

ARES CAPITAL CORP  
Form 497  
January 23, 2015

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**The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Filed pursuant to Rule 497  
Registration No. 333-195748**

**Subject to Completion  
Preliminary Prospectus Supplement dated January 23, 2015**

**PROSPECTUS SUPPLEMENT  
(To Prospectus dated June 27, 2014)**

\$

### **3.875% Notes due 2020**

We are offering \$ \_\_\_\_\_ in aggregate principal amount of our 3.875% notes due 2020, which we refer to as the Notes. The Notes will mature on January 15, 2020. We will pay interest on the Notes on January 15 and July 15 of each year, beginning July 15, 2015.

The Notes offered hereby are a further issuance of the 3.875% notes due 2020 that we issued on November 21, 2014 in the aggregate principal amount of \$400,000,000 (the "existing 2020 Notes"). The Notes offered hereby will be treated as a single series with the existing 2020 Notes under the indenture and will have the same terms as the existing 2020 Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the existing 2020 Notes. Upon the issuance of the Notes offered hereby, the outstanding aggregate principal amount of our 3.875% notes due 2020 will be \$ \_\_\_\_\_. Unless the context otherwise requires, references herein to the "Notes" or the "2020 Notes" include the Notes offered hereby and the existing 2020 Notes.

We may redeem the Notes in whole or in part at any time or from time to time at the redemption price discussed under the caption "Description of Notes Optional Redemption" in this prospectus supplement. In addition, holders of the Notes can require us to repurchase the Notes at 100% of their principal amount upon the occurrence of a Change of Control Repurchase Event (as defined herein). The Notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The Notes will be our direct senior unsecured obligations and rank pari passu, or equally, with all outstanding and future unsecured unsubordinated indebtedness issued by Ares Capital Corporation.

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 lien senior secured loans (including "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured 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 our investment adviser, Ares Capital Management LLC, a subsidiary of Ares Management, L.P., a publicly traded, leading global alternative asset manager with approximately \$80 billion of assets under management as of September 30, 2014. Ares Operations LLC, a subsidiary of Ares Management, L.P., provides certain administrative and other services necessary for us to operate.

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**Investing in the Notes involves risks that are described in the "Risk Factors" section beginning on page S-12 of this prospectus supplement and page 22 of the accompanying prospectus, including the risk of leverage.**

This prospectus supplement and the accompanying prospectus concisely provide important information about us that you should know before investing in the Notes. Please read this prospectus supplement and the accompanying prospectus before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information. The information on the websites referred to herein is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

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	Per Note	Total
Public offering price(1)	% \$	
Underwriting discount (sales load)	% \$	
Proceeds, before expenses, to Ares Capital Corporation(2)	% \$	

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(1) The public offering price set forth above does not include accrued interest of \$ \_\_\_\_\_ in the aggregate from November 21, 2014 up to, but not including, the date of delivery, which will be paid by the purchasers of the Notes offered hereby. On July 15, 2015, we will pay this pre-issuance accrued interest to the holders of the Notes offered hereby as of the applicable record date along with interest accrued on the Notes offered hereby from the date of delivery to such interest payment date.

(2) Before deducting expenses payable by us related to this offering, estimated at \$ \_\_\_\_\_.

**THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.**

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

Delivery of the Notes offered hereby in book-entry form only through The Depository Trust Company will be made on or about January \_\_\_\_\_, 2015.

**BofA Merrill Lynch**

**J.P. Morgan**

**Wells Fargo Securities**

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The date of this prospectus supplement is January \_\_\_\_\_, 2015.

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

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**FORWARD-LOOKING STATEMENTS**

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

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

the return or impact of current and future investments;

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

the impact of fluctuations in interest rates on our business;

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

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

our ability to recover unrealized losses;

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

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

our contractual arrangements and relationships with third parties;

uncertainty surrounding the financial stability of the U.S. and the EU;

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

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

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

European sovereign debt issues;

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

our expected financings and investments;

our ability to successfully complete and integrate any acquisitions;

the adequacy of our cash resources and working capital;

the timing, form and amount of any dividend distributions;

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

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

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

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"Risk Factors" in this prospectus supplement and in the accompanying prospectus and the other information included in this prospectus supplement and the accompanying prospectus.

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

The forward-looking statements in this prospectus supplement and the accompanying prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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**THE COMPANY**

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

**Ares Capital**

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately \$9.2 billion of total assets as of September 30, 2014.

We are externally managed by our investment adviser, Ares Capital Management, a subsidiary of Ares Management, a publicly traded, leading global alternative asset manager with approximately \$80 billion of assets under management ("AUM")<sup>1</sup> as of September 30, 2014. Our administrator, Ares Operations, a subsidiary of Ares Management, provides certain administrative and other services necessary for us to operate.

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

We invest primarily in first lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior secured loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments in corporate borrowers generally range between \$30 million and \$500 million each, investments in project finance/power generation projects generally range between \$10 million and \$200 million each and investments in early-stage and/or venture capital-backed companies generally range between \$1 million and \$25 million each. However, the investment sizes may

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AUM refers to the assets of the funds, alternative asset companies and other entities and accounts that are managed or co-managed by Ares (including funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital, and a registered investment adviser). It includes drawn and undrawn amounts, including certain amounts that are subject to regulatory leverage restrictions and/or borrowing base restrictions. AUM amounts are as of September 30, 2014 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.



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be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro- and macro-economic factors.

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments.

