Q)	12/7/2012	\$	37(10)
Westport, CT 06880		Senior secured revolving loan	4.75% (Base Rate + 1.50%/M)	12/7/2012	\$	51(10)
Component Hardware Group, Inc. 1890 Swarthmore Avenue Lakewood, NJ 08701	Commercial equipment manufacturer	Senior subordinated loan		1/14/2013	\$	13,874
Cook Inlet Alternative Risk, LLC 10 British American Blvd. Latham, NY 12110	Risk management services	Senior secured revolving loan		4/3/2013	\$	(11)
		Senior secured loan		4/3/2013	\$	25,114
		Senior secured loan		4/3/2013	\$	29,886
		Member interest			3.17%	\$
Cortec Group Fund IV, L.P. 200 Park Avenue, 20th Floor New York, NY 10166	Investment partnership	Limited partnership interest			2.53%	\$ 3,363
Coverall North America, Inc.(5) 5201 Congress Avenue, Suite 275 Boca Raton, FL 33487	Commercial janitorial service provider	Senior secured loan	12.00%	7/28/2011	\$	15,763
		Senior secured loan	12.00%	7/28/2011	\$	15,864
		Senior subordinated loan	15.00% Cash, 1.00% PIK	7/28/2011	\$	5,563
		Common stock (763,333 shares)			83.47%	\$ 4,380
Covestia Capital Partners, LP 11111 Santa Monica Blvd , Suite 1620 Los Angeles, CA 90025	Investment partnership	Limited partnership interest			47.00%	\$ 1,021

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Crescent Equity Corporation(5)	Hospitality	Senior subordinated loan		6/30/2010		\$ 433
2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	management services	Senior subordinated loan		1/11/2012		\$ 896
		Senior subordinated loan		6/1/2017		\$ 944
		Senior subordinated loan		6/1/2017		\$ 591
		Senior subordinated loan		9/19/2012		\$ 1,297
		Senior subordinated loan		3/25/2013		\$ 57
		Senior subordinated loan		9/8/2011		\$
		Senior subordinated loan		1/11/2012		\$
		Senior subordinated loan		6/1/2017		\$
		Senior subordinated loan		6/1/2017		\$
		Senior subordinated loan		9/19/2012		\$
		Preferred equity interest			51.00%	\$
		Preferred equity interest			12.83%	\$
		Member interest			93.35%	\$
		Member interest			85.40%	\$
		Member interest			90.00%	\$
		Member interest			72.64%	\$
		Member interest			84.60%	\$
		Common equity interest			100.00%	\$
		Common stock				\$
		Common stock				\$
		Common stock				\$
		Common stock				\$
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(2)	Healthcare analysis services	Preferred stock	14.00% PIK		20.00%	\$ 7,887
8901 Farrow Rd Columbia, SC 29203		Common stock			13.07%	\$ 7,997
		Common stock			20.00%	\$ 1,227
DI Safford, LLC		Commercial mortgage loan		5/12/2032		\$ 2,750
d/b/a Comfort Inn & Suites 420 East Hwy 70 Safford, AZ 85546						
Digital VideoStream, LLC	Media content supply chain services	Senior secured revolving loan	10.00% Cash, 1.00% PIK	2/9/2012		\$ 262(12)
2600 West Olive Avenue, Suite 100 Burbank, CA 91505	company	Senior secured revolving loan	10.00% Cash, 1.00% PIK	2/9/2012		\$ 7(12)
		Senior secured loan	11.00% Cash, 1.00% PIK	2/9/2012		\$ 10,817
		Convertible subordinated loan	10.00% PIK	2/9/2016		\$ 5,271
Direct Buy Holdings, Inc. and Direct Buy Investors, LP(2)	Membership-based buying club franchisor and operator	Senior secured loan	7.75% (Libor + 6.00%/M)	11/30/2012		\$ 2,015
8450 Broadway Merrillville, IN 46410		Senior subordinated loan	12.00% Cash, 4.00% PIK	5/30/2013		\$ 75,999
		Limited partnership interest			4.58%	\$ 3,054
		Partnership interests			19.31%	\$ 4,000

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Direct Capital Corporation(5) 155 Commerce Way Portsmouth, NH 03801	Commercial equipment finance and leasing company	Senior secured loan		1/30/2014	\$	9,097	
		Senior subordinated loan		3/1/2013	\$	1,017	
		Subordinated loan		3/1/2013	\$		
		Common stock			58.60%	\$	
Distant Lands Trading Co. 801 Houser Way North Renton, WA 98055	Coffee manufacturer	Senior secured revolving loan	8.25% (Base Rate + 5.00%/Q)	11/10/2011	\$	9,500(13)	
		Senior secured loan	13.00%	11/10/2011	\$	41,402	
		Common stock			3.32%	\$	353
		Common stock			8.27%	\$	588
Diversified Collection Services, Inc. 333 North Canyons Pkwy. Livermore, CA 94551	Collections services	Senior secured loan	7.50% (Libor + 5.50%/Q)	3/31/2012	\$	7,000	
		Senior secured loan	13.75% (Libor + 11.75%/Q)	9/30/2012	\$	36,000	
		Preferred stock			0.68%	\$	279
		Common stock			0.56%	\$	552
		Common stock			2.23%	\$ 1,645	
Diversified Mercury Communications, LLC 520 Broadway, Suite 400 Santa Monica, CA 90401	Business media consulting services	Senior secured loan	8.00% (Base Rate + 4.50%/Q)	3/28/2013	\$	1,707	
Driven Brands, Inc.(2) 128 S. Tryon St., Ste 900 Charlotte, NC 28202	Automotive aftermarket car care franchisor	Senior secured loan	7.00% (Base Rate + 3.75%/M)	10/20/2014	\$	3,982	
		Common stock			6.70%	\$	5,250
Dryden XVIII Leveraged Loan 2007 Limited Prudential Investment Management Four Gateway Center Newark, NJ 07102	Investment company	Class B notes	5.03% (Libor + 4.50%/Q)	10/25/2019	\$	3,579	
		Subordinated notes	10.20%	10/25/2019	80.00%	\$	14,623
DSI Renal, Inc.(2) 511 Union Street Suite 1800 Nashville, TN 37219	Dialysis provider	Senior secured revolving loan		3/31/2013	\$	(14)	
		Senior secured loan	9.00% (Libor + 7.00%/M)	3/31/2013	\$	9,462	
		Senior subordinated loan	6.00% Cash, 11.00% PIK	4/7/2014	\$	64,769	
		Common units			37.54%	\$	22,554

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Dynamic India Fund IV International Financial Services Limited IFS Court, Twenty Eight Cybercity, Ebene, Mauritius	Investment company	Equity Interest			5.40%	\$ 4,822
EarthColor, Inc.(5) 249 Pomeroy Road Parsippany, NJ 07054	Printing management services	Common stock			86.30%	\$
eCentury Capital Partners, L.P. 8180 Greensboro Drive, Suite 1150 McLean, VA 22102	Investment partnership	Limited partnership interest			25.00%	\$
eInstruction Corporation 308 N. Carroll Blvd. Denton, TX 76201	Developer, manufacturer and retailer of educational products	Junior secured loan Senior subordinated loan Common stock	7.85% (Libor + 7.50%/M) 16.00% PIK	7/2/2014 1/2/2015		\$ 14,960 \$ 19,983 \$ 1,256
ELC Acquisition Corporation 2 Lower Ragsdale Drive Monterey, CA 93940	Developer, manufacturer and retailer of educational products	Senior secured loan Junior secured loan	3.60% (Libor + 3.25%/M) 7.35% (Libor + 7.00%/M)	11/29/2012 11/29/2013		\$ 161 \$ 8,333
Emerald Performance Materials, LLC 2020 Front Street, Suite 100 Cuyahoga Falls, OH 44221	Polymers and performance materials manufacturer	Senior secured loan	8.25% (Libor + 4.25%/M)	5/22/2011		\$ 536
		Senior secured loan	8.25% (Libor + 4.25%/M)	5/22/2011		\$ 8,392
		Senior secured loan	8.50% (Base Rate + 3.50%/M)	5/22/2011		\$ 313
		Senior secured loan	10.00% (Libor + 6.00%/M)	5/22/2011		\$ 1,604
		Senior secured loan	13.00% Cash, 3.00% PIK	5/22/2011		\$ 5,012
Encanto Restaurants, Inc. c/o Harvest Partners, Inc. 280 Park Avenue, 33rd Floor New York, NY 10017	Restaurant owner and operator	Junior secured loan Junior secured loan	11.00% 11.00%	8/2/2013 8/2/2013		\$ 19,947 \$ 3,799
Fidus Mezzanine Capital, L.P. 101 North Tryon Street Charlotte, NC 28246	Investment partnership	Limited partnership interest			30.50%	\$ 10,518
Financial Pacific Company(5) 3455 South 344th Way, Suite 300 Federal Way, WA 98001	Commercial property and casualty insurance provider	Senior subordinated loan	15.00% Cash, 2.00% PIK	2/2/2012		\$ 11,681
		Senior subordinated loan	15.00% Cash, 2.00% PIK	2/2/2012		\$ 11,679
		Senior subordinated loan	15.00% Cash, 2.00% PIK	2/2/2012		\$ 10,750
		Subordinated loan	18.00% Cash, 2.00% PIK	8/2/2012		\$
		Preferred stock			86.30%	\$
		Preferred stock			86.30%	\$
		Preferred stock			86.30%	\$
Common stock			85.80%	\$		
Firstflight Financial Corporation(2) 1700 E. Putnum Ave.	Investment company	Senior subordinated loan Common stock	1.00% PIK	12/31/2016		\$ 48,295 \$

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Old Greenwich, CT 06870		Common stock			100.00%	\$	
Fulton Holdings Corp 5950 Fulton Industrial Blvd Atlanta, GA 30336	Airport restaurant operator	Senior secured loan Common stock	12.50%	5/28/2016		\$	40,000 1,967
Galley Equities, LLC 140 Turnpike Drive Middlebury, CT 06762		Commercial mortgage loan		1/1/2015		\$	
Geotrace Technologies, Inc. 1011 Highway 6 South, Suite 220 Houston, TX 77077	Reservoir processing, development	Common stock warrants Common stock warrants Preferred stock warrants Preferred stock warrants			7.824%	\$	(3) (3) 1,432(3) 879(3)
GG Merger Sub I, Inc. 4130 Parklake Avenue, Suite 400 Raleigh, NC 27612	Drug testing services	Senior secured loan Senior secured loan	4.54% (Libor + 4.00%/Q) 4.54% (Libor + 4.00%/Q)	12/13/2014 12/13/2014		\$	10,764 11,400
Gilchrist & Soames, Inc. 1535 E. Naomi Street PO Box 33806 Indianapolis, IN 46203	Personal care manufacturer	Senior secured revolving loan Senior subordinated loan		10/5/2013 10/5/2013		\$	(15) 22,814
Gordian Acquisition Corporation 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067		Member interest			100.00%	\$	

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Growing Family, Inc. and GFH Holdings, LLC(2) 3613 Mueller Road Saint Charles, MO 63301	Photography services	Senior secured revolving loan	9.00% (Libor + 6.00%/Q)	8/23/2011		\$ 59(16)
		Senior secured revolving loan	9.00% (Libor + 6.00%/Q)	8/23/2011		\$ 1,007(16)
		Senior secured loan	9.00% (Libor + 6.00%/Q)	3/31/2013		\$ 2,901
		Senior secured loan	9.00% (Libor + 6.00%/Q)	3/31/2013		\$ 161
		Preferred stock			38.89%	\$
		Common stock			1.77%	\$
		Warrants			50.00%	\$ (3)
Havco Wood Products LLC 3200 East Outer Road Scott City, MO 63780	Laminated oak and fiber-reinforced composite flooring manufacturer for trailers	Member interest			3.90%	\$ 173
HB&G Building Products P.O. Box 589 Troy, AL 36081	Synthetic and wood product manufacturer	Senior subordinated loan		3/7/2011		\$ 179
		Common stock			5.76%	\$
		Warrants			3.89%	\$ (3)
HCI Equity, LLC(38) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Member interest			1.00%	\$ 913
HCP Acquisition Holdings, LLC(5) c/o Halyard Capital Fund II, LP 600 Fifth Avenue, 17th Floor New York, NY 10020	Healthcare compliance advisory services	Class A units			26.19%	\$ 4,894
Heartland Dental Care, Inc. 1200 Network Centre Drive, Suite 2 Effingham, IL 62401	Dental services	Senior subordinated loan	14.25%	7/30/2014		\$ 27,717
Holiday Inn West Chester 943 South High Street West Chester, PA 19382		Real estate owned				\$ 4,000
Hot Light Brands, Inc.(5) 11780 Manchester Road, Suite 207 St. Louis, MO 63131	Restaurant owner and operator	Senior secured revolving loan		2/1/2011		\$ (17)
		Senior secured loan		2/1/2011		\$ 6,119
		Common stock			100.00%	\$
Hot Stuff Foods, LLC(5) 2930 W. Maple Street Sioux Falls, SD 57118	Convenience food service retailer	Senior secured revolving loan		2/2/2012		\$ (18)
		Senior secured loan	3.85% (Libor + 3.50%/M)	2/2/2012		\$ 38,377
		Junior secured loan		8/2/2012		\$ 25,423
		Senior subordinated loan		2/1/2013		\$
		Subordinated loan		2/1/2013		\$
		Common stock			68.03%	\$
		Common stock			95.61%	\$
Huddle House, Inc.(5) 5901-B Peachtree-Dunwoody Road, Suite 450	Restaurant owner and operator	Senior subordinated loan	12.00% Cash, 3.00% PIK	12/21/2015		\$ 18,069
		Common stock			84.04%	\$

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Atlanta, GA 30328

IAT Equity, LLC and Affiliates d/b/a Industrial Air Tool(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Industrial products distributor	Senior subordinated loan Member interest	9.00%	6/25/2014	\$ 6,000
				100.00%	\$ 7,504
Ideal Snacks Corporation 89 Mill Street Liberty, NY 12754	Snacks manufacturer	Senior secured revolving loan	8.50% (Base Rate + 4.00%/M)	6/30/2011	\$ 1,000(19)
ILC Industries, Inc. 105 Wilbur Place Bohemia, NY 11716	Industrial products provider	Junior secured loan	11.50%	6/27/2014	\$ 12,000
Impact Innovations Group, LLC 2500 Northwinds Parkway, Suite 200 Alpharetta, GA 30004	IT consulting and outsourcing services	Member interest		50.00%	\$
Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP(2) 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment banking services	Common units Common units Common units Limited partnership interest		5.00% 4.99% 5.00% 80.00%	\$ 4,561 \$ 569 \$ 13,921 \$ 6,216

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value	(2)
Industrial Container Services, LLC(2) 1540 Greenwood Avenue Montebello, CA 90640	Industrial container manufacturer, reconditioner and servicer	Senior secured revolving loan Senior secured loan Senior secured loan Senior secured loan Senior secured loan Senior secured loan Senior secured loan Senior secured loan Common stock	4.35% (Libor + 4.00%/M) 4.35% (Libor + 4.00%/M) 4.31% (Libor + 4.00%/Q) 4.31% (Libor + 4.00%/Q) 4.54% (Libor + 4.00%/Q) 4.54% (Libor + 4.00%/Q) 5.75% (Base Rate + 2.50%/Q) 5.75% (Base Rate + 2.50%/Q)	9/30/2011 9/30/2011 9/30/2011 9/30/2011 9/30/2011 9/30/2011 9/30/2011 9/30/2011 9/30/2011		\$ 3,284 214 3,694 241 821 54 63 965 11,556	(20)
Insight Pharmaceuticals Corporation(2) 1170 Wheeler Way, Suite 150 Langhorne, PA 19047	OTC drug products manufacturer	Senior subordinated loan Common stock	13.00% Cash, 2.00% PIK	9/30/2012		\$ 54,994 10,244	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc. Calle Santa Ana 1660 Santurce, PR 00909-2309	Private school operator	Series C preferred stock Series C preferred stock Common stock Common stock			3.38% 3.53% 0.00% 0.00%	\$ 2,586 672 \$ \$	
Investor Group Services, LLC(2) 2020 Front Street, Suite 100 Boston, MA 02116	Financial services	Senior secured revolving loan Limited liability company membership interest		6/22/2011		\$ 500	(21)
Ivy Hill Asset Management, LP(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment manager	Member interest			100.00%	\$ 105,044	
Ivy Hill Middle Market Credit Fund, Ltd.(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Subordinated notes Class B deferrable interest notes	15.50% 6.25% (Libor + 6.00%/Q)	11/20/2018 11/20/2018		\$ 14,737 37,600	
Jakel, Inc.(5) Regal Beloit Corporation 200 State Street Beloit, WI 53511	Electric motor manufacturer	Senior subordinated loan		3/31/2011		\$	
JTC Education Holdings, Inc. 100 Fillmore Place, Suite 300 Denver, CO 80206	Postsecondary school operator	Senior secured revolving loan Senior secured loan Senior secured loan		12/23/2014 12/23/2014 12/23/2014		\$ 20,250 11,000	(22)
Knightsbridge CLO 2007-1 Ltd.(5) 315 Holmwood Drive Newport Beach, CA 92663	Investment company	Class E interest notes	9.53% (Libor + 9.00%/Q)	1/11/2022		\$ 11,347	
Knightsbridge CLO 2008-1 Ltd.(5) 315 Holmwood Drive Newport Beach, CA 92663	Investment company	Class C interest notes Class D interest notes Class E interest notes	8.03% (Libor + 7.50%/Q) 9.03% (Libor + 8.50%/Q) 5.53% (Libor + 5.00%/Q)	6/18/2018 6/18/2018 6/18/2018		\$ 14,400 9,000 9,954	