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment in which we are operating. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate or sell a portion of such amount (including, without limitation, to vehicles managed by our portfolio company, Ivy Hill Asset Management, L.P. ("IHAM")), such that we are left with a smaller investment than what was reflected in our original commitment. In addition to originating investments, we may also acquire investments in the secondary market (including purchases of a portfolio of investments).

The first and second lien senior secured loans in which we invest generally have stated terms of three to 10 years and the mezzanine debt investments in which we invest generally have stated terms of up to 10 years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, we may invest in loans and securities with any maturity or duration. The instruments in which we invest typically are not rated by any rating agency, but we believe that if such instruments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB " by Fitch Ratings or lower than "BBB " by Standard & Poor's Ratings Services), which, under the guidelines established by these entities, is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." We may invest without limit in debt or other securities of any rating, as well as debt or other securities that have not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships of Ares with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investment opportunities. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 16 years and its senior partners have an average of over 26 years of experience in leveraged finance, private equity, distressed debt, commercial real estate finance, investment banking and capital markets. The Company has access to Ares' investment professionals and administrative professionals, who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations. As of September 30, 2014, Ares had approximately 320 investment professionals and approximately 420 administrative professionals.

We and General Electric Capital Corporation and GE Global Sponsor Finance LLC (collectively, "GE") also co-invest in first lien senior secured loans of middle market companies through an unconsolidated vehicle, the Senior Secured Loan Fund LLC, which operates using the name "Senior Secured Loan Program" (the "SSLP"). As of September 30, 2014, the SSLP had available capital of \$11.0 billion of which approximately \$9.5 billion in aggregate principal amount was funded. As of September 30, 2014, we had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$2.0 billion was funded. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with

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approval from a representative of each required). As of September 30, 2014, our investment in the SSLP was approximately \$2.0 billion at fair value (including unrealized appreciation of \$29.3 million), which represented approximately 23% of our total portfolio at fair value. As of September 30, 2014, the SSLP had 49 underlying borrowers. For more information on the SSLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Secured Loan Program."

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation" in the accompanying prospectus. Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

In the first quarter of 2011, the staff of the SEC (the "Staff") informally communicated to certain BDCs the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as "eligible portfolio companies" (as defined in Section 2(a)(46) under the Investment Company Act) (i.e., not eligible to be included in a BDC's 70% "qualifying assets" basket). Subsequently, in August 2011 the SEC issued a concept release (the "Concept Release") which stated that "[a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company." We provided a comment letter in respect of the Concept Release and continue to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as "eligible portfolio companies" entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent discussions with the Staff, we have, solely for purposes of calculating the composition of our portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non-qualifying assets" should the Staff ultimately disagree with our position.

As of September 30, 2014, our portfolio company, IHAM, which became an SEC-registered investment adviser effective March 30, 2012, managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles (these vehicles managed or sub-managed/sub-serviced by IHAM are collectively referred to as the "IHAM Vehicles"). As of September 30, 2014, IHAM had assets under management ("IHAM AUM")<sup>2</sup> of approximately \$2.6 billion. As of September 30, 2014, Ares Capital had invested approximately \$171 million (at amortized cost) in IHAM. In connection with IHAM's registration as a registered investment adviser, on March 30, 2012, we received exemptive relief from the SEC allowing us to, subject to certain conditions, own directly or indirectly up to 100% of IHAM's outstanding equity interests and make additional investments in IHAM once IHAM became an SEC-registered investment adviser. From time to time, IHAM or certain IHAM Vehicles may purchase investments from us or sell investments to us, in each case for a price equal to the fair market value of such investments determined at the time of such transactions.

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IHAM AUM refers to the assets of the vehicles managed, sub-managed and sub-serviced by IHAM. It includes drawn and undrawn amounts, including amounts that are subject to certain restrictions. IHAM AUM amounts are as of September 30, 2014 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.

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**Ares Capital Management**

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of 82 U.S.-based investment professionals as of September 30, 2014 and led by the senior partners of the Ares Direct Lending Group: Michael Arougheti, Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares Capital Management's investment committee has 12 members, including the senior partners and U.S.-based partners of the Ares Direct Lending Group, senior partners in the Ares Private Equity Group and a senior partner in the Ares Tradable Credit Group.

**Recent Developments**

We have applied to the Small Business Administration ("SBA") for a license to allow a new wholly owned subsidiary to operate as a Small Business Investment Company ("SBIC") under the Small Business Investment Act of 1958. In May 2014, we received a "green light" or "go forth letter" from the SBA inviting us to continue our application process to obtain a license to form and operate an SBIC subsidiary, and we submitted our license application in October 2014. If approved, the license would provide us with an incremental source of long-term debt capital. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license, and we have received no assurance or indication from the SBA that we will receive an SBIC license or of the timeframe in which we would receive a license should one ultimately be granted.

In November 2014, we declared a fourth quarter 2014 dividend of \$0.38 per share payable on December 31, 2014 to stockholders of record as of December 15, 2014.

In November 2014, we issued \$400 million aggregate principal amount of the existing 2020 Notes. We used the net proceeds of the issuance of the existing 2020 Notes to repay certain outstanding indebtedness under our debt facilities and for general corporate purposes, which included investing in portfolio companies in accordance with our investment objective. The Notes offered hereby will be treated as a single series with the existing 2020 Notes under the indenture and will have the same terms as the existing 2020 Notes. See "Description of Notes."

From October 1, 2014 through December 31, 2014, we made new investment commitments of approximately \$1.4 billion, of which approximately \$1.2 billion were funded. Of these new commitments, 51% were in first lien senior secured loans, 28% were in second lien senior secured loans, 9% were investments in subordinated certificates of the SSLP to make co-investments with GE in first lien senior secured loans through the SSLP, 9% were in senior subordinated debt and 3% were in other equity securities. Of the approximately \$1.4 billion of new investment commitments, 88% were floating rate, 9% were fixed rate and 3% were non-interest bearing. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 9.1%. We may seek to syndicate a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From October 1, 2014 through December 31, 2014, we exited approximately \$1.3 billion of investment commitments. Of these investment commitments, 88% were first lien senior secured loans, 4% were senior subordinated debt, 4% were investments in subordinated certificates of the SSLP, 3% were other equity securities and 1% were preferred equity securities. Of the approximately \$1.3 billion of exited investment commitments, 91% were floating rate, 6% were fixed rate and 3% were non-interest bearing. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 7.9%. On the approximately \$1.3 billion of investment commitments exited from October 1, 2014 through December 31, we recognized total net realized gains of approximately \$54 million.

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In addition, as of December 31, 2014, we had an investment backlog and pipeline of approximately \$200 million and \$230 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may syndicate a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

### **Our Corporate Information**

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

Table of Contents**SPECIFIC TERMS OF THE NOTES AND THE OFFERING**

*This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes under the heading "Description of Notes" in this prospectus supplement and in the accompanying prospectus under the heading "Description of Our Debt Securities" before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.*

Issuer	Ares Capital Corporation
Title of the Securities	3.875% Notes due 2020
Initial Aggregate Principal Amount Being Offered	\$ The Notes offered hereby are a further issuance of the existing 2020 Notes. The Notes offered hereby will be treated as a single series with the existing 2020 Notes under the indenture and will have the same terms as the existing 2020 Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the existing 2020 Notes.
Initial Public Offering Price	% of the aggregate principal amount of Notes, plus accrued and unpaid interest from November 21, 2014 up to, but not including, the date of delivery.
Aggregate Accrued Interest	\$ of accrued and unpaid interest from November 21, 2014 up to, but not including, the date of delivery.
Interest Rate	3.875%
Yield to Maturity	%
Trade Date	January , 2015
Issue Date	January , 2015
Maturity Date	January 15, 2020
Interest Payment Dates	January 15 and July 15, commencing July 15, 2015
Ranking of Notes	The Notes are our general unsecured obligations that rank senior in right of payment to all of our future indebtedness that is expressly subordinated, or junior, in right of payment to the Notes. The Notes rank pari passu, or equally, in right of payment with all of our existing and future senior liabilities that are not so subordinated, or junior, effectively subordinated, or junior, to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness, and structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

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As of December 31, 2014, our total consolidated indebtedness was approximately \$4.0 billion principal amount, of which approximately \$170 million was secured indebtedness at the Ares Capital level, and of which an aggregate of approximately \$386 million was indebtedness of our subsidiaries. After giving effect to the issuance of the Notes, including the Notes offered hereby, and assuming the proceeds therefrom are used to repay outstanding borrowings under our \$1,250 million revolving credit facility (the "Revolving Credit Facility"), the \$540 million revolving funding facility of our consolidated subsidiary, Ares Capital CP Funding LLC (the "Revolving Funding Facility"), and/or the \$400 million revolving funding facility of our consolidated subsidiary, Ares Capital JB Funding LLC (the "SMBC Funding Facility" and, together with the Revolving Credit Facility and the Revolving Funding Facility, the "Facilities"), our total consolidated indebtedness would have been approximately \$4.0 billion principal amount as of December 31, 2014. See "Recent Developments" and "Capitalization" for more information on our outstanding indebtedness.

Denominations	We will issue the Notes in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.
Optional Redemption	We may redeem some or all of the Notes at any time, or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on the Notes to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using the applicable Treasury Rate plus 35 basis points, plus, in each case, accrued and unpaid interest to the redemption date; <i>provided</i> , however, that if we redeem any Notes on or after December 15, 2019 (the date falling one month prior to the maturity date of the Notes), the redemption price for the Notes will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.
Sinking Fund	The Notes will not be subject to any sinking fund. A sinking fund is a reserve fund accumulated over a period of time for the retirement of debt.
Offer to Purchase upon a Change of Control Repurchase Event	If a Change of Control Repurchase Event occurs prior to maturity, holders will have the right, at their option, to require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.

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Legal Defeasance	The Notes are subject to legal defeasance by us, which means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel as described herein under "Description of Notes Satisfaction and Discharge; Defeasance," we can legally release ourselves from all payment and other obligations on the Notes.
Covenant Defeasance	The Notes are subject to covenant defeasance by us, which means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel as described herein under "Description of Notes Satisfaction and Discharge; Defeasance," we will be released from some of the restrictive covenants in the indenture.
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company ("DTC") or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.
Trustee, Paying Agent, Registrar and Transfer Agent	U.S. Bank National Association
Events of Default	If an event of default (as described herein under "Description of Notes") on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest, may be declared immediately due and payable, subject to conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events involving us.
Other Covenants	In addition to the covenants described in the accompanying prospectus, the following covenants shall apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate, whether or not we are subject to, Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act or any successor provisions.

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If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles ("GAAP").