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Kodiak Fund LP 2107 Wilson Blvd, Suite 400 Arlington, VA 22201	Investment partnership	Limited partnership interest			1.50%	\$	962
LVCG Holdings LLC(5) c/o The Decatur Group LLC 600 Seventeenth Street, Suite 2800 Denver, CO 80202	Commercial printer	Membership interests			56.53%	\$	132
Mactec, Inc. 1105 Sanctuary Parkway, Suite 300 Alpharetta, GA 30004	Engineering and environmental services	Class B-4 stock Class C stock			1.00%	\$	150
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC 825 East Gate Blvd. Garden City, NY 11530	Healthcare professional provider	Senior secured loan Senior subordinated loan	7.50% (Libor + 5.50%/M) 15.00% (Libor + 10.00% Cash, 3.00%PIK/Q)	1/30/2012 3/26/2015		\$	4,335 54,000
Making Memories Wholesale, Inc.(5) 1168 West 500 North Centerville, UT 84014	Scrapbooking branded products manufacturer	Senior secured loan Senior secured revolving loan Common stock	10.00% (Base Rate + 5.50%/Q) 7.50% Cash, 7.50% PIK 10.00% (Libor + 6.50%/Q)	8/21/2014 8/21/2014 8/21/2014		\$	9,625 267 500(23)
Market Track Holdings, LLC 101 North Wacker Drive, Suite 1500 Chicago, IL 60606	Business media consulting services company	Senior secured revolving loan Senior subordinated loan	11.50% Cash, 4.40% PIK	6/12/2014 6/12/2014		\$	(24) 24,337
MGP Park Place Equity, LLC 6901 Rockledge Drive, Suite 230 Bethesda, MD 20817		Commercial mortgage loan		5/30/2011		\$	488

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
MJ Ocala Hotel Associates, Ltd 3600 Southwest 36th Avenue Ocala, FL 34474		Commercial mortgage loan	7.60%	5/30/2011		\$ 569
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc. 21540 Plummer Street Chatsworth, CA 91311	Healthcare equipment services	Junior secured loan Junior secured loan Common stock		1/31/2014 1/31/2014		\$ 971 \$ 583 2.50% \$
Multi-Ad Services, Inc.(2) 1720 W. Detweiller Drive Peoria, IL 61615	Marketing services and software provider	Senior secured revolving loan Senior secured loan Member interest Preferred equity		11/7/2011 11/7/2011		\$ (25) \$ 1,878 8.85% \$ 14.40% \$ 1,286
MVL Group, Inc.(5) 1061 E. Indiantown Road, Suite 300 Jupiter, FL 33477	Marketing research provider	Senior secured loan Senior subordinated loan Senior subordinated loan Common stock Common stock	12.00% 12.00% Cash, 2.50% PIK 10.00%	7/8/2012 7/8/2012 7/8/2012		\$ 25,260 \$ 36,073 \$ 56.10% \$ 56.10% \$
MWD Acquisition Sub, Inc. 680 Hehli Way PO Box 69 Mondovi, WI 54755	Dental services	Junior secured loan	6.60% (Libor + 6.25%/M)	5/3/2013		\$ 4,700
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%/S) 9.00% (Base Rate + 5.00%/M) 16.00% (Libor + 13.00%/Q), 9.00% Cash, 7.00% PIK 16.00% (Libor + 12.00%/Q), 9.00% Cash, 7.00% PIK	10/31/2012 10/31/2012 10/31/2012 10/31/2012		\$ 628(26) \$ 530(26) \$ 4,100 \$ 271 5.17% \$
NetShape Technologies, Inc. 8751 Old State Road 60 Sellersburg, IN 47172	Metal precision engineered components manufacturer	Senior secured revolving loan Senior secured revolving loan	4.19% (Libor + 3.75%/B) 4.13% (Libor + 3.75%/M)	2/2/2013 2/2/2013		\$ 454(27) \$ 70(27)
Netsmart Technologies 3500 Sunrise Highway, Suite D122 Great River, NY 11739	Healthcare technology provider	Senior subordinated loan Common stock	13.50%	6/21/2017		\$ 50,579 \$ 2,500
Network Hardware Resale, Inc. 26 Castilian Drive, Suite A Santa Barbara, CA 93117	Networking equipment resale provider	Senior subordinated loan Convertible subordinated loan	12.00% 9.75%	12/9/2011 12/9/2015		\$ 12,980 \$ 19,441

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Novak Biddle Venture Partners III, L.P. 7501 Wisconsin Avenue East Tower, Suite 1380 Bethesda, MD 20814	Investment partnership	Limited partnership interest			2.46%	\$ 685
NPA Acquisition, LLC c/o Transportation Resources Partners, L.P. 13175 Gregg Street Poway, CA 92064	Powersport vehicle auction operator	Junior secured loan	7.10% (Libor + 6.75%/M)	2/24/2013		\$ 7,286
		Common units			1.94%	\$ 3,000
NPH, Inc 4243 Hunt Road Cincinnati, OH 45242		Real estate equity interests			100.00%	\$ 6,626
OnCURE Medical Corp. 610 Newport Center Drive, Suite 650 Newport Beach, CA 92660	Radiation oncology care provider	Common stock			3.38%	\$ 2,218
OTG Management, Inc. One International Plaza, Suite 130 Philadelphia, PA 19113	Airport restaurant operator	Junior secured loan	16.00% (Libor + 13.00%/M), 14.00% Cash, 2.00% PIK	6/18/2013		\$ 5,016
		Junior secured loan	20.50% (Libor + 17.50%/M), 14.00% Cash, 6.50% PIK	6/18/2013		\$ 41,178
		Warrants to purchase common stock			7.73%	\$ 4,415(3)
		Warrants to purchase common stock			5.97%	\$ (3)
Pangaea CLO 2007-1 Ltd. 200 South Wacker Drive, Suite 3100 Chicago, IL 60606	Investment company	Class D notes	5.28% (Libor + 4.75%/Q)	1/21/2021		\$ 7,722

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Papa Murphy's International, Inc. 8000 NE Parkway Dr. #350 Vancouver, WA 98662	Restaurant owner and operator	Senior secured revolving loan	10.00% (Libor + 8.00%/B)	5/5/2015		\$ 875(28)
		Senior secured loan	10.00% (Libor + 800%/B)	5/5/2015		\$ 9,973
		Senior secured loan	10.00% (Libor + 800%/B)	5/5/2015		\$ 9,973
		Senior secured loan	10.25% (Base Rate + 7.00%/M)	5/5/2015		\$ 2
		Senior secured loan	10.25% (Base Rate + 7.00%/M)	5/5/2015		\$ 2
Partnership Capital Growth Fund I, LP One Embarcadero, Suite 3810 San Francisco, CA 94111	Investment partnership	Limited partnership interest			25.00%	\$ 2,053
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp. 720 Cool Springs Blvd., Suite 450 Franklin, TN 37067	Healthcare technology provider	Senior secured loan	10.50% (Libor + 7.50%/B)	5/9/2014		\$ 11,487
		Senior secured loan	10.50% (Libor + 7.50%/B)	5/9/2014		\$ 10,604
		Series A preferred stock			5.23%	\$ 9,900
		Common stock			5.23%	\$ 100
PC Helps Support, LLC One Bala Plaza, Suite 434 Bala Cynwyd, PA 19004	Technology support provider	Senior secured revolving loan		12/14/2013		\$ (29)
		Senior secured loan	3.60% (Libor + 3.25%/M)	12/14/2013		\$ 7,316
		Senior subordinated loan	12.76%	12/14/2013		\$ 24,150
Penn Detroit Diesel Allison, LLC(5) 8330 State Road Philadelphia, PA 19136	Diesel engine manufacturer	Member interest			75.93%	\$ 17,200
Pharmedium Healthcare Corporation 150 North Field Drive, Suite 350 Lake Forest, IL 60045		Senior secured revolving loan		10/15/2013		\$ (30)
PG Mergersub, Inc. c/o Vestar Capital Partners V, LP 245 Park Avenue, 41st Floor New York, NY 10167	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated loan	12.50%			\$ 4,000
		Common stock			0.94%	\$ 167
		Preferred stock			0.94%	\$ 333
Pillar Holdings LLC and PHL Holding Co.(2) 220 Northpointe Parkway, Suite G Buffalo, NY 14228	Mortgage services	Senior secured revolving loan		11/20/2013		\$ (31)
		Senior secured loan	14.50%	5/20/2014		\$ 1,875
		Senior secured loan	14.50%	5/20/2014		\$ 5,500
		Senior secured loan	5.93% (Libor + 5.50%/B)	11/20/2013		\$ 15,144
		Senior secured loan	5.93% (Libor + 5.50%/B)	11/20/2013		\$ 9,452
		Common stock			8.48%	\$ 9,193
PODS Funding Corp. 5585 Rio Vista Drive Clearwater, FL 33760	Storage and warehousing	Senior subordinated loan	15.00%	6/23/2015		\$ 25,125
		Senior subordinated loan	16.64% PIK	12/23/2015		\$ 5,980
Primis Marketing Group, Inc. and Primis	Database marketing	Senior subordinated loan		2/25/2013		\$ 102

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Holdings, LLC c/o Pcap Managers, LLC(2) 75 State Street, 26 th Floor Boston, MA 02109	services	Preferred units			8.02%	\$	
		Common units			7.38%	\$	
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.) 1544 Old Alabama Road Roswell, GA 30076	Bankruptcy and foreclosure processing services	Senior subordinated loan	11.50% Cash, 2.00% PIK	2/8/2014		\$	16,704
		Senior subordinated loan	11.50% Cash, 2.00% PIK	2/8/2014		\$	26,897
		Preferred units			3.17%	\$	7,000
Promo Works, LLC 300 Martingale Road Schaumburg, IL 60173	Marketing services	Senior secured revolving loan		12/23/2012		\$	(32)
		Senior secured loan	12.00% Cash, 6.00% PIK	12/23/2012		\$	11,720
R2 Acquisition Corp. 207 NW Park Ave Portland, OR 97209	Marketing services	Common stock			0.33%	\$	250
R3 Education, Inc. (formerly known as Equinox EIC Partners, LLC and MUA Management Company) and EIC Acquisitions Corp. 1750 W. Broadway St. #222 Oviedo, FL 32765	Medical school operator	Senior secured revolving loan		4/30/2013		\$	(33)
		Senior secured loan	9.00% (Libor + 6.00%/M)	4/30/2013		\$	10,802
		Senior secured loan	9.00% (Libor + 6.00%/Q)	4/30/2013		\$	15,016
		Senior secured loan	9.00% (Libor + 6.00%/Q)	4/30/2013		\$	5,939
		Senior secured loan	13.00% PIK	4/30/2013		\$	7,975
		Preferred stock			16.12%	\$	1,100
		Warrants			10.00%	\$	(2)
Common membership interest			26.27%	\$	20,196		
Reed Group, Ltd. 10155 Westmoor Drive, Suite 210 Westminster, CO 80021	Medical disability management services provider	Senior secured revolving loan		12/19/2013		\$	1,044(34)
		Senior secured loan		12/19/2013		\$	10,325
		Senior subordinated loan		12/19/2013		\$	14,915
		Equity interest			4.00%	\$	

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Reflexite Corporation(38)	Developer and	Senior subordinated loan	20.00% (Base Rate + 9.00% Cash, 7.50% PIK)	11/1/2014		\$ 6,154
120 Darling Drive Avon, CT 06001	manufacturer of high-visibility reflective products	Senior subordinated loan	20.00% (Base Rate + 9.00% Cash, 7.50% PIK)	11/1/2014		\$ 11,251
		Common stock			39.49%	\$ 24,595
Regency Healthcare Group, LLC(2)	Hospice provider	Preferred member interest			7.62%	\$ 1,878
2151 Highland Avenue, Suite 350 Birmingham, AL 35205						
S.B. Restaurant Company (d/b/a Elephant Bar)	Restaurant owner and operator	Senior secured loan	11.75%	4/15/2011		\$ 33,747
14241 Firestone Blvd, Suite 315 La Mirada, CA 90638		Preferred stock Warrants			2.15%	\$
					11.30%	\$ (3)
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Common stock			3.44%	\$ 6,520
11400 SE 6th St. Suite 220 Bellevue, WA 98004						
Saw Mill PCG Partners LLC	Precision components manufacturer	Common units			66.67%	\$
31005 Solon Road Solon, OH 44139						
Senior Secured Loan Fund LLC(5)	Investment partnership	Subordinated certificates	15.94%	12/20/2015	87.50%	\$ 202,800
2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067						
Shoes for Crews, LLC		Senior secured revolving loan		7/6/2010		\$ (35)
1400 Centerpark Blvd, Suite 310 West Palm Beach, FL 33401						
Sigma International Group, Inc.	Water treatment parts manufacturer	Junior secured loan	16.00% (Libor + 8.00%/Q)	10/10/2013		\$ 1,283
700 Goldman Drive Cream Ridge, NJ 08514		Junior secured loan	16.00% (Libor + 8.00%/Q)	10/10/2013		\$ 642
		Junior secured loan	16.00% (Libor + 8.00%/Q)	10/10/2013		\$ 1,944
		Junior secured loan	16.00% (Libor + 8.00%/Q)	10/10/2013		\$ 2,800
		Junior secured loan	16.00% (Libor + 8.00%/Q)	10/10/2013		\$ 1,400
		Junior secured loan	16.00% (Libor + 8.00%/Q)	10/10/2013		\$ 4,242
Slate Equity LLC	Investment company	Member interest			0.40%	\$ 7
2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067						
Soteria Imaging Services, LLC(2)	Outpatient medical imaging provider	Junior secured loan	14.50%	11/10/2010		\$ 1,676
9200 Leesgate Road, Suite 800 Fairfax, VA 22030		Junior secured loan	12.50%	11/10/2010		\$ 2,394
		Preferred member interest			6.31%	\$
SPP Mezzanine Funding II, L.P.	Investment partnership	Limited partnership interest			42.73%	\$ 5,649
11350 Random Hills Road, Suite 800 Fairfax, VA 22030						

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Stag-Parkway, Inc.(5) 7095 Tradewater Parkway Atlanta, GA 30336	Automotive aftermarket components supplier	Senior subordinated loan Common stock	10.00%	7/14/2012	\$ 19,044	\$ 22,254
Startec Equity, LLC(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Communication services	Member interest			100.00%	\$
STS Operating, Inc. 2301 Windsor Court Addison, IL 60101	Hydraulic systems equipment and supplies provider	Senior subordinated loan	11.00%	1/2/2013	\$ 29,778	
Summit Business Media, LLC 375 Park Avenue New York, NY 10152-0002	Business media consulting services	Junior secured loan		7/6/2014	\$ 596	
Summit Energy Services, Inc. 10350 Ormsby Park Place, Suite 400 Louisville, KY 40223	Energy management consulting services	Common stock Common stock			2.00%	\$ 184
					2.00%	\$ 2,343
Tank Intermediate Holding Corp. 4365 Steiner Street P.O. Box 439 St. Bonifacius, MN 55375	Manufacturer of custom-engineered, plastic and steel bulk storage containers and tanks	Senior secured revolving loan		9/30/2014	\$	(36)
Tappan Wire & Cable Inc. 100 Bradley Parkway Blauvelt, NY 10913	Specialty wire and cable	Senior secured loan Common stock Warrants		8/31/2014	\$ 9,786	\$
					86.26%	\$
					100.00%	\$ (3)

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
The Step2 Company, LLC 10010 Aurora-Hudson Road Streetsboro, Ohio 44241	Toy manufacturer	Senior secured loan	12.00% Cash, 1.00% PIK	4/13/2012		\$ 85,856
		Common equity interest			2.36%	\$
		Preferred equity interest			2.78%	\$
The Teaching Company, LLC and The Teaching Company Holdings, Inc. 4151 Lafayette Center Drive, No. 100 Chantilly, VA 20151	Education	Preferred stock			3.64%	\$ 3,872
	publications provider	Common stock			3.64%	\$ 4
The Thymes, LLC(5) 629 9th Street SE Minneapolis, MN 55414	Cosmetic products manufacturer	Preferred stock	8.00% PIK		78.53%	\$ 6,355
		Common stock			55.45%	\$
Thermal Solutions LLC and TSI Group, Inc. 94 Tide Mill Road Hampton, NH 03842	Thermal management and electronics packaging	Senior secured loan	6.00% (Libor + 4.75%/M)	3/21/2011		\$ 216
		Senior secured loan	6.50% (Libor + 5.25%/M)	3/21/2012		\$ 2,580
	manufacturer	Senior subordinated loan	11.50% Cash, 2.75% PIK	3/21/2013		\$ 1,997
		Senior subordinated loan	11.50% Cash, 2.75% PIK	3/21/2013		\$ 3,153
		Senior subordinated loan	11.50% Cash, 2.50% PIK	3/21/2013		\$ 2,531
		Preferred stock			1.31%	\$ 308
Common stock			1.31%	\$		
Things Remembered, Inc. and TRM Holdings Corporation 5500 Avion Park Drive Highland Heights, OH 44143	Personalized gifts retailer	Senior secured revolving loan		9/29/2012		\$ (37)
		Senior secured loan	6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK	9/29/2012		\$ 28
		Senior secured loan	6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK	9/29/2012		\$ 3,445
		Senior secured loan	6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK	9/29/2012		\$ 200
		Senior secured loan	6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK	9/29/2012		\$ 51
		Senior secured loan	6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK	9/29/2012		\$ 26,982
		Senior secured loan	6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK	9/29/2012		\$ 6,938
		Preferred stock			31.93%	\$ 497
		Preferred stock			3.50%	\$ 543
	Common stock			2.98%	\$	
	Warrants to purchase preferred stock			0.00%	\$ (3)	
Tradesmen International, Inc. 9760 Shepard Road Macedonia, OH 44056	Construction labor support	Senior subordinated loan	10.00%	12/24/2014		\$ 17,405
		Warrants			10.00%	(3)
Trivergance Capital Partners, LP 2200 Fletcher Avenue, 4th Floor Fort Lee, NJ 07024	Investment partnership	Limited partnership interest			100.00%	\$

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Trover Solutions, Inc. 9390 Bunsen Parkway, Trover Plaza Louisville, KY 40220	Healthcare collections services	Senior secured revolving loan Senior subordinated loan	10.50% Cash, 1.50% PIK	5/14/2012 11/14/2012	\$ (38) \$ 52,829
TZ Merger Sub, Inc. 567 San Nicolas Drive, Suite 360 Newport Beach, CA 92660	Computers and Electronics	Senior secured loan	7.50% (Libor + 4.50%/Q)	8/4/2015	\$ 4,678
U.S. Renal Care, Inc. 2400 Dallas Parkway, Suite 350 Plano, TX 75093		Senior subordinated loan	11.25% Cash, 2.00% PIK	6/21/2017	\$ 20,030
UL Holding Co., LLC 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 Common units Common units	12.50% Cash, 2.00% PIK 12.50% Cash, 2.00% PIK 12.50% Cash, 2.00% PIK 12.50% Cash, 2.00% PIK 9.72% (Libor + 9.38%/Q) 9.72% (Libor + 9.38%/Q) 9.75% (Libor + 9.38%/Q)	12/24/2012 12/24/2012 12/24/2012 12/24/2012 12/24/2012 12/24/2012 12/24/2012	\$ 2,829 \$ 943 \$ 2,023 \$ 806 \$ 2,013 \$ 801 \$ 10,320 0.85% \$ 250 0.86% \$ 250
United Road Towing, Inc. 9550 Bornet Drive, Suite 301 Mokena, IL 60448	Towing company	Junior secured loan Warrants	16.25% (Libor + 8.25%/Q), 14.75% Cash, 1.50% PIK	1/22/2014	\$ 18,729 3.00% \$ (3)
Universal Environmental Services, LLC(2) 411 Dividend Drive Peachtree City, GA 30269	Hydrocarbon recycling and related waste management services and products	Preferred member interest			12.95% \$

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Universal Trailer Corporation(2) 11590 Century Blvd., Suite 103 Cincinnati, OH 45246	Livestock and specialty trailer manufacturer	Common stock			2.06%	\$
Univita Health, Inc. 8601 N. Scottsdale Rd., Suite #335 Scottsdale, AZ 85253	Outsourced services provider	Senior subordinated loan	12.00% Cash, 3.00% PIK	12/31/2014		\$ 20,776
Van Ness Hotel, Inc. 1050 Van Ness Avenue San Francisco, CA 94109		Commercial mortgage loan Commercial mortgage loan Real estate equity interests	5.50%	12/31/2011 8/1/2013		\$ 13,702 \$ 278 100.00% \$
Venturehouse-Cibernet Investors, LLC 509 Seventh Street, N.W. Washington, DC 20004	Financial settlement services for intercarrier wireless roaming	Equity interest			3.30%	\$
Vistar Corporation and Wellspring Distribution Corp. 12650 East Arapahoe Road Centennial, CO 80112	Food service distributor	Senior subordinated loan Senior subordinated loan Class A non-voting common stock	13.50% 13.50%	5/23/2015 5/23/2015		\$ 30,676 \$ 29,100 33.33% \$ 4,500
VOTC Acquisition Corp. 1500 Rosecrans Ave, Suite 400 Manhattan Beach, CA 90266	Radiation oncology care provider	Senior secured loan Preferred stock	11.00% Cash, 2.00% PIK	7/31/2012		\$ 7,503 28.20% \$ 7,511
VSC Investors LLC 401 Vance Street Los Angeles, CA	Investment company	Membership interest			4.63%	\$ 652
VSS-Tranzact Holdings, LLC(2) 350 Park Avenue New York, NY 10022	Management consulting services	Common membership interest			8.51%	\$ 6,483
Waste Pro USA, Inc. 2101 West State Road 434, Suite 315 Longwood, FL 32779	Waste management services	Preferred Class A common stock			2.61%	\$ 15,022
Wastequip, Inc.(2) 25800 Science Park Drive, Suite 140 Beachwood, OH 44122	Waste management equipment manufacturer	Senior subordinated loan Common stock		2/5/2015		\$ 1,312 5.34% \$
Web Services Company, LLC 3690 Redondo Beach Ave. Redondo Beach, CA 90278	Laundry service and equipment provider	Senior secured loan Senior subordinated loan Senior subordinated loan	7.00% (Base Rate + 3.75%/Q) 11.50% Cash, 2.50% PIK 11.50% Cash, 2.50% PIK	8/28/2014 8/29/2016 8/29/2016		\$ 4,913 \$ 13,392 \$ 26,129
Webster Capital II, L.P.	Investment				3.33%	\$ 690

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950 Winter Street, Suite 4200 Waltham, MA 02451	partnership	Limited partnership interest				
Woodstream Corporation	Pet products	Senior subordinated loan	12.00%	2/27/2015	\$	4,411
69 N. Locust Street Lititz, PA 17543-1714	manufacturer	Senior subordinated loan	12.00%	2/27/2015	\$	46,739
		Common units			3.55%	\$ 2,310
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			0.00%	\$ 1
		Common stock			4.11%	\$ 1,329
X-rite, Incorporated	Artwork software	Junior secured loan	14.38%	7/27/2013	\$	3,074
3100 44 th Street SW	manufacturer	Junior secured loan	(Libor + 11.38%/Q) 14.38%	7/27/2013	\$	7,685
Grandville, MI 49418		Junior secured loan	(Libor + 11.38%/Q) 14.38% (Base Rate + 10.38%/Q)	7/27/2013	\$	42
		Junior secured loan	14.38% (Base Rate + 10.38%/Q)	7/27/2013	\$	105
						3,794,020

- (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), bi-monthly (B), quarterly (Q) or semi-annually (S). For each such loan, we have provided the current interest rate in effect as of June 30, 2010.
- (2) 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.
- (3) 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.
- (4) \$2,757 of total commitment of \$5,000 remains unfunded as of June 30, 2010.
- (5) 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).

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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).

- (6) \$2,715 of total commitment of \$7,500 remains unfunded as of June 30, 2010.
- (7) Total commitment of \$7,802 remains unfunded as of June 30, 2010.
- (8) Total commitment of \$10,000 remains unfunded as of June 30, 2010.
- (9) \$0 of total commitment of \$3,200 remains unfunded as of June 30, 2010.
- (10) \$24,029 of total commitment of \$25,000 remains unfunded as of June 30, 2010.
- (11) \$0 of total commitment of \$10,000 remains unfunded as of June 30, 2010.
- (12) \$4,730 of total commitment of \$5,000 remains unfunded as of June 30, 2010.
- (13) \$0 of total commitment of \$10,000 remains unfunded as of June 30, 2010.
- (14) \$0 of total commitment of \$2,400 remains unfunded as of June 30, 2010.
- (15) \$1,225 of total commitment of \$5,000 remains unfunded as of June 30, 2010.
- (16) \$0 of total commitment of \$2,385 remains unfunded as of June 30, 2010.
- (17) \$0 of total commitment of \$2,024 remains unfunded as of June 30, 2010.
- (18) Total commitment of \$10,000 remains unfunded as of June 30, 2010.
- (19) \$32 of total commitment of \$1,084 remains unfunded as of June 30, 2010.
- (20) \$13,355 of total commitment of \$15,696 remains unfunded as of June 30, 2010.
- (21) \$2,000 of total commitment of \$2,250 remains unfunded as of June 30, 2010.
- (22) \$1,062 of total commitment of \$10,000 remains unfunded as of June 30, 2010.
- (23) \$0 of total commitment of \$2,500 remains unfunded as of June 30, 2010.
- (24) Total commitment of \$5,000 remains unfunded as of June 30, 2010.
- (25) Total commitment of \$5,000 remains unfunded as of June 30, 2010.
- (26) \$1,433 of total commitment of \$3,538 remains unfunded as of June 30, 2010.

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- (27) \$0 of total commitment of \$972 remains unfunded as of June 30, 2010.
- (28) \$2,625 of total commitment of \$3,500 remains unfunded as of June 30, 2010.
- (29) Total commitment of \$1,000 remains unfunded as of June 30, 2010.
- (30) Total commitment of \$2,823 remains unfunded as of June 30, 2010.
- (31) \$3,421 of total commitment of \$3,750 remains unfunded as of June 30, 2010.
- (32) \$0 of total commitment of \$1,000 remains unfunded as of June 30, 2010.
- (33) Total commitment of \$9,000 remains unfunded as of June 30, 2010.
- (34) \$0 of total commitment of \$3,000 remains unfunded as of June 30, 2010.
- (35) Total commitment of \$5,833 remains unfunded as of June 30, 2010.
- (36) \$4,830 of total commitment of \$4,900 remains unfunded as of June 30, 2010.
- (37) Total commitment of \$5,000 remains unfunded as of June 30, 2010.
- (38) Total commitment of \$5,000 remains unfunded as of June 30, 2010.

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Our business and affairs are managed under the direction of our board of directors. The responsibilities of the board of directors include, among other things, the quarterly valuation of our assets. The board of directors currently consists of nine members, five of whom are not "interested persons" of Ares Capital as defined in Section 2(a)(19) of the Investment Company Act. We refer to these individuals as our independent directors. Our board of directors elects our officers, who serve at the discretion of the board of directors. The board of directors maintains an audit committee and nominating and governance committee, and may establish additional committees from time to time as necessary.

EXECUTIVE OFFICERS AND BOARD OF DIRECTORS

Under our charter and bylaws, our directors are divided into three classes. Directors are elected for staggered terms of three years each, with the term of office of only one of these three classes of directors expiring each year. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

Directors

Information regarding the board of directors is as follows:

Name	Age	Position	Director Since	Expiration of Term
Independent Directors				
Ann Torre Bates	52	Director	2010	2011
Douglas E. Coltharp	49	Director	2004	2011
Frank E. O'Bryan	76	Director	2005	2010
Gregory W. Penske	48	Director	2009	2012
Eric B. Siegel	52	Director	2004	2010
Interested Directors				
Michael J. Arougheti	37	President and Director	2009	2011
Antony P. Ressler	49	Director	2010	2010
Robert L. Rosen	63	Director	2004	2012
Bennett Rosenthal	46	Chairman and Director	2004	2012

The address for each director is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Executive Officers Who Are Not Directors

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

Name	Age	Position
Joshua M. Bloomstein	36	Vice President, General Counsel and Assistant Secretary
Richard S. Davis	51	Chief Financial Officer
Merritt S. Hooper	48	Secretary and Assistant Treasurer
Daniel F. Nguyen	38	Treasurer
Karen A. Tallman	53	Chief Compliance Officer
Michael D. Weiner	57	Vice President

The address for each executive officer is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

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Biographical Information

Directors

We divide our directors into two groups interested directors and independent directors. Interested directors are "interested persons" as defined in the Investment Company Act.

As described below under "Committees of the Board of Directors Nominating and Governance Committee," the board of directors has identified certain desired attributes for director nominees. Each of our directors has demonstrated high character and integrity, superior credentials and recognition in his respective field and the relevant expertise and experience upon which to be able to offer advice and guidance to our management. Each of our directors also has sufficient time available to devote to the affairs of the Company, is able to work with the other members of the board of directors and contribute to the success of the Company and can represent the long-term interests of the Company's stockholders as a whole. Our directors have been selected such that the board of directors represents a range of backgrounds and experience. Set forth below is biographical information of each director, including a discussion of such director's particular experience, qualifications, attributes or skills that lead us to conclude, as of the date of this prospectus, that such individual should serve as a director of the Company, in light of the Company's business and structure.

Independent Directors

Ann Torre Bates, 52, has served as a director of the Company since April 2010. Ms. Bates has been a strategic and financial consultant since 1997 principally with respect to corporate finance matters. From 1995 to 1997, Ms. Bates served as Executive Vice President, Chief Financial Officer and Treasurer of NHP, Inc., a national real estate services firm. From 1991 to 1995, Ms. Bates was Vice President and Treasurer of US Airways, and held various finance positions from 1988 to 1991. Ms. Bates holds a BBA in Accountancy from the University of Notre Dame and an MBA in Finance and Economics from Cornell University. She currently serves on the Board of Directors of the Franklin Mutual Series and Recovery Funds, the Franklin Templeton Funds and SLM Corporation (Sallie Mae). She served as a director of Allied Capital Corporation from 2003 to 2010. Ms. Bates' experience as a previous director of Allied Capital Corporation provides the board of directors with important knowledge in dealing with matters related to the Company's acquisition of Allied Capital Corporation. In addition, Ms. Bates' experience serving as a director of other public companies in the financial sector, as well as her past experience as a chief financial officer, provides the board of directors and, specifically, the audit committee with valuable knowledge and insight in the financial services sector as well as experience in financial and accounting matters.

Douglas E. Coltharp, 49, has served as a director of the Company since 2004. Mr. Coltharp has served as executive vice president and chief financial officer of HealthSouth Corporation since May 2010. Prior to that, from May 2007 to May 2010, Mr. Coltharp was a partner at Arlington Capital Advisors and Arlington Investment Partners, Birmingham, AL-based financial advisory and private equity businesses. Prior to that, from November 1996 to May 2007, he was the Executive Vice President and Chief Financial Officer of Saks Incorporated and its predecessor organization (NYSE "SKS"). Prior to joining Saks Incorporated, Mr. Coltharp spent ten years in the Corporate Finance Department of NationsBank (now known as Bank of America), most recently as Senior Vice President and head of the Southeast Corporate Finance Group headquartered in Atlanta. Mr. Coltharp holds a BS in Finance and Economics from Lehigh University in Bethlehem, Pennsylvania and an MBA from the Wharton School, University of Pennsylvania, in Philadelphia, Pennsylvania. Mr. Coltharp also serves on the board of directors of Under Armour, Inc. (NYSE "UA") and rue21, inc. (NASDAQ "RUE"). Mr. Coltharp's previous experience as chief financial officer of a publicly traded company provides the board of directors with a wealth of knowledge in dealing with financial and accounting matters, and particularly qualifies him to serve in his role as chairman of the audit committee. As an executive of financial

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advisory and private equity companies and as a director of other publicly traded companies, Mr. Coltharp also brings broad financial industry and specific investment management knowledge and experience to the board of directors.

Frank E. O'Bryan, 76, has served as a director of the Company since 2005. Mr. O'Bryan served as Chairman of the Board of WMC Mortgage Company from 1997 to 2003 and as a Vice Chairman until 2004, when the company was sold to General Electric Corporation. Mr. O'Bryan served as Vice Chairman of Shearson/American Express Mortgage Corp. (formerly Western Pacific Financial) and as a Director of Shearson American Express from 1981 to 1985 and prior to that served as a Director and senior executive of Shearson Hayden Stone from 1979 to 1981. Mr. O'Bryan holds a BS in Business from the University of Arizona. Mr. O'Bryan has been a Director of The First American Corporation since 1994. Mr. O'Bryan is a past member of the boards of directors of Damon Corporation, Grubb & Ellis, Standard Pacific Corporation and Farmers & Merchants Bank. Mr. O'Bryan's long and varied business career, including his service as a director of numerous public and private companies, allows him to provide key experience and insight, especially with respect to issues specific to boards of directors of public companies and companies in the financial services industry. Mr. O'Bryan also provides valuable knowledge and expertise in financial and accounting matters to the board from his service on the audit committees of The First American Corporation and Standard Pacific Corporation.