Trading Market

While a trading market developed after issuing the existing 2020 Notes, we cannot assure you that an active and liquid market for the Notes will be maintained. Although the underwriters have informed us that they intend to continue to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market making activities at any time without notice. See "Underwriting." Accordingly, we cannot assure you that a liquid market for the Notes will be maintained. The Notes are not listed on any securities exchange or quoted on any automated dealer quotation system, and we do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system.

Global Clearance and Settlement Procedures

Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Governing Law

The Notes and the indenture are governed by and construed in accordance with the laws of the State of New York.



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**RISK FACTORS**

*You should carefully consider the risk factors described below and under the caption "Risk Factors" in the accompanying prospectus, together with all of the other information included in this prospectus supplement and the accompanying 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.*

**The Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.**

The Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated, or junior, to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of December 31, 2014, we had \$170.0 million aggregate principal amount of outstanding indebtedness under the Revolving Credit Facility. The Revolving Credit Facility is secured by certain assets in our portfolio and excludes investments held by Ares Capital CP Funding LLC ("Ares Capital CP") under the Revolving Funding Facility, those held by Ares Capital JB Funding LLC ("ACJB") under the SMBC Funding Facility and certain other investments; the indebtedness thereunder is therefore effectively senior to the Notes to the extent of the value of such assets.

**The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.**

The Notes are obligations exclusively of Ares Capital and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A significant portion of the indebtedness required to be consolidated on our balance sheet is held through subsidiary financing vehicles and secured by certain assets of such subsidiaries. For example, the secured indebtedness with respect to the Revolving Funding Facility and the SMBC Funding Facility are each held through our consolidated subsidiaries, Ares Capital CP and ACJB, respectively. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Debt Capital Activities" for more detail on the Revolving Funding Facility and the SMBC Funding Facility.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or

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otherwise. As of December 31, 2014, we had \$324.0 million aggregate principal amount of outstanding indebtedness under the Revolving Funding Facility and \$62.0 million aggregate principal amount of outstanding indebtedness under the SMBC Funding Facility. All of such indebtedness is structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

**The indenture governing the Notes contains limited protection for holders of the Notes.**

The indenture governing the Notes offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes do not place any restrictions on our or our subsidiaries' ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act or any successor provisions;

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

enter into transactions with affiliates;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Certain of our current debt instruments include more protections for their holders than the indenture and the Notes. See in the accompanying prospectus "Risk Factors Risks Relating to Our Business In addition to regulatory requirements that restrict our ability to raise capital, the Facilities, the Unsecured Notes (as defined below) and the Convertible Unsecured Notes (as defined below)

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contain various covenants that, if not complied with, could accelerate repayment under the Facilities, the Unsecured Notes and the Convertible Unsecured Notes, thereby materially and adversely affecting our liquidity, financial condition and results of operations." In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

**We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.**

Upon the occurrence of a Change of Control Repurchase Event, as defined in the indenture that governs the Notes, as supplemented, subject to certain conditions, we will be required to offer to repurchase all outstanding Notes at 100% of their principal amount, plus accrued and unpaid interest. The source of funds for that purchase of Notes will be our available cash or cash generated from our operations or other potential sources, including borrowings, investment repayments, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of Notes tendered. The terms of our Facilities provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under the Facilities at that time and to terminate the Facilities. In addition, the indentures governing our Convertible Unsecured Notes contain a provision that would require us to offer to purchase the Convertible Unsecured Notes upon the occurrence of a fundamental change. A failure to purchase any tendered Convertible Unsecured Notes would constitute an event of default under the indentures for the Convertible Unsecured Notes, as applicable, which would, in turn, constitute a default under the Facilities and the indenture governing the Notes. Our future debt instruments also may contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase all the Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the Notes and/or our other debt. See "Description of Notes Offer to Repurchase Upon a Change of Control Repurchase Event."

**While a trading market developed after issuing the existing 2020 Notes, we cannot assure you that an active trading market for the Notes will be maintained.**

While a trading market developed after issuing the existing 2020 Notes, we cannot assure you that an active and liquid market for the Notes will be maintained. Although the underwriters have informed us that they intend to continue to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market making activities at their sole discretion at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. The liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally or other factors. Accordingly, we cannot assure you that an active trading market for the Notes will be maintained, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. If an active trading market is not maintained, the market price and liquidity of the Notes may be adversely affected. The Notes are not listed on any securities exchange or quoted on any automated dealer quotation system, and we do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system.

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

The following selected financial and other data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in the accompanying prospectus. The selected financial and other data as of and for the nine months ended September 30, 2014 and September 30, 2013 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities," which are included elsewhere in this prospectus supplement or the accompanying prospectus.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA**

**As of and For the Nine Months Ended September 30, 2014 and September 30, 2013 and**  
**As of and For the Years Ended December 31, 2013, 2012, 2011, 2010 and 2009**  
**(dollar amounts in millions, except per share data and as otherwise indicated)**

	As of and For the Nine Months Ended September 30,		As of and For the Year Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(unaudited)						
Total Investment Income	\$ 718.0	\$ 648.0	\$ 881.7	\$ 748.0	\$ 634.5	\$ 483.4	\$ 245.3
Total Expenses	392.6	317.4	437.2	387.9	344.6	262.2	111.3
Net Investment Income Before Income Taxes	325.4	330.6	444.5	360.1	289.9	221.2	134.0
Income Tax Expense, Including Excise Tax	15.8	11.7	14.1	11.2	7.5	5.4	0.6
Net Investment Income	309.6	318.9	430.4	348.9	282.4	215.8	133.4
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	127.9	35.7	58.1	159.3	37.1	280.1	69.3
Gain on the Allied Acquisition						195.9	
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ 437.5	\$ 354.6	\$ 488.5	\$ 508.2	\$ 319.5	\$ 691.8	\$ 202.7
<b>Per Share Data:</b>							
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:							
Basic	\$ 1.45	\$ 1.36	\$ 1.83	\$ 2.21	\$ 1.56	\$ 3.91	\$ 1.99
Diluted	\$ 1.45	\$ 1.36	\$ 1.83	\$ 2.21	\$ 1.56	\$ 3.91	\$ 1.99
Cash Dividend Declared	\$ 1.19(1)	\$ 1.14	\$ 1.57(2)	\$ 1.60(3)	\$ 1.41	\$ 1.40	\$ 1.47
Net Asset Value	\$ 16.71	\$ 16.35	\$ 16.46	\$ 16.04	\$ 15.34	\$ 14.92	\$ 11.44
Total Assets	\$ 9,203.1	\$ 7,754.1	\$ 8,141.5	\$ 6,401.2	\$ 5,387.4	\$ 4,562.5	\$ 2,313.5
Total Debt (Carrying Value)	\$ 3,679.2	\$ 3,137.9	\$ 2,986.3	\$ 2,195.9	\$ 2,073.6	\$ 1,378.5	\$ 969.5
Total Debt (Principal Amount)	\$ 3,756.3	\$ 3,230.8	\$ 3,078.8	\$ 2,293.8	\$ 2,170.5	\$ 1,435.1	\$ 969.5
Total Stockholders' Equity	\$ 5,249.6	\$ 4,392.4	\$ 4,904.4	\$ 3,988.3	\$ 3,147.3	\$ 3,050.5	\$ 1,257.9
<b>Other Data:</b>							
Number of Portfolio Companies at Period End(4)	204	175	193	152	141	170	95
Principal Amount of Investments Purchased	\$ 3,082.7	\$ 2,428.3	\$ 3,493.2	\$ 3,161.6	\$ 3,239.0	\$ 1,583.9	\$ 575.0
Principal Amount of Investments Acquired as part of the Allied Acquisition	\$	\$	\$	\$	\$	\$ 1,833.8	\$
Principal Amount of Investments Sold and Repayments	\$ 2,030.7	\$ 992.7	\$ 1,801.4	\$ 2,482.9	\$ 2,468.2	\$ 1,555.9	\$ 515.2
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(5):	9.9%	10.5%	10.4%	11.3%	12.0%	12.9%	12.7%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(5):	9.9%	10.6%	10.4%	11.4%	12.1%	13.2%	12.1%
Total Return Based on Market Value(6)	(2.36)%	5.31%	10.5%	23.6%	2.3%	43.6%	119.9%
Total Return Based on Net Asset Value(7)	8.81%	8.48%	11.4%	14.3%	10.5%	31.6%	17.8%

(1) Includes an additional dividend of \$0.05 per share.

(2) Includes an additional dividend of \$0.05 per share.



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- (3) Includes additional dividends of \$0.10 per share.
- (4) Includes commitments to portfolio companies for which funding had yet to occur.
- (5) Weighted average yield of debt and other income producing securities at fair value is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total accruing debt and income producing securities at fair value. Weighted average yield of debt and other income producing securities at amortized cost is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total accruing debt and income producing securities at amortized cost.
- (6) Total return based on market value for the nine months ended September 30, 2014 equaled the decrease of the ending market value at September 30, 2014 of \$16.16 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the declared dividends of \$1.19 per share for the nine months ended September 30, 2014, divided by the market value at December 31, 2013. Total return based on market value for the nine months ended September 30, 2013 equaled the decrease of the ending market value at September 30, 2013 of \$17.29 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the declared dividends of \$1.14 per share for the nine months ended September 30, 2013, divided by the market value at December 31, 2012. Total return based on market value for the year ended December 31, 2013 equaled the increase of the ending market value at December 31, 2013 of \$17.77 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the dividends declared and payable of \$1.57 per share for the year ended December 31, 2013, divided by the market value at December 31, 2012. Total return based on market value for the year ended December 31, 2012 equaled the increase of the ending market value at December 31, 2012 of \$17.50 per share from the ending market value at December 31, 2011 of \$15.45 per share plus the declared dividends of \$1.60 per share for the year ended December 31, 2012. Total return based on market value for the year ended December 31, 2011 equaled the decrease of the ending market value at December 30, 2011 of \$15.45 per share from the ending market value at December 31, 2010 of \$16.48 per share plus the declared dividends of \$1.41 per share for the year ended December 31, 2011. Total return based on market value for the year ended December 31, 2010 equaled the increase of the ending market value at December 31, 2010 of \$16.48 per share over the ending market value at December 31, 2009 of \$12.45 per share plus the declared dividends of \$1.40 per share for the year ended December 31, 2010. Total return based on market value for the year ended December 31, 2009 equaled 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 is not annualized. Our shares fluctuate in value. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (7) Total return based on net asset value for the nine months ended September 30, 2014 equaled the change in net asset value during the period plus the declared dividends of \$1.19 per share for the nine months ended September 30, 2014, divided by the beginning net asset value. Total return based on net asset value for the nine months ended September 30, 2013 equaled the change in net asset value during the period plus the declared dividends of \$1.14 per share for the nine months ended September 30, 2013, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2013 equaled the change in net asset value during the period plus the dividends declared and payable of \$1.57 per share for the year ended December 31, 2013, divided by the beginning net asset value for the period. Total return based on net asset value for the year ended December 31, 2012 equaled the change in net asset value during the period plus the declared dividends of \$1.60 per share for the year ended December 31, 2012, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2011 equaled the change in net asset value during the period plus the declared dividends of \$1.41 per share for the year ended December 31, 2011, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2010 equaled the change in net asset value during the period plus the declared dividends of \$1.40 per share for the year ended December 31, 2010, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2009 equaled the change in net asset value during the period plus the declared dividends of \$1.47 per share for the year ended December 31, 2009, divided by the beginning net asset value. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan, the issuance of common stock with any equity offerings and the equity components of any convertible notes issued during the period. Total return based on net asset value is not annualized. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