Gregory W. Penske, 48, has served as a director of the Company since 2009. Mr. Penske has served as President and CEO of Penske Motor Group, Inc, an automotive group that owns and operates Toyota, Lexus and Scion dealerships in California, since 1993. Mr. Penske was the former President and CEO of Penske Motorsports, Inc., which operated racetracks across the country. Penske Motorsports, Inc. was publicly traded on the NASDAQ exchange and was thereafter sold to International Speedway Corporation in 1999. Mr. Penske serves as a member of the boards of directors for Penske Corporation, the Los Angeles Sports Council and Friends of Golf, Inc. He is a member of the Toyota Parts and Service Advisory Council, the Toyota President's Cabinet and the Toyota Board of Governors. Mr. Penske is also a former member of the boards of directors of the Alltel Corporation, International Speedway Corporation and the Southern California Committee for the Olympic Games and the Board of Trustees of the John Thomas Dye School. Mr. Penske holds a BS in Business from Cornell University. Because of Mr. Penske's experience as the chief executive officer of both public and private companies, as well as his previous service as director of several other publicly traded companies, he is able to provide the board of directors with the perspective of an experienced executive officer and is able to give insight related to the management and operations of a publicly traded company.

Eric B. Siegel, 52, has served as a director of the Company since 2004. Since 1995, Mr. Siegel has been an independent business consultant providing advice through a limited liability company owned by Mr. Siegel, principally with respect to acquisition strategy and structuring, and the subsequent management of acquired entities. Mr. Siegel is currently a member of the Advisory Board of and consultant to the Milwaukee Brewers Baseball Club and a Director and Chairman of the Executive Committee of El Paso Electric Company, a NYSE publicly traded utility company. Mr. Siegel is also a past member of the boards of directors of a number of public and private companies, including Kerzner International Ltd. until it went private in 2006. Mr. Siegel rejoined the board of Kerzner International Ltd., currently a private company, in 2008. Mr. Siegel is a retired limited partner of Apollo Advisors, L.P. and Lion Advisors, L.P., private investment management firms. Mr. Siegel is also a member of the Board of Trustees of the Marlborough School, a member of the board of directors of the Friends of the Los Angeles Saban Free Clinic and a board member of Reprise Theatre Company, a non-profit theatre organization. Mr. Siegel holds his BA *summa cum laude* and Phi Beta Kappa and JD Order of the Coif from the University of California at Los Angeles. Mr. Siegel's experience practicing as a corporate lawyer provides valuable insight to the board of directors on regulatory and risk management issues. In addition, Mr. Siegel's experience as a partner in investment firms and

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approximately 18 years of experience serving as a director for both public and private companies provide industry-specific knowledge and expertise to the board of directors.

Interested Directors

Michael J. Arougheti, 37, has served as President of the Company since May 2004 and as a director of the Company since 2009. Mr. Arougheti joined Ares Management in May 2004 and is a Senior Partner in the Private Debt Group. He is a member of the Executive Committee of APMC, which indirectly controls Ares Management. Mr. Arougheti also serves as a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. From 2001 to 2004, Mr. Arougheti was employed by Royal Bank of Canada, where he was a Managing Partner of the Principal Finance Group of RBC Capital Partners and a member of the firm's Mezzanine Investment Committee. At RBC Capital Partners, Mr. Arougheti oversaw an investment team that originated, managed and monitored a diverse portfolio of middle market leveraged loans, senior and junior subordinated debt, preferred equity and common stock and warrants on behalf of RBC and other third-party institutional investors. Mr. Arougheti joined Royal Bank of Canada in October 2001 from Indosuez Capital, where he was a Principal, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. Mr. Arougheti sat on the firm's Investment Committee and was also active in the firm's private equity fund investment and its fund of funds program. Prior to joining Indosuez in 1994, Mr. Arougheti worked at Kidder, Peabody & Co., where he was a member of the firm's Mergers and Acquisitions Group, advising clients in various industries, including natural resources, pharmaceuticals and consumer products. Mr. Arougheti has extensive experience in leveraged finance, including senior bank loans, mezzanine debt and private equity. He has worked on a range of transactions for companies in the consumer products, manufacturing, healthcare, retail and technology industries. Mr. Arougheti also serves on the boards of directors of Planet Organic Health Corp., Reflexite Corporation, Investor Group Services and Riverspace Arts, a not-for-profit arts organization. Mr. Arougheti received a BA in Ethics, Politics and Economics, *cum laude*, from Yale University. Mr. Arougheti's depth of experience in investment management, leveraged finance and financial services, as well as his intimate knowledge of the Company's business and operations, gives the board of directors valuable industry-specific knowledge and expertise on these and other matters. Mr. Arougheti is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act because he is the President of the Company, is on the Investment Committee of Ares Capital Management, the Company's investment adviser, and is a member and serves on the Executive Committee of APMC, which indirectly controls Ares Management, the managing member of the investment adviser.

Antony P. Ressler, 49, has served as a director of the Company since April 2010. Mr. Ressler is a Senior Partner in the Ares Private Equity Group and sits on the Executive Committee of APMC. Mr. Ressler is a Senior Advisor to the Ares Capital Markets Group and also serves on the Investment Committees of Ares Management's Private Equity funds and certain funds managed by Ares Management's Capital Markets Group. Prior to Ares, Mr. Ressler was a co-founder of Apollo Management, L.P. in 1990 and was a member of the original six-member management team. Mr. Ressler oversaw and led the capital markets activities of Apollo Management, L.P. and Lion Advisors, L.P. from 1990 until 1997, particularly focusing on high yield bonds, leveraged loans and other fixed income assets. Prior to 1990, Mr. Ressler served as a Senior Vice President in the High Yield Bond Department of Drexel Burnham Lambert Inc., with responsibility for the New Issue/Syndicate Desk. Mr. Ressler currently serves on the Board of Directors of Kinetics Holdings, LLC. Mr. Ressler is also a member of the Board of Trustees of the Center for Early Education, the Los Angeles County Museum of Art ("LACMA"), the Alliance for College-Ready Public Schools, and is involved in the U.S. Chapter of Right to Play (formerly known as Olympic Aid), an international humanitarian organization that is committed to improving the lives of the most disadvantaged children through sports and play,

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currently operating in over 20 countries worldwide. Mr. Ressler is also one of the founding members of the Board of Directors of the Painted Turtle Camp, a \$40 million southern California based facility created to serve children dealing with chronic and life threatening illnesses by creating memorable, old-fashioned camping experiences. Mr. Ressler is also a former member of the boards of directors of Allied Waste Industries, Inc., Samsonite Corporation and WCA Waste Corporation. Mr. Ressler received his BSFS from Georgetown University's School of Foreign Service and received his MBA from Columbia University's Graduate School of Business. Mr. Ressler's intimate knowledge of the business and operations of Ares Management and the Company, his extensive experience in the financial industry and as a partner in investment firms and his service as a director of other public companies provides industry-specific knowledge and expertise to the board of directors. Mr. Ressler is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act because he is a member and serves on the Executive Committee of APMC, which indirectly controls Ares Management, the manager and sole member of the Company's investment adviser.

Robert L. Rosen, 63, has served as a director of the Company since 2004. Mr. Rosen is managing partner of RLR Capital Partners and RLR Focus Fund which invests principally in the securities of publicly traded North American companies. From 1987 to present, Mr. Rosen has been CEO of RLR Partners, LLC, a private investment firm with interests in financial services, healthcare media and multi-industry companies. Mr. Rosen served from 2003 until 2005 as co-Managing Partner of Dolphin Domestic Fund II. In 1998, Mr. Rosen founded National Financial Partners ("NFP"), an independent distributor of financial services to high net worth individuals and small to medium-sized corporations. He served as NFP's CEO from 1998 to 2000 and as its Chairman until January 2002. From 1989 to 1993, Mr. Rosen was Chairman and CEO of Damon Corporation, a leading healthcare and laboratory testing company that was ultimately sold to Quest Diagnostics. From 1983 to 1987, Mr. Rosen was Vice Chairman of Maxxam Group. Prior to that, Mr. Rosen spent twelve years at Shearson American Express in positions in research, investment banking and senior management, and for two years was Assistant to Sanford Weill, the then Chairman and CEO of Shearson. Mr. Rosen holds an MBA in finance from NYU's Stern School. Mr. Rosen's 31 years of experience as a senior executive of financial services, healthcare services and private equity funds brings broad financial industry and specific investment management insight and experience to the board of directors. Mr. Rosen's expertise in finance, which served as the basis for his appointment as an Adjunct Professor of Finance at Fordham University Graduate School of Business, provides valuable knowledge to the board of directors. Mr. Rosen is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act because he has entered into a strategic advisory relationship with Ares and an affiliate of the Company owns limited partner interests in a fund controlled by Mr. Rosen.

Bennett Rosenthal, 46, has served as Chairman of the Company's board of directors since 2004. Mr. Rosenthal joined Ares Management in 1998 and is a Senior Partner in the Private Equity Group. He is a member of the Executive Committee of APMC. Mr. Rosenthal also serves on the Investment Committee of Ares Capital Management. Prior to joining Ares, Mr. Rosenthal was Managing Director in the Global Leveraged Finance Group of Merrill Lynch and was responsible for originating, structuring and negotiating leveraged loan and high yield financings. Mr. Rosenthal was also a senior member of Merrill Lynch's Leveraged Transaction Commitment Committee. Mr. Rosenthal is a member of the following boards of directors: AmeriQual Management, Inc., Aspen Dental Management, Inc., Hanger Orthopedic Group, Inc., Jacuzzi Brands Inc., Nortek, Inc., Serta, Inc. and Simmons Bedding Company. Mr. Rosenthal graduated *summa cum laude* with a BS in Economics from the University of Pennsylvania's Wharton School of Business where he also received his MBA with distinction. Mr. Rosenthal's intimate knowledge of the business and operations of Ares Management, extensive experience in the financial industry as well as the management of private equity and debt investments in particular and experience as a director of other public and private companies not only give the board of directors valuable insight but also position him well to continue to serve as the chairman of our board of directors. Mr. Rosenthal is an "interested person" of the Company as defined

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in Section 2(a)(19) of the Investment Company Act because he is on the Investment Committee of Ares Capital Management, the Company's investment adviser, and is a member and serves on the Executive Committee of APMC, which indirectly controls Ares Management, the managing member of the investment adviser.

Executive Officers Who Are Not Directors

Joshua M. Bloomstein, 36, serves as the General Counsel of Ares Capital. He joined Ares Management in November 2006 and currently serves as the Deputy General Counsel of Ares Management. From January 2005 to October 2006, Mr. Bloomstein was an associate with Latham & Watkins LLP specializing in leveraged buyouts and private equity investments as well as general partnership and corporate matters. Mr. Bloomstein graduated *magna cum laude* with a BA in Political Science from the State University of New York at Albany and received a JD degree, *magna cum laude*, from the University of Miami School of Law.

Richard S. Davis, 51, serves as Chief Financial Officer of the Company. He joined Ares Management in June 2006 and currently serves as Executive Vice President Finance and Co-Chief Operating Officer of Ares Management. From December 1997 to May 2006, Mr. Davis was with Arden Realty, Inc., a real estate investment trust and formerly the largest publicly traded owner in Southern California, serving as its Executive Vice President, Chief Financial Officer since July 2000. From 1996 to 1997, Mr. Davis was with Catellus Development Corporation, where he was responsible for accounting and finance for the asset management and development divisions. From 1985 to 1996, Mr. Davis served as a member of the audit staff of both KPMG LLP and Price Waterhouse LLP. Mr. Davis is a Certified Public Accountant and a member of the American Institute of CPAs. Mr. Davis received a BS in Accounting from the University of Missouri at Kansas City.

Merritt S. Hooper, 48, serves as Secretary and Assistant Treasurer of the Company. From July 2004 to March 2007, Ms. Hooper served as Treasurer of the Company and, from July 2004 to May 2007, as Vice President of Investor Relations of the Company. Ms. Hooper has been with Ares since its founding and is the Senior Vice President and Director of Investor Relations/Marketing for all Ares funds as well as a senior investment analyst in the Capital Markets Group. Prior to Ares, Ms. Hooper worked at Lion Advisors (an affiliate of Apollo Management L.P.) from 1991 to 1997 as a senior credit analyst participating in both portfolio management and strategy. From 1987 until 1991, Ms. Hooper was with Columbia Savings and Loan, most recently as Vice President in the Investment Management Division. Ms. Hooper serves on the executive and investment boards of Cedars-Sinai Medical Center in Los Angeles. Ms. Hooper graduated from the University of California at Los Angeles with a BA in Mathematics and received her MBA in Finance from UCLA's Anderson School of Management.

Daniel F. Nguyen, 38, serves as the Treasurer of the Company. He joined Ares Management in August 2000 and currently serves as an Executive Vice President and the Chief Financial Officer of Ares Management. From 1996 to 2000, Mr. Nguyen was with Arthur Andersen LLP, where he was in charge of conducting business audits on numerous financial clients, performing due diligence investigation of potential mergers and acquisitions, and analyzing changes in accounting guidelines for derivatives. At Arthur Andersen LLP, Mr. Nguyen also focused on treasury risk management and on mortgage-backed securities and other types of structured financing. Mr. Nguyen graduated with a BS in Accounting from the University of Southern California's Leventhal School of Accounting and received an MBA in Global Business from Pepperdine University's Graziadio School of Business and Management. Mr. Nguyen also studied European Business at Oxford University as part of the MBA curriculum. Mr. Nguyen is a Chartered Financial Analyst and a Certified Public Accountant.

Karen A. Tallman, 53, serves as Chief Compliance Officer of the Company and joined Ares Management in June 2007. From April 2006 to June 2007, Ms. Tallman acted as counsel to Ares Management. Prior to joining Ares, Ms. Tallman was General Counsel of Continuum Commerce LLC.

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a direct response marketing firm. From 1997 to 2002, Ms. Tallman was General Counsel and Secretary of Merisel, Inc., a NASDAQ-listed computer products distributor, and served as Senior Vice President beginning in 2001. From 1992 to 1997, Ms. Tallman was employed by CB Commercial Real Estate Group, Inc., most recently in the positions of Vice President, Secretary and Senior Counsel. Previously, Ms. Tallman was a corporate attorney for nine years at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Ms. Tallman graduated *magna cum laude* with a BA in Economics and Political Science from Miami University and received a JD with highest honors from George Washington University.

Michael D. Weiner, 57, serves as Vice President of the Company. Mr. Weiner is also General Counsel and Co-Chief Operating Officer of Ares Management. Mr. Weiner joined Ares Management in September 2006 and is a member of Ares. Previously, Mr. Weiner served as General Counsel to Apollo Management L.P. and had been an officer of the corporate general partners of Apollo since 1992. Prior to joining Apollo, Mr. Weiner was a partner in the law firm of Morgan, Lewis & Bockius specializing in corporate and alternative financing transactions, securities law as well as general partnership, corporate and regulatory matters. Mr. Weiner has served and continues to serve on the boards of directors of several corporations, including Hughes Communications, Inc. and SkyTerra Communications, Inc. Mr. Weiner also serves on the Board of Governors of the Cedars Sinai Medical Center in Los Angeles. Mr. Weiner graduated with a BS in Business and Finance from the University of California at Berkeley and a JD from the University of Santa Clara.

INVESTMENT COMMITTEE

Information regarding the members of Ares Capital Management's investment committee is as follows:

Name	Age	Position
Michael J. Arougheti	37	President and Director of the Company, Member of Investment Committee
Eric B. Beckman	44	Member of Investment Committee, Portfolio Manager
R. Kipp deVeer	37	Member of Investment Committee, Portfolio Manager
Mitchell Goldstein	43	Member of Investment Committee, Portfolio Manager
John Kissick	68	Member of Investment Committee
Bennett Rosenthal	46	Chairman and Director of the Company, Member of Investment Committee
Michael L. Smith	39	Member of Investment Committee, Portfolio Manager
Kenneth Gordon Watters	46	Member of Investment Committee

The address for each member of Ares Capital Management's investment committee is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Members of Ares Capital Management's Investment Committee Who Are Not Directors or Officers of the Company

Eric B. Beckman Mr. Beckman joined Ares Management in 1998 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Before joining the Private Debt Group, he served as a Partner in the Private Equity Group focusing on

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mezzanine and special situation investments. While at Ares Management, he has been responsible for originating, structuring and managing investments in senior loans, mezzanine debt, private equity and distressed securities across a number of industries. Mr. Beckman joined Ares from Goldman, Sachs & Co. where he specialized in leveraged loan and high yield bond financings. While at Goldman Sachs, he was also involved in raising and managing the West Street Bridge Loan Fund, and in certain restructuring advisory and distressed lending activities. Earlier in his career he worked in the Office of the Mayor and for the City Council of New York. Mr. Beckman is the chair of the Los Angeles Advisory Committee and a member of the national board of directors of the Posse Foundation, a college access program for inner city youth. He graduated *summa cum laude* with a BA in Political Theory and Economics from Cornell University, and received his JD from the Yale Law School where he was a senior editor of the *Yale Law Journal*.