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

	2014			
	Q4	Q3	Q2	Q1
Total investment income	\$ 253,396	\$ 224,927	\$ 239,719	
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees	\$ 149,722	\$ 127,699	\$ 141,589	
Income based fees and capital gains incentive fees	\$ 44,432	\$ 35,708	\$ 29,253	
Net investment income before net realized and unrealized gains	\$ 105,290	\$ 91,991	\$ 112,336	
Net realized and unrealized gains	\$ 72,449	\$ 50,840	\$ 4,656	
Net increase in stockholders' equity resulting from operations	\$ 177,739	\$ 142,831	\$ 116,992	
Basic and diluted earnings per common share	\$ 0.57	\$ 0.48	\$ 0.39	
Net asset value per share as of the end of the quarter	\$ 16.71	\$ 16.52	\$ 16.42	

	2013			
	Q4	Q3	Q2	Q1
Total investment income	\$ 233,742	\$ 246,801	\$ 206,123	\$ 195,055
Net investment income before net realized and unrealized gains (losses) and income based fees and capital gains incentive fees	\$ 145,003	\$ 161,421	\$ 126,951	\$ 119,182
Income based fees and capital gains incentive fees	\$ 33,493	\$ 35,199	\$ 33,374	\$ 20,085
Net investment income before net realized and unrealized gains (losses)	\$ 111,510	\$ 126,222	\$ 93,577	\$ 99,097
Net realized and unrealized gains (losses)	\$ 22,374	\$ 14,575	\$ 39,921	\$ (18,755)
Net increase in stockholders' equity resulting from operations	\$ 133,884	\$ 140,797	\$ 133,498	\$ 80,342
Basic and diluted earnings per common share	\$ 0.47	\$ 0.52	\$ 0.50	\$ 0.32
Net asset value per share as of the end of the quarter	\$ 16.46	\$ 16.35	\$ 16.21	\$ 15.98

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



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**USE OF PROCEEDS**

We estimate that the net proceeds we will receive from the sale of the Notes in this offering will be approximately \$            million, after deducting the underwriting discount of approximately \$            million payable by us and estimated offering expenses of approximately \$            million payable by us.

We expect to use the net proceeds of this offering to repay outstanding indebtedness under the Revolving Credit Facility (\$170.0 million aggregate principal amount outstanding as of December 31, 2014), the Revolving Funding Facility (\$324.0 million aggregate principal amount outstanding as of December 31, 2014) and/or the SMBC Funding Facility (\$62.0 million aggregate principal amount outstanding as of December 31, 2014).

Subject to certain exceptions, the interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one-, two-, three- or six-month) plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. As of December 31, 2014, one, two, three and six month LIBOR were 0.17%, 0.21%, 0.26% and 0.36%, respectively. The Revolving Credit Facility matures on May 4, 2019. Subject to certain exceptions, the interest charged on the indebtedness incurred under the Revolving Funding Facility is based on LIBOR plus an applicable spread ranging from 2.25% to 2.50% or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) plus an applicable spread ranging from 1.25% to 1.50%, in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the facility. The Revolving Funding Facility matures on May 14, 2019 (subject to extension exercisable upon mutual consent). Subject to certain exceptions, the interest charged on the indebtedness incurred under the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.00%. The SMBC Funding Facility matures on September 14, 2021 (subject to two one-year extension options exercisable upon mutual consent).

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

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

Investing in portfolio companies could include investments in our investment backlog and pipeline that, as of December 31, 2014, were approximately \$200 million and \$230 million, respectively. Please note that the consummation of any of the investments in this backlog and pipeline depends upon, among other things: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may syndicate a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

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

For the nine months ended September 30, 2014 and the years ended December 31, 2013, 2012, 2011, 2010 and 2009, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	<b>For the Nine Months Ended September 30, 2014</b>	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>	<b>For the Year Ended December 31, 2011</b>	<b>For the Year Ended December 31, 2010</b>	<b>For the Year Ended December 31, 2009</b>
Earnings to Fixed Charges(1)	3.8(2)	3.9	4.6(3)	3.7(4)	9.8(5)	9.4(6)

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

- (1) Earnings include net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP. Net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP can vary substantially from period to period.
- Excluding the net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP, the earnings to fixed charges ratio would be 3.2 for the nine months ended September 30, 2014, 3.7 for the year ended December 31, 2013, 3.7 for the year ended December 31, 2012, 3.6 for the year ended December 31, 2011, 4.0 for the year ended December 31, 2010 and 6.5 for the year ended December 31, 2009.
- (2) Earnings for the nine months ended September 30, 2014 included a net realized loss on the extinguishment of debt of \$0.1 million.
- (3) Earnings for the year ended December 31, 2012 included a net realized loss on the extinguishment of debt of \$2.7 million.
- (4) Earnings for the year ended December 31, 2011 included a net realized loss on the extinguishment of debt of \$19.3 million.
- (5) Earnings for year ended December 31, 2010 included a one-time gain on the Allied Acquisition (as defined below) of \$195.9 million, a net realized loss on the extinguishment of debt of \$2.0 million and net realized gain on sale of other assets of \$5.9 million.
- (6) Earnings for the year ended December 31 2009, included a net realized gain on the extinguishment of debt of \$26.5 million.