R. Kipp deVeer Mr. deVeer joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Prior to joining Ares Management, Mr. deVeer was a partner at RBC Capital Partners, a division of Royal Bank of Canada, which led the firm's middle market financing and principal investment business. Mr. deVeer joined RBC in October 2001 from Indosuez Capital, where he was Vice President in the Merchant Banking Group. Mr. deVeer has also worked at J.P. Morgan and Co., both in the Special Investment Group of J.P. Morgan Investment Management, Inc. and the Investment Banking Division of J.P. Morgan Securities Inc. Mr. deVeer received a BA from Yale University and an MBA from Stanford University's Graduate School of Business.

Mitchell Goldstein Mr. Goldstein joined Ares Management in May 2005 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Prior to joining Ares Management, Mr. Goldstein worked at Credit Suisse First Boston, where he was a Managing Director in the Financial Sponsors Group. At CSFB, Mr. Goldstein was responsible for providing investment banking services to private equity funds and hedge funds with a focus on M&A and restructurings as well as capital raisings, including high yield, bank debt, mezzanine debt, and IPOs. Mr. Goldstein joined CSFB in 2000 at the completion of the merger with Donaldson, Lufkin & Jenrette. From 1998 to 2000, Mr. Goldstein was at Indosuez Capital, where he was a member of the Investment Committee and a Principal, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. From 1993 to 1998, Mr. Goldstein worked at Bankers Trust, where he was responsible for financing and advising clients in various industries including media and telecommunications, consumer products, automotive and healthcare. Mr. Goldstein graduated *summa cum laude* from the State University of New York at Binghamton with a BS in Accounting, received an MBA from Columbia University's Graduate School of Business and is a Certified Public Accountant.

John Kissick Mr. Kissick has been with Ares Management since its founding in 1997 and serves as a Senior Advisor to the Capital Markets Group of Ares Management and as a member of the Investment Committee of Ares Capital Management and all Ares funds. He is also a Senior Partner in the Private Equity Group of Ares Management. Prior to Ares, Mr. Kissick was a co-founder of Apollo Management, L.P. in 1990 and was a member of Apollo's original six-member management team. Together with Antony Ressler, Mr. Kissick oversaw and led the activities of Apollo Management, L.P. and Lion Advisors, L.P., an affiliate of Apollo Management L.P., from 1990 until 1997, with a focus on high yield bonds, leveraged loans and other fixed income assets. Prior to 1990, Mr. Kissick served as a Senior Executive Vice President of Drexel Burnham Lambert, where he began in 1975, eventually heading its Corporate Finance Department. Mr. Kissick serves on the boards of the Cedars-Sinai

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Medical Center in Los Angeles, the Stanford University Graduate School of Business and Athletic Department as well as Mentor LA, which helps economically disadvantaged children graduate from high school through a variety of mentoring and other programs. Mr. Kissick graduated from Yale University with a BA in Economics and with highest honors from the Stanford Business School with an MBA in Finance.

Michael L. Smith Mr. Smith joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Prior to joining Ares Management, Mr. Smith was a Partner at RBC Capital Partners, a division of Royal Bank of Canada, which led the firm's middle market financing and principal investment business. Mr. Smith joined RBC in October 2001 from Indosuez Capital, where he was a Vice President in the Merchant Banking Group. Previously, Mr. Smith worked at Kenter, Glastris & Company, a private equity investment firm specializing in leveraged management buyouts, and at Salomon Brothers Inc., in their Debt Capital Markets Group and Financial Institutions Group. Mr. Smith received a BS in Business Administration, *cum laude*, from the University of Notre Dame and a Masters in Management from Northwestern University's Kellogg Graduate School of Management.

Kenneth Gordon Watters Mr. Watters joined Ares Management in 2007 and serves as a Managing Director in the Private Debt Group, primarily responsible for Ares' private debt middle market financing business in Europe, ACE, and a member of the Investment Committee of all Ares European Credit Funds. Mr. Watters is also a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business. Previously, Mr. Watters was with Barclays where he served as the Head of the middle market Financial Sponsors Group over which he had responsibility for a one-hundred person staff across various teams within the U.K. and Europe. Mr. Watters completed his banking undergraduate at Strathclyde University and shortly thereafter completed his B.A. (Hons) in Finance at Edinburgh, Napier University. Additionally, Mr. Watters is a Chartered Banker.

BOARD LEADERSHIP STRUCTURE

Our board of directors monitors and performs an oversight role with respect to the business and affairs of the Company, including with respect to investment practices and performance, compliance with regulatory requirements and the services, expenses and performance of service providers to the Company. Among other things, our board of directors approves the appointment of our investment adviser, administrator and officers, reviews and monitors the services and activities performed by our investment adviser, administrator and officers and approves the engagement, and reviews the performance of, our independent public accounting firm.

Under the Company's bylaws, our board of directors may designate a chairman to preside over the meetings of the board of directors and meetings of the stockholders and to perform such other duties as may be assigned to him by the board. We do not have a fixed policy as to whether the chairman of the board should be an independent director and believe that our flexibility to select our chairman and reorganize our leadership structure from time to time is in the best interests of the Company and its stockholders.

Presently, Mr. Rosenthal serves as the chairman of our board of directors. Mr. Rosenthal is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act because he is on the investment committee of our investment adviser and is a member of APMC, the indirect parent of Ares Management, the managing member of our investment adviser. We believe that Mr. Rosenthal's history with the Company, familiarity with the Ares investment platform and extensive

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experience in the management of private equity and debt investments qualifies him to serve as the chairman of our board of directors. Moreover, we believe that the Company is best served through its existing leadership structure with Mr. Rosenthal as chairman of our board of directors, as Mr. Rosenthal's relationship with the Company's investment adviser provides an effective bridge between the board and our investment adviser thus ensuring an open dialogue between the board and our investment adviser and that both groups act with a common purpose.

The independent directors have designated a lead independent director whose duties include, among other things, chairing executive sessions of the independent directors, acting as a liaison between the independent directors and the chairman of the board of directors and between the independent directors and management, facilitating communication among the independent directors and the Company's counsel, reviewing and commenting on board and committee meeting agendas and calling additional meetings of the independent directors as appropriate. In August 2010, the board of directors designated and appointed Mr. Siegel as the lead independent director and Mr. Siegel has served as lead independent director since that time.

We believe that board leadership structures must be evaluated on a case by case basis and that our existing board leadership structure is appropriate. However, we continually re-examine our corporate governance policies on an ongoing basis to ensure that they continue to meet the Company's needs.

BOARD'S ROLE IN RISK OVERSIGHT

Our board of directors performs its risk oversight function primarily through (a) its two standing committees, which report to the entire board of directors and are comprised solely of independent directors and (b) monitoring by our Chief Compliance Officer in accordance with our compliance policies and procedures.

As described below in more detail under "Committees of the Board of Directors," the audit committee and the nominating and governance committee assist the board of directors in fulfilling its risk oversight responsibilities. The audit committee's risk oversight responsibilities include overseeing the Company's accounting and financial reporting processes, the Company's systems of internal controls regarding finance and accounting and audits of the Company's financial statements and discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The nominating and governance committee's risk oversight responsibilities include selecting, researching and nominating directors for election by our stockholders, developing and recommending to the board a set of corporate governance principles and overseeing the evaluation of the board and its committees. Both the audit committee and the nominating and governance committee consist solely of independent directors.

Our board of directors also performs its risk oversight responsibilities with the assistance of the Chief Compliance Officer. Our Chief Compliance Officer prepares a written report annually discussing the adequacy and effectiveness of the compliance policies and procedures of the Company and certain of its service providers. The Chief Compliance Officer's report, which is reviewed by our board of directors, addresses at a minimum (a) the operation of the compliance policies and procedures of the Company and certain of its service providers since the last report; (b) any material changes to such policies and procedures since the last report; (c) any recommendations for material changes to such policies and procedures as a result of the Chief Compliance Officer's annual review and (d) any compliance matter that has occurred since the date of the last report about which the board of directors would reasonably need to know to oversee the Company's compliance activities and risks. In addition, the Chief Compliance Officer meets separately in executive session with the independent directors at least once each year.

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We believe that our board's role in risk oversight is effective and appropriate given the extensive regulation to which we are already subject as a BDC. Specifically, as a BDC we must comply with certain regulatory requirements that control the levels of risk in our business and operations. For example, our ability to incur indebtedness is limited such that our asset coverage must equal at least 200% immediately after each time we incur indebtedness, we generally have to invest at least 70% of our total assets in "qualifying assets," and we are not generally permitted to invest in any portfolio company in which Ares or any of its affiliates currently has an investment. See "Regulation." In addition, we have elected to be treated as a RIC under Subchapter M of the Code. As a RIC we must, among other things, meet certain income source and asset diversification requirements. See "Certain Material U.S. Federal Income Tax Considerations."

We believe that the extent of our board's (and its committees') role in risk oversight complements our board's leadership structure because it allows our independent directors, through the two fully independent board committees, a lead independent director, executive sessions with the Chief Compliance Officer, auditor and independent valuation providers and otherwise, to exercise oversight of risk without any conflict that might discourage critical review.

We believe that board roles in risk oversight must be evaluated on a case by case basis and that our existing board role in risk oversight is appropriate. However, we continually re-examine the manner in which the board administers its oversight function on an ongoing basis to ensure that it continues to meet the Company's needs.

COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors has established an audit committee and a nominating and governance committee. We do not have a compensation committee because our executive officers do not receive any direct compensation from us. During 2009, the board of directors held 21 formal meetings, the audit committee held five formal meetings and the nominating and governance committee held four formal meetings. We encourage, but do not require, the directors to attend our annual meeting of stockholders.

Audit Committee

The members of the audit committee are Ms. Bates and Messrs. Coltharp and Siegel, each of whom is independent for purposes of the Investment Company Act and The NASDAQ Global Select Market's corporate governance regulations. Mr. Coltharp serves as chairman of the audit committee. The board of directors has adopted a charter for the audit committee, which is available on our website at www.arescapitalcorp.com. The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee is also responsible for aiding our board of directors in fair value pricing debt and equity securities that are not publicly traded or for which current market values are not readily available. The audit committee also currently receives input from independent valuation firms that have been engaged at the direction of the board to value certain portfolio investments. In addition, the audit committee is responsible for discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Nominating and Governance Committee

The members of the nominating and governance committee are Messrs. O'Bryan, Penske and Siegel, each of whom is independent for purposes of the Investment Company Act and The NASDAQ

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Global Select Market's corporate governance regulations. Mr. Penske serves as chairman of the nominating and governance committee. Our board of directors has adopted a charter for the nominating and governance committee, which is available on our website at www.arescapitalcorp.com. The nominating and governance committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the board or a committee of the board, developing and recommending to the board a set of corporate governance principles and overseeing the evaluation of the board and its committees.

The nominating and governance committee may consider recommendations for nomination of directors from our stockholders. Nominations made by stockholders must be delivered to or mailed (setting forth the information required by our bylaws) and received at our principal executive offices not earlier than 150 days nor fewer than 120 days in advance of the first anniversary of the date on which we first mailed our proxy materials for the previous year's annual meeting of stockholders; *provided, however*, that if the date of the annual meeting has changed by more than 30 days from the prior year, the nomination must be received not earlier than the 150th day prior to the date of such annual meeting nor later than the later of (a) the 120th day prior to the date of such annual meeting or (b) the 10th day following the day on which public announcement of such meeting date is first made.

Director Qualifications. The nominating and governance committee seeks candidates who possess the background, skills and expertise to make a significant contribution to the board of directors, the Company and its stockholders. In considering possible candidates for election as a director, the nominating and governance committee takes into account, in addition to such other factors as it deems relevant, the desirability of selecting directors who:

are of high character and integrity;

are accomplished in their respective fields, with superior credentials and recognition;

have relevant expertise and experience upon which to be able to offer advice and guidance to management;

have sufficient time available to devote to the affairs of the Company;

are able to work with the other members of the board of directors and contribute to the success of the Company;

can represent the long-term interests of the Company's stockholders as a whole; and

are selected such that the board of directors represents a range of backgrounds and experience.

Compensation Committee

We do not have a compensation committee because our executive officers do not receive any direct compensation from us.

Table of Contents**BENEFICIAL OWNERSHIP OF OUR DIRECTORS**

The following table sets forth the dollar range of our equity securities based on the closing price of our common stock on September 1, 2010 and the number of shares beneficially owned by each of our directors as of December 31, 2009. We are not part of a "family of investment companies," as that term is defined in the Investment Company Act.

Name of Director	Aggregate Dollar Range of Equity Securities in Ares Capital(1)(2)
Independent Directors(3)	
Ann Torre Bates	\$50,001-\$100,000
Douglas E. Coltharp	\$50,001-\$100,000
Frank E. O'Bryan	Over \$100,000
Gregory W. Penske	None
Eric B. Siegel	Over \$100,000
Interested Directors	
Michael J. Arougheti	Over \$100,000
Antony P. Ressler	Over \$100,000
Robert L. Rosen	Over \$100,000
Bennett Rosenthal	None

- (1) The dollar ranges are as follows: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000 or over \$100,000. The dollar range of our equity securities beneficially owned is calculated based on the closing sales price of our common stock as reported on The NASDAQ Global Select Market as of September 1, 2010.
- (2) Beneficial ownership determined in accordance with Rule 16a-1(a)(2) under the Exchange Act.
- (3) As of September 1, 2010, to the best of our knowledge, except as listed above, none of the independent directors, nor any of their immediate family members, had any interest in us, our investment adviser or any person or entity directly or indirectly controlling, controlled by or under common control with us or our investment adviser.

Table of Contents**COMPENSATION TABLE**

The following table shows information regarding the compensation received by our directors, none of whom is our employee, for the fiscal year ended December 31, 2009. No compensation is paid by us to directors who are or are being treated as "interested persons." No information has been provided with respect to our executive officers who are not directors, since our executive officers do not receive any direct compensation from us.

Name	Fees Earned or Paid in Cash(1)	Total
Independent Directors		
Ann Torre Bates(2)	None	None
Douglas E. Coltharp	\$ 133,000	\$ 133,000
Frank E. O'Bryan	\$ 117,500	\$ 117,500
Gregory W. Penske	\$ 62,500	\$ 62,500
Eric B. Siegel	\$ 130,000	\$ 130,000
Interested Directors		
Michael J. Arougheti	None	None
Antony P. Ressler(3)	None	None
Robert L. Rosen(4)	None	None
Bennett Rosenthal	None	None

(1) For a discussion of the independent directors' compensation, see below.

(2) Ms. Bates became a director in April 2010.

(3) Mr. Ressler became a director in April 2010.

(4) While Mr. Rosen did not receive any compensation from us for the fiscal year ended December 31, 2009, he did receive \$117,500 from Ares Management for such period in connection with his service as our director.

The independent directors receive an annual fee of \$100,000. They also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of \$5,000 and each chairman of any other committee receives an annual fee of \$2,000 for his additional services in these capacities. The lead independent director receives an additional annual fee of \$10,000. In addition, we purchase directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees paid in shares of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment.

Table of Contents**PORTFOLIO MANAGERS**

The following individuals function as portfolio managers primarily responsible for the day-to-day management of our portfolio. The portfolio managers are comprised of (a) the underwriting committee, whose primary responsibility is to recommend investments for approval to the Investment Committee of Ares Capital Management and (b) members of the Investment Committee of Ares Capital Management who are not otherwise on the underwriting committee.

Name	Position	Length of Service with Ares (years)	Principal Occupation(s) During Past 5 Years
Michael J. Arougheti	President and Director of the Company	6	Mr. Arougheti has served as President of the Company since May 2004 and a director of the Company since February 2009. He is a Senior Partner in the Private Debt Group of Ares Management. He serves as a member of the Executive Committee of APMC, which indirectly controls Ares Management. Mr. Arougheti also serves as a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE, Ares' European Private Debt business.
Eric B. Beckman	Senior Partner in Private Debt Group	12	Mr. Beckman joined Ares Management in 1998 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE. Before joining the Private Debt Group, Mr. Beckman served as a Senior Partner of the Private Equity Group focusing on mezzanine and special situation investments.
R. Kipp deVeer	Senior Partner in Private Debt Group	6	Mr. deVeer joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE.

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Name	Position	Length of Service with Ares (years)	Principal Occupation(s) During Past 5 Years
Mitchell Goldstein	Senior Partner in Private Debt Group	5	Mr. Goldstein joined Ares Management in May 2005 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE. Prior to joining Ares Management, Mr. Goldstein worked at Credit Suisse First Boston, where he was a Managing Director in the Financial Sponsors Group. Mr. Goldstein joined CSFB in 2000 at the completion of the merger with Donaldson Lufkin and Jenrette.
John Kissick	Senior Partner in Private Equity Group	13	Mr. Kissick serves as a Senior Partner in the Private Equity Group of Ares Management. Mr. Kissick is a Senior Advisor to the Capital Markets Group of Ares Management and serves on the Investment Committee of Ares Capital Management and all Ares funds.
Bennett Rosenthal	Chairman of the board of directors of the Company; Senior Partner in Private Equity Group	13	Mr. Rosenthal has served as Chairman of the Company's board of directors since 2004. He has been with Ares Management since 1998 and is a Senior Partner in the Private Equity Group. He is a member of the Executive Committee of APMC, which indirectly controls Ares Management. Mr. Rosenthal also serves on the Investment Committee of Ares Capital Management.
Michael L. Smith	Senior Partner in Private Debt Group	6	Mr. Smith joined Ares Management in May 2004 and serves as a Senior Partner in the Private Debt Group of Ares Management. He is a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE.

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Name	Position	Length of Service with Ares (years)	Principal Occupation(s) During Past 5 Years
Kenneth Gordon Watters	Managing Director in Private Debt Group	3	Mr. Watters joined Ares Management in 2007 and serves as a Managing Director in the Private Debt Group and a member of the Investment Committee of all Ares European Credit Funds. Mr. Watters is also a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE. Previously, Mr. Watters was with Barclays where he served as the Head of the middle market Financial Sponsors Group over which he had responsibility for a one hundred person staff across various teams within the U.K. and Europe.

None of the individuals listed above is primarily responsible for the day-to-day management of the portfolio of any other account, except that Messrs. Kissick and Rosenthal are each Senior Partners of the Ares Private Equity Group and have with significant responsibilities for other Ares managed funds, which as of June 30, 2010 had approximately \$37 billion (including the Company) of committed capital under management used to calculate Ares' advisory fees related to such funds, and Mr. Watters is a Managing Director of the Private Debt Group, which as of June 30, 2010 had approximately \$13 billion (including the Company) of committed capital under management used to calculate advisory fees related to such funds, a member of the Investment Committee of all Ares European Credit Funds and also a member of the Investment Committee of Ares Capital Management, the Ares Management Global Private Debt Group Investment Committee and the Investment Committee of ACE. See "Risk Factors Risks Relating to Our Business There are significant potential conflicts of interest that could impact our investment returns."

Each of Messrs. Arougheti, Beckman, deVeer, Goldstein and Smith is equally responsible for deal origination, execution and portfolio management. Mr. Arougheti, as our President, spends a greater amount of his time on corporate and administrative activities in his role as an officer.

As of June 30, 2010, each of Messrs. Beckman, deVeer, Goldstein and Smith was a full-time employee of Ares Capital Management and receives a fixed salary for the services he provides to us. Each will also receive an annual amount that is equal to a fixed percentage of any incentive fee received by Ares Capital Management from us for a fiscal year. None of the portfolio managers receives any direct compensation from us.

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The following table sets forth the dollar range of our equity securities based on the closing price of our common stock on September 1, 2010 and the number of shares beneficially owned by each of the portfolio managers described above as of December 31, 2009 unless otherwise indicated below.

Name	Aggregate Dollar Range of Equity Securities in Ares Capital(1)
Michael J. Arougheti	Over \$1,000,000(2)
Eric B. Beckman	Over \$1,000,000
R. Kipp deVeer	\$100,001 - \$500,000
Mitchell Goldstein	\$500,001 - \$1,000,000
John Kissick	None(2)
Bennett Rosenthal	None(2)
Michael L. Smith	Over \$1,000,000
Kenneth Gordon Watters	None(3)

(1) Dollar ranges are as follows: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, \$100,001-\$500,000, \$500,001-\$1,000,000 or over \$1,000,000.

(2) Ares Investments LLC ("Ares Investments"), whose managing member is APMC, owned 2,859,882 shares of our common stock as of December 31, 2009. Each of the members of APMC (which include Messrs. Arougheti, Kissick and Rosenthal or vehicles controlled by them) disclaims beneficial ownership of all shares of Ares Capital common stock owned by Ares Investments, except to the extent of any indirect pecuniary interest therein. The shares of our common stock held by Ares Investments and its subsidiary, Ares Investments Holdings LLC ("Ares Investments Holdings"), have been pledged in the ordinary course to secure indebtedness under a credit facility under which Ares Investments and Ares Investments Holdings are co-borrowers with Ares Management, an indirect subsidiary of APMC.

(3) Mr. Watters became a portfolio manager on April 15, 2010. Accordingly, the dollar range of equity securities in Ares Capital is based on the number of equity securities beneficially owned by Mr. Watters as of September 1, 2010.

INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT

Management Services

Ares Capital Management serves as our investment adviser and is registered as an investment adviser under the Advisers Act. Subject to the overall supervision of our board of directors, the investment adviser manages the day-to-day operations of, and provides investment advisory and management services to, Ares Capital. Under the terms of the investment advisory and management agreement, Ares Capital Management:

determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;

identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);

closes and monitors the investments we make; and

determines the investments and other assets that we purchase, retain or sell.

Ares Capital Management was initially formed to provide investment advisory services to us and it has not previously provided investment advisory services to anyone else. However, its services to us under the investment advisory and management agreement are not exclusive, and it is free to furnish similar services to other entities.

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The sole member of Ares Capital Management is Ares Management, a global alternative asset manager and SEC registered investment adviser. Ares funds, including funds managed by Ares Management, had, as of June 30, 2010, approximately \$37 billion of total committed capital under management.

Management Fee

Pursuant to the investment advisory and management agreement with Ares Capital Management and subject to the overall supervision of our board of directors, Ares Capital Management provides investment advisory services to us. For providing these services, Ares Capital Management receives a fee from us, consisting of two components a base management fee and an incentive fee. Ares Capital Management has committed to defer up to \$15 million in base management and incentive fees for each of the first two years following the Allied Acquisition if certain earnings targets are not met.

The base management fee is calculated at an annual rate of 1.5% based on the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

The incentive fee has two parts. One part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the administration agreement, and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with payment-in-kind interest, preferred stock with payment-in-kind dividends and zero coupon securities, accrued income that we have not yet received in cash. The investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued interest that we never actually receive.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and unrealized capital losses.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 2% per quarter. 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 pre-incentive fee net investment income used to calculate this part of the incentive fee is also included in the amount of our total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

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We pay the investment adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle rate;

100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5% in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.5%) as the "catch-up" provision. The catch-up is meant to provide our investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeds 2.5% in any calendar quarter; and

20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.50% in any calendar quarter.

These calculations are adjusted for any share issuances or repurchases during the quarter.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:

Quarterly Incentive Fee Based on Net Investment Income

**Pre-incentive fee net investment income
(expressed as a percentage of the value of net assets)**

**Percentage of pre-incentive fee net investment income
allocated to income-related portion of incentive fee**

These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee (the "Capital Gains Fee"), is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and management agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (a) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) our cumulative aggregate realized capital gains, in each case calculated from October 8, 2004. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to 20% of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee for such year.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in our portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

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The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gains Fee calculation date and (b) the accreted or amortized cost basis of such investment.

We defer cash payment of any incentive fee otherwise earned by the investment adviser if during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made the sum of (a) the aggregate distributions to our stockholders and (b) the change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 8.0% of our net assets at the beginning of such period. These calculations were appropriately pro rated during the first three calendar quarters following October 8, 2004 and are adjusted for any share issuances or repurchases.

Examples of Quarterly Incentive Fee Calculation

Example 1 Income Related Portion of Incentive Fee(1):

Assumptions

Hurdle rate(2) = 2.00%
 Management fee(3) = 0.375%
 Other expenses (legal,
 accounting, custodian, transfer
 agent, etc.)(4) = 0.20%

- (1) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets. In addition, the example assumes that during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is at least 8% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).
- (2) Represents a quarter of the 8.0% annualized hurdle rate.
- (3) Represents a quarter of the 1.5% annualized management fee.
- (4) Excludes offering expenses.

Alternative 1

Additional Assumptions

Investment income (including
 interest, dividends, fees, etc.) =
 1.25%
 Pre-incentive fee net
 investment income
 (investment income -
 (management fee + other
 expenses)) = 0.675%
 Pre-incentive fee net investment
 income does not exceed the
 hurdle rate,
 therefore there is no
 incentive fee.

Alternative 2

Additional Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.70%

Pre-incentive fee net investment income

(investment income - (management fee + other expenses)) = 2.125%

Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

$$\begin{aligned} \text{Incentive Fee} &= 100\% \times \text{"Catch-Up"} + \text{the greater of } 0\% \text{ AND } (20\% \times (\text{pre-incentive fee net investment} \\ &\quad \text{income} - 2.50\%)) \\ &= (100\% \times (2.125\% - 2.00\%)) + 0\% \\ &= 100\% \times 0.125\% \\ &= 0.125\% \end{aligned}$$

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Alternative 3

Additional Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.50%
 Pre-incentive fee net investment income
 (investment income - (management fee + other expenses)) = 2.925%
 Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.
 Incentive Fee = 100% × "Catch-Up" + the greater of 0% **AND** (20% × (pre-incentive fee net investment
 income - 2.50%)
 = (100% × (2.50% - 2.00%)) + (20% × (2.925% - 2.50%))
 = 0.50% + (20% × 0.425%)
 = 0.50% + 0.085%
 = 0.585%

Example 2 Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

Year 1: \$20 million investment made in Company A ("Investment A"), and \$30 million investment made in Company B ("Investment B")

Year 2: Investment A is sold for \$50 million and fair market value ("FMV") of Investment B determined to be \$32 million

Year 3: FMV of Investment B determined to be \$25 million

Year 4: Investment B sold for \$31 million

The capital gains portion of the incentive fee, if any, would be:

Year 1: None (No sales transactions)

Year 2: \$6 million (20% multiplied by \$30 million realized capital gains on sale of Investment A)

Year 3: None; \$5 million (20% multiplied by (\$30 million realized cumulative capital gains less \$5 million cumulative capital depreciation)) less \$6 million (previous Capital Gains Fee paid in Year 2)

Year 4: \$200,000; \$6.2 million (20% multiplied by \$31 million cumulative realized capital gains) less \$6 million (Capital Gains Fee paid in Year 2)

Alternative 2

Assumptions

Year 1: \$20 million investment made in Company A ("Investment A"), \$30 million investment made in Company B ("Investment B") and \$25 million investment made in Company C ("Investment C")

Year 2: Investment A sold for \$50 million, FMV of Investment B determined to be \$25 million and FMV of Investment C determined to be \$25 million

Year 3: FMV of Investment B determined to be \$27 million and Investment C sold for \$30 million

Year 4: FMV of Investment B determined to be \$35 million

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Year 5: Investment B sold for \$20 million

The capital gains portion of the incentive fee, if any, would be:

Year 1: None (No sales transactions)

Year 2: \$5 million (20% multiplied by \$25 million (\$30 million realized capital gains on Investment A less \$5 million unrealized capital depreciation on Investment B))

Year 3: \$1.4 million (\$6.4 million (20% multiplied by \$32 million (\$35 million cumulative realized capital gains less \$3 million unrealized capital depreciation)) less \$5 million (Capital Gains Fee paid in Year 2))

Year 4: None (No sales transactions)

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Year 5: None (\$5 million (20% multiplied by \$25 million (cumulative realized capital gains of \$35 million less realized capital losses of \$10 million)) less \$6.4 million (cumulative Capital Gains Fee paid in Year 2 and Year 3))

For the three and six months ended June 30, 2010, we incurred \$11.7 million and \$20.1 million, respectively, in base management fees and \$15.0 million and \$23.1 million, respectively, in incentive management fees related to pre-incentive fee net investment income. For the three and six months ended June 30, 2010, we accrued no incentive management fees related to net realized capital gains. As of June 30, 2010, \$26.7 million was unpaid and included in "management and incentive fees payable" in the accompanying consolidated balance sheet.

For the year ended December 31, 2009, we incurred \$30.4 million in base management fees, \$33.3 million in incentive management fees related to pre-incentive fee net investment income and no incentive management fees related to realized capital gains.

For the year ended December 31, 2008, we incurred \$30.5 million in base management fees, \$31.7 million in incentive management fees related to pre-incentive fee net investment income and no incentive management fees related to realized capital gains.

Payment of our Expenses

The services of all investment professionals and staff of the investment adviser, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by Ares Capital Management (not including services provided to any of our portfolio companies like IHAM, pursuant to separate contractual agreements). We bear all other costs and expenses of our operations and transactions, including those relating to: rent; organization; calculation of our net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by Ares Capital Management payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies; interest payable on indebtedness, if any, incurred to finance our investments; offerings of our common stock and other securities; investment advisory and management fees; administration fees; fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; registration fees; listing fees; taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents with the SEC; the costs of any reports, proxy statements or other notices to stockholders, including printing costs; to the extent we are covered by any joint insurance policies, our allocable portion of the insurance premiums for such policies; direct costs and expenses of administration, including auditor and legal costs; and all other expenses incurred by us or Ares Operations in connection with administering our business, such as our allocable portion of overhead under the administration agreement, including our allocable portion of the salary and cost of our officers (including our chief compliance officer, chief financial officer, secretary and treasurer) and their respective staffs (including travel).

Duration, Termination and Amendment

Our board of directors approved the continuation of the investment advisory and management agreement on May 3, 2010. Unless terminated earlier, the investment advisory and management agreement will continue in effect until June 1, 2011 and will renew for successive annual periods thereafter if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not "interested persons." The investment advisory and management agreement will automatically terminate in the event of its assignment. The investment advisory and management agreement may be terminated by either party without penalty upon 60 days' written notice to the other.

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A discussion regarding the basis for our board of directors' approval of the continuation of the investment advisory and management agreement for 2009 is available in our annual report on Form 10-K for the fiscal year ended December 31, 2009.

Conflicts of interest may arise if our investment adviser seeks to change the terms of our investment advisory and management agreement, including, for example, the amount of the management fee or the incentive fee or other terms for compensation. Any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act and we may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement. See "Risk Factors Risks Relating to Our Business We are dependent upon Ares Capital Management's key personnel for our future success and upon their access to Ares' investment professionals."

Indemnification

The investment advisory and management agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Ares Capital Management, its members and their respective officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Ares Capital Management's services under the investment advisory and management agreement or otherwise as our investment adviser.

Organization of the Investment Adviser

Ares Capital Management is a Delaware limited liability company that is registered as an investment adviser under the Advisers Act. The principal executive offices of Ares Capital Management are located at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

ADMINISTRATION AGREEMENT

We are also party to a separate administration agreement with Ares Operations, an affiliate of our investment adviser. Our board of directors approved the continuation of our administration agreement on May 3, 2010, which extended the term of the agreement until June 1, 2011. Pursuant to the administration agreement, Ares Operations furnishes us with office equipment and clerical, bookkeeping and record keeping services at our office facilities. Under the administration agreement, Ares Operations also performs, or oversees the performance of, our required administrative services, which include, among other things, providing assistance in accounting, legal, compliance, operations, technology, and investor relations, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Ares Operations assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the administration agreement are equal to an amount based upon our allocable portion of Ares Operations' overhead in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers (including our chief compliance officer, chief financial officer, secretary and treasurer) and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three and six months ended June 30, 2010, we incurred \$2.4 million and \$3.6 million, respectively, in administrative fees. As of June 30, 2010, \$2.4 million was unpaid and included in

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"accounts payable and accrued expenses" in the accompanying consolidated balance sheet. For the year ended December 31, 2009, we incurred \$4.0 million in administrative fees under the administration agreement. For the year ended December 31, 2008, we incurred \$2.7 million in administrative fees under the administration agreement. For the year ended December 31, 2007, we incurred \$1.0 million in administrative fees under the administration agreement.

Indemnification

The administration agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Ares Operations, its members and their respective officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Ares Operations' services under the administration agreement or otherwise as our administrator.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We are party to an investment advisory and management agreement with Ares Capital Management, whose sole member is Ares Management, an entity in which certain members of our senior management and our chairman of the board have indirect ownership and financial interests. Certain members of our senior management also serve as principals of other investment managers affiliated with Ares Management that may in the future manage investment funds with investment objectives similar to ours. In addition, certain of our executive officers and directors and the members of the investment committee of our investment adviser, Ares Capital Management, serve or may serve as officers, directors or principals of entities that operate in the same or related line of business as we do or of investment funds managed by our affiliates. Accordingly, we may not be given the opportunity to participate in certain investments made by investment funds managed by advisers affiliated with Ares Management, including Ares Capital Management. However, our investment adviser and other members of Ares intend to allocate investment opportunities in a fair and equitable manner that meets our investment objective and strategies so that we are not disadvantaged in relation to any other client. See "Risk Factors Risks Relating to Our Business There are significant potential conflicts of interest that could impact our investment returns."

Ares Capital Management has committed to defer up to \$15 million in base management and incentive fees for each of the first two years following the Allied Acquisition if certain earnings targets are not met.

Pursuant to the terms of the administration agreement, Ares Operations currently provides us with the administrative services necessary to conduct our day-to-day operations. Ares Management is the sole member of and controls Ares Operations.

Our portfolio company, IHAM, is party to the IHAM administration agreement with Ares Operations, pursuant to which Ares Operations provides IHAM with the facilities and administrative services necessary for the operations of IHAM. Under the IHAM administration agreement, IHAM reimburses Ares Operations for the costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the IHAM administration agreement. Prior to entering into the IHAM administration agreement, IHAM was party to a services agreement with Ares Capital Management, pursuant to which Ares Capital Management provided similar services.