Table of Contents**CAPITALIZATION**

The following table sets forth our actual capitalization at September 30, 2014. You should read this table together with "Use of Proceeds" described in this prospectus supplement and our most recent balance sheet included elsewhere in this prospectus supplement or the accompanying prospectus.

	<b>As of September 30, 2014</b> <b>(dollar amounts in</b> <b>thousands)</b>
Cash and cash equivalents	\$ 107,878
<b>Debt(1)</b>	
Revolving Credit Facility	\$ 335,000
Revolving Funding Facility	324,000
SMBC Funding Facility	54,000
February 2016 Convertible Notes	562,805
June 2016 Convertible Notes	224,196
2017 Convertible Notes	159,936
2018 Convertible Notes	265,091
2019 Convertible Notes	295,913
2018 Notes	750,745
February 2022 Notes	143,750
October 2022 Notes	182,500
2040 Notes	200,000
2047 Notes	181,265
Total Debt	\$ 3,679,201
<b>Stockholders' Equity</b>	
Common stock, par value \$0.001 per share, 500,000,000 common shares authorized, and 314,108,062 common shares issued and outstanding	314
Capital in excess of par value	5,250,934
Accumulated overdistributed net investment income	(59,999)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets	(124,980)
Net unrealized gain on investments and foreign currency transactions	183,379
Total stockholders' equity	\$ 5,249,648
Total capitalization	\$ 8,928,849

(1)

The above table reflects the carrying value of indebtedness outstanding as of September 30, 2014. As of December 31, 2014, indebtedness under the Revolving Credit Facility, the Revolving Funding Facility and the SMBC Funding Facility were \$170.0 million, \$324.0 million and \$62.0 million, respectively. In November 2014, we issued \$400 million aggregate principal amount of the 2020 Notes, the net proceeds of which were used to pay down certain outstanding indebtedness under our debt facilities and for general corporate purposes, which included investing in portfolio companies in accordance with our investment objective. The net proceeds from the sale of the Notes offered hereby are expected to be used to pay down outstanding indebtedness under the Revolving Funding Facility, the Revolving Credit Facility and/or the SMBC Funding Facility, and for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective. See "Use of Proceeds."



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

*The information contained in this section should be read in conjunction with the "Selected Condensed Consolidated Financial Data of Ares Capital" and our financial statements and notes thereto appearing elsewhere in this prospectus supplement or the accompanying prospectus.*

**OVERVIEW**

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a BDC under the Investment Company Act.

We are externally managed by Ares Capital Management, a subsidiary of Ares Management, a publicly traded, leading global alternative asset manager, pursuant to our investment advisory and management agreement. Ares Operations, a subsidiary of Ares Management, provides certain administrative and other services necessary for us to operate.

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

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments, of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments.

Since our initial public offering on October 8, 2004 through September 30, 2014, our exited investments resulted in an aggregate cash flow realized internal rate of return to us of approximately 13% (based on original cash invested, net of syndications, of approximately \$9.2 billion and total proceeds from such exited investments of approximately \$11.2 billion). Internal rate of return is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these expenses are not allocable to specific investments. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of a debt investment or sale of an investment or through the determination that no further consideration was collectible and, thus, a loss may have been realized. Approximately 69% of these exited investments resulted in an aggregate cash flow realized internal rate of return to us of 10% or greater.

Additionally, since our initial public offering on October 8, 2004 through September 30, 2014, our realized gains have exceeded our realized losses by approximately \$296 million (excluding a one-time gain on the acquisition of Allied Capital Corporation ("Allied Capital") and realized gains/losses from the extinguishment of debt and other assets). For this same time period, our average annualized net realized gain rate was approximately 1.1% (excluding a one-time gain on the acquisition of Allied Capital and realized gains/losses from the extinguishment of debt and other assets). Net realized gain/loss rates for a particular period are the amount of net realized gains/losses during such period divided by the average quarterly investments at amortized cost in such period.

Information included herein regarding internal rates of return, realized gains and losses and annualized net realized gain rates since our initial public offering are historical results relating to our past performance and are not necessarily indicative of future results, the achievement of which cannot be assured.

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As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities and indebtedness of private U.S. companies and certain public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. We also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

We have elected to be treated as a regulated investment company, or a "RIC," under the Internal Revenue Code of 1986, as amended (the "Code"), and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Code, for each year. Pursuant to this election, we generally will not have to pay U.S. federal corporate-level taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