We rent office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, we have entered into a sublease agreement with Ares Management whereby Ares Management subleases approximately 25% of certain office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. For the years ended December 31, 2009, 2008 and 2007, such amounts payable to us totaled \$0.7 million, \$0.3 million and \$0.3 million, respectively. Further, IHAM reimburses us for a portion of our total rent, plus certain additional costs and expenses, which corresponds to the amount of office space used by IHAM. For the year ended December 31, 2009, such amounts payable to us totaled \$0.4 million. We recently entered into a new office lease pursuant to which we will lease new office facilities from a third party and start to pay rent on the new office space in the first quarter of 2011. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM will sublease approximately 15% and 20%, respectively, of the new office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under the new office lease, plus certain additional costs and expenses.

We have also entered into a license agreement with Ares pursuant to which Ares has agreed to grant us a non-exclusive, royalty-free license to use the name "Ares." Under this agreement, we will have a right to use the Ares name for so long as Ares Capital Management remains our investment adviser. Other than with respect to this limited license, we will have no legal right to the "Ares" name.

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This license agreement will remain in effect for so long as the investment advisory and management agreement with Ares Capital Management is in effect and Ares Capital Management remains our investment adviser. Like the investment advisory and management agreement, the license agreement may also be terminated by either party without penalty upon 60 days' written notice to the other.

In connection with our initial public offering, our investment adviser paid to underwriters, on our behalf, an additional sales load of approximately \$2.5 million. This amount accrued interest at a variable rate that adjusted quarterly equal to the three-month LIBOR plus 2% per annum. We repaid this amount in full, plus accrued and unpaid interest, in February 2006.

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To our knowledge, as of September 1, 2010, there were no persons that owned 25% or more of our outstanding voting securities and no person would be deemed to control us, as such term is defined in the Investment Company Act.

The following table sets forth, as of September 1, 2010 (unless otherwise noted), the number of shares of our common stock beneficially owned by each of our current directors and executive officers, all directors and executive officers as a group and certain beneficial owners, according to information furnished to us by such persons or publicly available filings.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Ownership information for those persons who beneficially own 5% or more of our shares of common stock is based upon Schedule 13D, Schedule 13G, Form 13F or other filings by such persons with the SEC and other information obtained from such persons. To our knowledge, as of September 1, 2010, there were no persons that owned 5% or more of our shares of common stock.

The address for each of the directors and executive officers is c/o Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
<i>Directors and Executive Officers:</i>		
Interested Directors		
Michael J. Arougheti	153,679(2)	*
Antony P. Ressler	1,300,000(2)	*
Robert L. Rosen	7,500	*
Bennett Rosenthal	None(2)	
Independent Directors		
Ann Torre Bates	6,513	*
Douglas E. Coltharp	4,500	*
Frank E. O'Bryan	12,400	*
Gregory W. Penske	None	
Eric B. Siegel	22,388	*
Executive Officers Who Are Not Directors		
Joshua M. Bloomstein	None	
Richard S. Davis	72,093	*
Merritt S. Hooper	None	
Daniel F. Nguyen	None	
Karen A. Tallman	25,000	*
Michael D. Weiner	9,302(2)	*
All Directors and Executive Officers as a Group (15 persons)	1,613,375(2)	*

* Represents less than 1%.

(1) Based on 192,167,337 shares of common stock outstanding as of September 1, 2010.

(2) Ares Investments Holdings, which is indirectly controlled by APMC, owned 2,859,882 shares of our common stock as of September 1, 2010. Each of the members of APMC (which includes Messrs. Arougheti, Ressler, Rosenthal and Weiner or vehicles controlled by them) disclaims beneficial ownership of all shares of our common stock owned by Ares Investments Holdings, except to the extent of any indirect pecuniary interest therein. The shares of our common stock held by Ares Investments Holdings have been pledged in the ordinary course to secure indebtedness under a credit facility under which Ares Investments Holdings and its parent, Ares Investments, are co-borrowers with Ares Management, an indirect subsidiary of Ares Partners Management Company LLC.

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DETERMINATION OF NET ASSET VALUE

The net asset value per share of our outstanding shares of common stock is determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market price is not readily available (*i.e.*, substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period. Effective January 1, 2008, the Company adopted ASC 820-10 (previously SFAS No. 157, Fair Value Measurements), which expands the application of fair value accounting for investments (see Note 9 to the consolidated financial statements for the period ended December 31, 2009). ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date.

The valuation process is conducted at the end of each fiscal quarter, with approximately 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.

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

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

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than would be realized based on the valuations currently assigned. For example, during 2008 and much of 2009, the state of the economy in the U.S. and abroad had deteriorated. See "Risk Factors Risks Relating to Our Investments Price declines and illiquidity in the corporate debt

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markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation."

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

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

Preliminary valuations are reviewed and discussed with the entire investment professional and management team, and then valuation recommendations are presented to the board of directors.

The audit committee of our board of directors reviews these preliminary valuations, as well as the input of independent valuation firms with respect to the valuations of approximately 50% (based on value) of our portfolio companies without readily available market quotations.

The board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on the input of our management and audit committee and independent valuation firms.

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DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends.

No action is required on the part of a registered stockholder to have their cash dividend reinvested in shares of our common stock. A registered stockholder may elect to receive an entire cash dividend in cash by notifying Computershare Trust Company, N.A., the plan administrator and an affiliate of our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date fixed by the board of directors for dividends to stockholders. The plan administrator will set up an account for shares acquired through the dividend reinvestment plan for each stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the dividend reinvestment plan, received in writing no later than 10 days prior to the record date, the plan administrator will, instead of crediting fractional shares to the participant's account, issue a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

While we generally use primarily newly issued shares to implement the dividend reinvestment plan (especially if our shares are trading at a premium to net asset value), we may purchase shares in the open market in connection with our obligations under the dividend reinvestment plan. In particular, if our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Select Market on the valuation date fixed by the board of directors for such dividend. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There are no brokerage charges or other charges to stockholders who participate in the dividend reinvestment plan. The plan administrator's fees under the plan are paid by us. If a participant elects by notice to the plan administrator in advance of termination to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a \$15 transaction fee plus a \$0.12 per share fee from the proceeds.

Stockholders whose cash dividends are reinvested in shares of our common stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received on reinvestment of a cash dividend will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

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Participants may terminate their accounts under the dividend reinvestment plan by notifying the plan administrator via its website at www.computershare.com/investor, by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator at P.O Box 43078, Providence, RI 02940-3078 or by calling the plan administrator's hotline at 1-800-426-5523.

The dividend reinvestment plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the dividend reinvestment plan should be directed to the plan administrator via the Internet at www.computershare.com/investor, by mail at P.O Box 43078, Providence, RI 02940-3078 or by telephone at 1-800-426-5523.

Additional information about the dividend reinvestment plan may be obtained by contacting the plan administrator via the Internet at www.computershare.com/investor, by mail at P.O Box 43078, Providence, RI 02940-3078 or by telephone at 1-800-426-5523.

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CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain material U.S. federal income tax considerations applicable to us and to an investment in shares of our preferred stock or common stock. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our preferred stock or common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, temporary and final U.S. Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service (the "IRS") regarding the offerings pursuant to this prospectus and any accompanying prospectus supplement. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets. It also does not discuss the tax aspects of common or preferred stock sold in units with the other securities being registered.

This summary does not discuss the consequences of an investment in our subscription rights, debt securities or warrants representing rights to purchase shares of our preferred stock, common stock or debt securities or as units in combination with such securities. The U.S. federal income tax consequences of such an investment will be discussed in a relevant prospectus supplement. In addition, we may issue preferred stock with terms resulting in U.S. federal income taxation of holders with respect to such preferred stock in a manner different from as set forth in this summary. In such instances, such differences will be discussed in a relevant prospectus supplement.

A "U.S. stockholder" is a beneficial owner of shares of our preferred stock or common stock that is for U.S. federal income tax purposes:

a citizen or individual resident of the United States;

a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

a trust, if a court within the United States has primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "non-U.S. stockholder" is a beneficial owner of shares of our preferred stock or common stock that is not a U.S. stockholder, nor a partnership for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our preferred stock or common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partnership holding shares of our preferred stock or common stock or a partner of such a partnership should consult his, her or its tax advisers with respect to the purchase, ownership and disposition of shares of our preferred stock or common stock.

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Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisers regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

ELECTION TO BE TAXED AS A RIC

As a BDC, we have elected to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain income source and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, generally an amount equal to at least 90% of our "investment company taxable income," as defined by the Code (the "Annual Distribution Requirement"). See "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC."

TAXATION AS A RIC

If we:

qualify as a RIC; and

satisfy the Annual Distribution Requirement;

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (generally, net long-term capital gain in excess of net short-term capital loss) we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (collectively, the "Excise Tax Avoidance Requirement"). We have in the past, and can be expected to pay in the future, such excise tax on a portion of our income.

To qualify as a RIC for U.S. federal income tax purposes, we generally must, among other things:

qualify to be treated as a BDC at all times during each taxable year;

derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities or other income derived with respect to our business of investing in such stock or securities or (b) net income derived from an interest in a "qualified publicly traded partnership, or "QPTP" (collectively, the "90% Income Test"); and

diversify our holdings so that at the end of each quarter of the taxable year:

at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs and other securities that, with respect to any issuer, do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and

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no more than 25% of the value of our assets is invested in the securities, other than U.S. Government securities or securities of other RICs, of (i) one issuer, (ii) two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) securities of one or more QPTPs (collectively, the "Diversification Tests").

We may be required to recognize taxable income in circumstances in which we do not receive cash, such as income from hedging or foreign currency transactions. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement, even though we will not have received any corresponding cash amount.

Furthermore, a portfolio company in which we invest may face financial difficulty that requires us to work-out, modify or otherwise restructure our investment in the portfolio company. Any such restructuring may result in unusable capital losses and future non-cash income. Any such restructuring may also result in our recognition of a substantial amount of non-qualifying income for purposes of the 90% Income Test, such as cancellation of indebtedness income in connection with the work-out of a leveraged investment or the receipt of other non-qualifying income.

In addition, certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (a) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (b) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income, (c) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (d) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur and (e) adversely alter the characterization of certain complex financial transactions. We will monitor our transactions and may make certain tax elections in order to mitigate the effect of these provisions.

Gain or loss recognized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Our investment in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes. In that case, our yield on those securities would be decreased. Stockholders will generally not be entitled to claim a credit or deduction with respect to non-U.S. taxes paid by us.

If we purchase shares in a "passive foreign investment company" (a "PFIC"), we may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we can elect to mark-to-market at the end of each taxable year our shares in a PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Under either election, we may be required to recognize in a year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock

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during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% excise tax.

Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time we accrue income, expenses or other liabilities denominated in a foreign currency and the time we actually collect such income or pay such expenses or liabilities are generally treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts and the disposition of debt denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, are also treated as ordinary income or loss.

If we borrow money, we may be prevented by loan covenants from declaring and paying dividends in certain circumstances. Limits on our payment of dividends may prevent us from meeting the Annual Distribution Requirement, and may, therefore, jeopardize our qualification for taxation as a RIC, or subject us to the 4% excise tax.

Even if we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements, under the Investment Company Act, we are not permitted to make distributions to our stockholders while our debt obligations and senior securities are outstanding unless certain "asset coverage" tests are met. This may also jeopardize our qualification for taxation as a RIC or subject us to the 4% excise tax.

Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets to meet the Annual Distribution Requirement, the Diversification Tests, or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Some of the income and fees that we recognize, such as management fees or income recognized in a work-out or restructuring of a portfolio investment, may not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees through one or more entities treated as U.S. corporations for U.S. federal income tax purposes. While we would expect that recognizing such income through such corporations will assist us in satisfying the 90% Income Test, no assurance can be given that this structure will be respected for U.S. federal income tax purposes, which could result in our disqualification as a RIC. Even if the structure is respected, such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce the yield on such income and fees.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, we will be subject to tax in that year on all of our taxable income, regardless of whether we make any distributions to our stockholders. In that case, all of our income will be subject to corporate-level U.S. federal income tax, reducing the amount available to be distributed to our stockholders. In contrast, assuming we qualify as a RIC, our corporate-level U.S. federal income tax should be substantially reduced or eliminated. See "Election to be Taxed as a RIC" above and "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC."

Capital Loss Carry-Forwards and Unrealized Losses

As a RIC, we are permitted to carry forward a net capital loss from any year to offset our capital gain, if any, realized during the eight years following the year of the loss. A capital loss carryforward is treated as a short-term capital loss in the year to which it is carried. If future capital gain is offset by carried-forward capital losses, such future capital gain is not subject to fund-level U.S.

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federal income tax, regardless of whether they are distributed to stockholders. Accordingly, we do not expect to distribute any such offsetting capital gain. A RIC cannot carry back or carry forward any net operating losses.

It is expected that transactions we have undertaken, including the Allied Acquisition, have resulted in a limitation on our ability to use both our own and Allied Capital's capital loss carryforwards and, potentially, to use unrealized capital losses inherent in the tax basis of our own pre-acquisition assets and Allied Capital's assets we acquired. These limitations, imposed by Section 382 of the Code, are imposed on an annual basis. Losses in excess of the limitation may be carried forward, subject to the overall eight-year limitation. The Section 382 limitation applied to our and Allied Capital's losses generally will equal the product of the net asset value of each corporation immediately prior to the Allied Acquisition, respectively, and the "long-term tax-exempt rate," published by the IRS, in effect at such time. As of April 2010, the month during which the Allied Acquisition was consummated, the long-term tax-exempt rate was 4.03%. Additionally, under Section 384 of the Code, we may also be prohibited from using Allied Capital's loss carryforwards and unrealized losses against any of our unrealized gains at the time of the Allied Acquisition, to the extent such gains are realized within five years following the Allied Acquisition. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, because capital loss carryforwards generally expire eight taxable years following recognition, substantially all of our and Allied Capital's losses may become permanently unavailable. Future transactions we enter into may further limit our ability to utilize losses.

As of June 30, 2010, for U.S. federal income tax purposes, we had capital loss carryforwards of approximately \$170 million and net unrealized losses of approximately \$1.5 billion.

Finally, in addition to the other limitations on the use of losses, pursuant to Section 381 of the Code, only a portion of our capital gain net income for the taxable year of the Allied Acquisition (disregarding capital loss carryforwards) can be reduced by Allied Capital's capital loss carryforwards (as otherwise limited under Sections 382 and 384 of the Code, as described above), with such portion equal to the total capital gain net income for such taxable year multiplied by the fraction of the taxable year that remains following the Allied Acquisition.

TAXATION OF U.S. STOCKHOLDERS

Whether an investment in the shares of our preferred stock or common stock is appropriate for a U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares of our preferred stock or common stock by a U.S. stockholder may have adverse tax consequences. The following summary generally describes certain U.S. federal income tax consequences of an investment in shares of our preferred stock and common stock by taxable U.S. stockholders and not by U.S. stockholders that are generally exempt from U.S. federal income taxation. U.S. stockholders should consult their own tax advisors before investing in shares of our preferred stock or common stock.

Distributions by us generally are taxable to U.S. stockholders as ordinary income or long-term capital gain. Distributions of our investment company taxable income (which is, generally, our ordinary income excluding net capital gain) will be taxable as ordinary income to U.S. stockholders (under current law, taxed at a maximum rate of 35% for taxable years beginning before January 1, 2011, and increasing to 39.5% thereafter) to the extent of our current and accumulated earnings and profits, whether paid in cash or reinvested in additional shares of our common stock. Distributions of our net capital gain (which is generally our net long-term capital gain in excess of net short-term capital loss) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gain (under current law, taxed at a maximum rate of 15% for taxable years beginning before January 1, 2011, and increasing to 28%, thereafter) in the case of individuals, trusts or estates. This is

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true regardless of the U.S. stockholder's holding period for his, her or its preferred stock or common stock and regardless of whether the dividend is paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's preferred stock or common stock and, after the adjusted basis is reduced to zero, will constitute capital gain to such U.S. stockholder. We have made distributions in excess of our earnings and profits and expect to continue to do so in the future.

A portion of our ordinary income dividends, but not capital gain dividends, paid to corporate U.S. stockholders may, if certain conditions are met, qualify for the 70% dividends received deduction to the extent that we have received dividends from certain corporations during the taxable year. We expect only a small portion of our dividends to qualify for this deduction.

In general, for taxable years beginning before January 1, 2011, "qualified dividend income" realized by non-corporate U.S. stockholders is taxable at the same rate as net capital gain. Generally, qualified dividend income is dividend income attributable to certain U.S. and foreign corporations, as long as certain holding period requirements are met. After this date, all dividend income generally will be taxed at the same rate as ordinary income. As long as certain requirements are met, our dividends paid to non-corporate U.S. stockholders attributable to qualified dividend income can be treated by such U.S. stockholders as qualified dividend income. Only a small portion of our dividends may be treated as qualified dividend income.

Although we currently intend to distribute any of our net capital gain at least annually, we may in the future decide to retain some or all of our net capital gain, but designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's tax basis for his, her or its preferred stock or common stock.

Since we expect to pay tax on any retained net capital gain at our regular corporate tax rate, and since that rate currently is in excess of the maximum rate currently payable by individuals on net capital gain, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit would exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for U.S. federal income tax. A U.S. stockholder that is not subject to U.S. federal income tax or otherwise is not required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

We will be subject to the alternative minimum tax, also referred to as "AMT," but any items that are treated differently for AMT purposes must be apportioned between us and our stockholders and this may affect U.S. stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for a particular item is warranted under the circumstances.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the

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taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash (which portion can be as low as 10% for our taxable years ending on or before December 31, 2011) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, our stockholders will be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our stock. In general, any dividend on shares of our preferred stock will be taxable as a dividend, regardless of whether any portion is paid in stock.

If an investor purchases shares of our preferred stock or common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of his, her or its investment. We have built-up or have the potential to build up large amounts of unrealized gain which, when realized and distributed, could have the effect of a taxable return of capital to stockholders.

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our preferred stock or common stock. The amount of gain or loss will be measured by the difference between such stockholder's adjusted tax basis in the stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it would be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our preferred stock or common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our preferred stock or common stock may be disallowed if substantially identical stock or securities are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

For taxable years beginning before January 1, 2011, in general, U.S. stockholders that are individuals, trusts or estates are subject to a maximum U.S. federal income tax rate of 15% on their net capital gain (generally, the excess of net long-term capital gain over net short-term capital loss for a taxable year, including a long-term capital gain derived from an investment in our shares). Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 35% rate that also applies to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital loss in excess of capital gain) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

We will send to each of our U.S. stockholders, after the end of each calendar year, a notice providing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each year's distributions generally will be reported to the IRS (including the

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amount of dividends, if any, eligible for the 15% maximum rate). Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

Under recently enacted legislation, for taxable years beginning after December 31, 2012, non-corporate U.S. stockholders generally will be subject to a 3.8% tax on their "net investment income," which ordinarily includes taxable distributions from us and taxable gain on the disposition of our preferred stock or common stock.

We may be required to withhold U.S. federal income tax ("backup withholding"), currently at a rate of 28%, from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's U.S. federal income tax liability and may entitle such stockholder to a refund, provided that proper information is timely provided to the IRS. The rate of backup withholding is set to increase to 36% for amounts distributed or paid after December 31, 2010.

For taxable years beginning after December 31, 2012, a U.S. withholding tax at a 30% rate will be imposed on dividends and proceeds of sale in respect of our preferred stock and common stock received by U.S. stockholders who own their stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. We will not pay any additional amounts in respect to any amounts withheld.

Under U.S. Treasury regulations, if a stockholder recognizes a loss with respect to shares of \$2 million or more for a non-corporate stockholder or \$10 million or more for a corporate stockholder in any single taxable year (or a greater loss over a combination of years), the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities in many cases are excepted from this reporting requirement, but under current guidance, stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. Stockholders should consult their own tax advisors to determine the applicability of these regulations in light of their individual circumstances.

TAXATION OF NON-U.S. STOCKHOLDERS

Whether an investment in shares of our preferred stock or common stock is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in shares of our preferred stock or common stock by a non-U.S. stockholder may have adverse tax consequences and, accordingly, may not be appropriate for a non-U.S. stockholder. Non-U.S. stockholders should consult their own tax advisors before investing in our preferred stock or common stock.

Distributions of our investment company taxable income to non-U.S. stockholders will be subject to withholding of U.S. federal income tax at a 30% rate (or such lower rate as is provided by an applicable income tax treaty) to the extent of our current and accumulated earnings and profits unless an exception applies. If the distributions are effectively connected with a U.S. trade or business of the non-U.S. stockholder, or, if an income tax treaty applies, are attributable to a permanent establishment in the United States of the non-U.S. stockholder, distributions will be subject to U.S. federal income tax at the rates applicable to U.S. persons. In that case, we will not be required to withhold U.S. federal income tax if the non-U.S. stockholder complies with applicable certification and

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disclosure requirements. Special certification requirements apply to a non-U.S. stockholder that is a foreign trust and such entities are urged to consult their own tax advisors.

Actual or deemed distributions of our net capital gain (which is generally our net long-term capital gain in excess of net short-term capital loss) to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale of our preferred stock or common stock, will not be subject to withholding of U.S. federal income tax and generally will not be subject to U.S. federal income tax (a) unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. stockholder in the United States or (b) the non-U.S. stockholder is an individual, has been present in the United States for 183 days or more during the taxable year, and certain other conditions are satisfied.

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the non-U.S. stockholder's allocable share of the tax we pay on the capital gain deemed to have been distributed. In order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains recognized upon the sale of our preferred stock or common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable income tax treaty).

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash (which portion can be as low as 10% for our taxable years ending on or before December 31, 2011) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, our non-U.S. stockholders will be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of our stock. In general, any dividend on shares of our preferred stock will be taxable as a dividend, regardless of whether any portion is paid in stock.

A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

With respect to payments made after December 31, 2012, a withholding tax of 30% will be imposed on dividends from, and the gross proceeds of a disposition of, our preferred stock or common stock paid to certain foreign entities unless various information reporting requirements are satisfied. Such withholding tax will generally apply to non-U.S. financial institutions, which is generally defined for this purpose as any non-U.S. entity that (i) accepts deposits in the ordinary course of a banking or similar business, (ii) is engaged in the business of holding financial assets for the account of others, or (iii) is engaged or holds itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities, or any interest in such assets. Non-U.S. stockholders are encouraged to consult their tax advisors regarding the implications of this legislation on their investment in our common stock.

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FAILURE TO QUALIFY AS A RIC

If we were unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders nor would we be required to make distributions for tax purposes. Distributions would generally be taxable to our stockholders as ordinary dividend income eligible for the 15% maximum rate (for taxable years beginning before January 1, 2011) to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate U.S. stockholders would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. If we were to fail to meet the RIC requirements for more than two consecutive years and then to seek to requalify as a RIC, we would be required to recognize gain to the extent of any unrealized appreciation in our assets unless we made a special election to pay corporate-level tax on any such unrealized appreciation recognized during the succeeding 10-year period.

POSSIBLE LEGISLATIVE OR OTHER ACTIONS AFFECTING TAX CONSIDERATIONS

Prospective investors should recognize that the present U.S. federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time, and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. For example, legislation has been introduced that would renew exemptions, under certain conditions, for distributions to non-U.S. stockholders attributable to our net interest income and net short-term capital gain. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the tax consequences of an investment in us.

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DESCRIPTION OF SECURITIES

This prospectus contains a summary of the common stock, preferred stock, subscription rights, debt securities and warrants. These summaries are not meant to be a complete description of each security. However, this prospectus and the accompanying prospectus supplement will contain the material terms and conditions for each security.

Any of the securities described herein and in a prospectus supplement may be issued separately or as part of a unit consisting of two or more securities, which may or may not be separable from one another.

DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.

STOCK

Our authorized stock consists of 300,000,000 shares of stock, par value \$0.001 per share, all of which are currently designated as common stock. Our common stock trades on The NASDAQ Global Select Market under the symbol "ARCC." On September 1, 2010, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$15.15 per share. There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our indebtedness or obligations.

Under our charter, our board of directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common Stock

All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract.

In the event of a liquidation, dissolution or winding up of the Company, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay off all indebtedness and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time.

Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

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The following are our outstanding classes of capital stock as of September 1, 2010:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by Registrant or for its Account	(4) Amount Outstanding Exclusive of Amount Shown Under Column (3)
Common Stock	300,000,000		192,167,337
Preferred Stock			

Our charter authorizes our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, our board of directors could authorize the issuance of shares of our preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest.

You should note, however, that any issuance of preferred stock must comply with the requirements of the Investment Company Act. The Investment Company Act requires, among other things, that (a) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other indebtedness and senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be and (b) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Certain matters under the Investment Company Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a BDC. We believe that the availability for issuance of preferred stock may provide us with increased flexibility in structuring future financings and acquisitions.

LIMITATION ON LIABILITY OF DIRECTORS AND OFFICERS; INDEMNIFICATION AND ADVANCE OF EXPENSES

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision, which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act.

Our charter authorizes us to obligate ourselves, and our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the Investment Company Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in that capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to

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indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the Investment Company Act, we will not indemnify any person for any liability to that such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

In addition to the indemnification provided for in our bylaws, we have entered into indemnification agreements with each of our current directors and certain of our officers and with members of our investment adviser's investment committee and we intend to enter into indemnification agreements with each of our future directors, members of our investment committee and certain of our officers. The indemnification agreements attempt to provide these directors, officers and other persons the maximum indemnification permitted under Maryland law and the Investment Company Act. The agreements provide, among other things, for the advancement of expenses and indemnification for liabilities which such person may incur by reason of his or her status as a present or former director or officer or member of our investment adviser's investment committee in any action or proceeding arising out of the performance of such person's services as a present or former director or officer or member of our investment adviser's investment committee.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (x) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (y) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND OUR CHARTER AND BYLAWS

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

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Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors helps to ensure the continuity and stability of our management and policies.

Election of Directors

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Pursuant to the charter, our board of directors may amend the bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal

Our charter provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than four nor more than eleven. Our charter sets forth our election, subject to certain requirements, to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the board of directors. Accordingly, except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the Investment Company Act.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors.

Action by Stockholders

Under the Maryland General Corporation Law and our charter, stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous written or electronically transmitted consent instead of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (a) pursuant to our notice of the meeting, (b) by or at the direction of the board of directors or (c) by a stockholder who is a stockholder of record both at the time of giving the advance notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (a) by or at the direction of the board of directors or (b) provided that the special meeting

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has been called in accordance with the bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving the advance notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock." However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least two-thirds of our continuing directors (in addition to approval by our board of directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The "continuing directors" are defined in our charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the board of directors.

Our charter and bylaws provide that the board of directors will have the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

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No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights unless a majority of our board of directors determines that such rights will apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise appraisal rights.

Control Share Acquisitions

The Control Share Acquisition Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by employees who are directors of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the Investment Company Act, which will prohibit any such repurchase other than in limited circumstances. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

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Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of our shares of stock. Such provision could also be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if the board of directors determines that it would be in our best interests based on our determination that our being subject to the Control Share Acquisition Act does not conflict with the Investment Company Act.

Business Combinations

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10% or more of the voting power of the corporation's outstanding voting stock; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which such person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, provided that the business combination is first approved by the board of directors, including a majority of the directors who are not "interested persons" of the Company as defined in Section 2(a)(19) of the Investment Company Act. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or the board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

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Conflict with the Investment Company Act

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Acquisition Act (if we amend our bylaws to be subject to such act) and the Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the Investment Company Act, the applicable provision of the Investment Company Act will control.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2010 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period beginning on June 7, 2010 and expiring on the earlier of the one-year anniversary of the date of the 2010 Annual Stockholders Meeting and the date of our 2011 Annual Stockholders Meeting, which is expected to be held in May 2011.

In order to sell shares of common stock pursuant to this authorization, no further authorization from our stockholders has to be solicited, but a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (a) find that the sale is in our best interests and in the best interests of our stockholders and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

Any offering of common stock below its net asset value per share will be designed to raise capital for investment in accordance with our investment objective.

In making a determination that an offering of common stock below its net asset value per share is in our and our stockholders' best interests, our board of directors will consider a variety of factors including:

the effect that an offering below net asset value per share would have on our stockholders, including the potential dilution to the net asset value per share of our common stock our stockholders would experience as a result of the offering;

the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined net asset value per share;

the relationship of recent market prices of par common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;

whether the estimated offering price would closely approximate the market value of shares of our common stock;

the potential market impact of being able to raise capital during the current financial market difficulties;

the nature of any new investors anticipated to acquire shares of our common stock in the offering;

the anticipated rate of return on and quality, type and availability of investments; and

the leverage available to us.

Our board of directors will also consider the fact that sales of shares of common stock at a discount will benefit our investment adviser as the investment adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other of our securities or from the offering of common stock at premium to net asset value per share.

We will not sell shares of our common stock under this prospectus or an accompanying prospectus supplement pursuant to the Stockholder Approval without first filing a new post-effective amendment to the registration statement if the cumulative dilution to our net asset value per share

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from offerings under the registration statement, as amended by this post-effective amendment, exceeds 15%. This would be measured separately for each offering pursuant to the registration statement, as amended by this post-effective amendment, by calculating the percentage dilution or accretion to aggregate net asset value from that offering and then summing the percentage from each offering. For example, if our most recently determined net asset value per share at the time of the first offering is \$15.00 and we have 30 million shares of common stock outstanding, the sale of 6 million shares of common stock at net proceeds to us of \$7.50 per share (a 50% discount) would produce dilution of 8.33%. If we subsequently determined that our net asset value per share increased to \$15.75 on the then 36 million shares of common stock outstanding and then made an additional offering, we could, for example, sell approximately an additional 7.2 million shares of common stock at net proceeds to us of \$9.45 per share, which would produce dilution of 6.67%, before we would reach the aggregate 15% limit.

Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock."

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than net asset value per share on three different types of investors:

existing stockholders who do not purchase any shares in the offering;

existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

Impact On Existing Stockholders Who Do Not Participate in the Offering

Our current stockholders who do not participate in an offering below net asset value per share or who do not buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the net asset value of the shares of common stock they hold and their net asset value per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value, their voting power will be diluted.

The following chart illustrates the level of net asset value dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from net asset value per share. It is not possible to predict the level of market price decline that may occur.

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The examples assume that the issuer has 30 million shares outstanding, \$600 million in total assets and \$150 million in total liabilities. The current net asset value and net asset value per share are thus \$450 million and \$15.00. The chart illustrates the dilutive effect on Stockholder A of (a) an offering of 1.5 million shares of common stock (5% of the outstanding shares) at \$14.25 per share after offering expenses and commissions (a 5% discount from net asset value), (b) an offering of 3 million shares of common stock (10% of the outstanding shares) at \$13.50 per share after offering expenses and commissions (a 10% discount from net asset value) and (c) an offering of 6 million shares of common stock (20% of the outstanding shares) at \$12.00 per share after offering expenses and commissions (a 20% discount from net asset value). The prospectus supplement pursuant to which any discounted offering is made will include a chart based on the actual number of shares of common stock in such offering and the actual discount to the most recently determined net asset value. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 20% Offering at 20% Discount	
		Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price							
Price per Share to Public		\$15.00		\$14.21		\$12.63	
Net Proceeds per Share to Issuer		\$14.25		\$13.50		\$12.00	
Decrease to Net Asset Value							
Total Shares Outstanding	30,000,000	31,500,000	5.00%	33,000,000	10.00%	36,000,000	20.00%
Net Asset Value per Share	\$15.00	\$14.96	(0.24)%	\$14.86	(0.91)%	\$14.50	(3.33)%
Dilution to Nonparticipating Stockholder							
Shares Held by Stockholder A	30,000	30,000	0.00%	30,000	0.00%	30,000	0.00%
Percentage Held by Stockholder A	0.10%	0.10%(1)	(4.76)%	0.09%	(9.09)%	0.08%	(16.67)%
Total Net Asset Value Held by Stockholder A	\$450,000	\$448,929	(0.24)%	\$445,909	(0.91)%	\$435,000	(3.33)%
Total Investment by Stockholder A (Assumed to Be \$15.00 per Share)	\$450,000	\$450,000		\$450,000		\$450,000	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		\$(1,071)		\$(4,091)		\$(15,000)	
Investment per Share Held by Stockholder A (Assumed to be \$15.00 per Share on Shares Held Prior to Sale)	\$15.00	\$15.00	0.00%	\$15.00	0.00%	\$15.00	0.00%
Net Asset Value per Share Held by Stockholder A		\$14.96		\$14.86		\$14.50	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		\$(0.04)		\$(0.14)		\$(0.50)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(0.24)%		(0.91)%		(3.33)%

(1) To be carried out to the third decimal place.

Impact On Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in an offering below net asset value per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of net asset value dilution as the nonparticipating stockholders, although at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in shares of our common stock immediately prior to the offering. The level of net asset value dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience net asset value dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience accretion in net asset value per share over their investment per share and will also experience a disproportionately greater increase in their participation

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in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience net asset value dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart (Example 3) for a stockholder that acquires shares equal to (a) 50% of its proportionate share of the offering (*i.e.*, 3,000 shares, which is 0.05% of an offering of 6 million shares) rather than its 0.10% proportionate share and (b) 150% of such percentage (*i.e.* 9,000 shares, which is 0.15% of an offering of 6 million shares rather than its 0.10% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined net asset value per share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	50% Participation Following Sale	% Change	150% Participation Following Sale	% Change
Offering Price					
Price per Share to Public		\$12.63		\$12.63	
Net Proceeds per Share to Issuer		\$12.00		\$12.00	
Decrease/Increase to Net Asset Value					
Total Shares Outstanding	30,000,000	36,000,000	20%	36,000,000	20%
Net Asset Value per Share	\$15.00	\$14.50	(3.33)%	\$14.50	(3.33)%
Dilution/Accretion to Participating Stockholder Shares					
Held by Stockholder A	30,000	33,000	10%	39,000	30%
Percentage Held by Stockholder A	0.10%	0.09%	(8.33)%	0.11%	8.33%
Total Net Asset Value Held by Stockholder A	\$450,000	\$478,500	6.33%	\$565,500	25.67%