Table of Contents**PORTFOLIO AND INVESTMENT ACTIVITY**

Our investment activity for the three months ended September 30, 2014 and 2013 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	For the three months ended September 30,	
	2014	2013
<b>New investment commitments(1):</b>		
New portfolio companies	\$ 488.5	\$ 842.3
Existing portfolio companies(2)	829.5	289.7
Total new investment commitments	1,318.0	1,132.0
Less:		
Investment commitments exited	654.2	391.1
Net investment commitments	\$ 663.8	\$ 740.9
<b>Principal amount of investments funded:</b>		
First lien senior secured loans	\$ 826.1	\$ 603.7
Second lien senior secured loans	294.0	134.9
Subordinated certificates of the SSLP(3)	86.4	182.4
Senior subordinated debt	126.4	
Preferred equity securities	5.0	
Other equity securities	12.2	10.7
Total	\$ 1,350.1	\$ 931.7
<b>Principal amount of investments sold or repaid:</b>		
First lien senior secured loans	\$ 365.0	\$ 190.9
Second lien senior secured loans	102.6	42.9
Subordinated certificates of the SSLP(3)	70.4	25.3
Senior subordinated debt	40.9	106.1
Preferred equity securities	11.0	5.5
Other equity securities	39.3	2.1
Commercial real estate	4.0	
Total	\$ 633.2	\$ 372.8
<b>Number of new investment commitments(4)</b>	30	25
<b>Average new investment commitment amount</b>	\$ 43.9	\$ 45.3
<b>Weighted average term for new investment commitments (in months)</b>	73	79
<b>Percentage of new investment commitments at floating rates</b>	87%	95%
<b>Percentage of new investment commitments at fixed rates</b>	12%	4%
<b>Weighted average yield of debt and other income producing securities(5):</b>		
Funded during the period at amortized cost	8.8%	9.5%
Funded during the period at fair value(6)	8.7%	9.5%
Exited or repaid during the period at amortized cost	9.1%	10.4%
Exited or repaid during the period at fair value(6)	8.8%	10.3%

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

(2) Includes investment commitments to the SSLP to make co-investments with GE in first lien senior secured loans of middle market companies of \$99.8 million and \$221.5 million for the three months ended September 30, 2014 and 2013, respectively.

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- (3) See "Senior Secured Loan Program" below and Note 4 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information on the SSLP.
- (4) Number of new investment commitments represents each commitment to a particular portfolio company or a commitment to multiple companies as part of an individual transaction (e.g., the purchase of a portfolio of investments).
- (5) "Weighted average yield of debt and other income producing securities at amortized cost" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost. "Weighted average yield of debt and other income producing securities at fair value" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.
- (6) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.

As of September 30, 2014 and December 31, 2013, our investments consisted of the following:

(in millions)	As of			
	September 30, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien senior secured loans	\$ 4,030.2	\$ 4,012.5	\$ 3,405.6	\$ 3,377.6
Second lien senior secured loans	1,488.0	1,451.6	1,335.8	1,319.2
Subordinated certificates of the SSLP(1)	1,954.1	1,983.4	1,745.2	1,771.4
Senior subordinated debt	470.2	469.4	364.1	323.2
Preferred equity securities	224.5	214.1	226.0	229.0
Other equity securities	430.9	645.6	453.7	600.2
Commercial real estate	2.9	7.0	7.0	12.3
	\$ 8,600.8	\$ 8,783.6	\$ 7,537.4	\$ 7,632.9

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- (1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 49 and 47 different borrowers as of September 30, 2014 and December 31, 2013, respectively.



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The weighted average yields at amortized cost and fair value of the following portions of our portfolio as of September 30, 2014 and December 31, 2013 were as follows:

	As of			
	September 30, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities(1)	9.9%	9.9%	10.4%	10.4%
Total portfolio(2)	9.1%	8.9%	9.4%	9.3%
First lien senior secured loans(2)	8.2%	8.2%	7.8%	7.8%
Second lien senior secured loans(2)	8.3%	8.5%	9.4%	9.5%
Subordinated certificates of the SSLP(2)(3)	13.8%	13.5%	15.0%	14.8%
Senior subordinated debt(2)	10.7%	10.7%	10.3%	11.6%
Income producing equity securities(2)	9.7%	9.6%	10.1%	9.1%

- (1) "Weighted average yield of debt and other income producing securities at amortized cost" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost. "Weighted average yield of debt and other income producing securities at fair value" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.
- (2) "Weighted average yields at amortized cost" are computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on the relevant accruing debt and other income producing securities, divided by (b) the total relevant investments at amortized cost. "Weighted average yields at fair value" are computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on the relevant accruing debt and other income producing securities, divided by (b) the total relevant investments at fair value.
- (3) The proceeds from these certificates were applied to co- investments with GE to fund first lien senior secured loans.

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

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

Set forth below is the grade distribution of our portfolio companies as of September 30, 2014 and December 31, 2013:

(dollar amounts in millions)	As of							
	September 30, 2014				December 31, 2013			
	Fair Value	%	# of Companies	%	Fair Value	%	# of Companies	%
Grade 1	\$ 56.4	0.7%	5	2.5%	\$ 54.6	0.7%	7	3.6%
Grade 2	248.9	2.8%	10	4.9%	256.3	3.4%	12	6.2%
Grade 3	7,359.3	83.8%	170	83.3%	6,636.2	86.9%	162	84.0%
Grade 4	1,119.0	12.7%	19	9.3%	685.8	9.0%	12	6.2%
	<b>\$ 8,783.6</b>	<b>100.0%</b>	<b>204</b>	<b>100.0%</b>	<b>\$ 7,632.9</b>	<b>100.0%</b>	<b>193</b>	<b>100.0%</b>

As of September 30, 2014 and December 31, 2013, the weighted average grade of the investments in our portfolio at fair value was 3.1 and 3.0, respectively.

As of September 30, 2014, loans on non-accrual status represented 2.2% and 1.6% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2013, loans on non-accrual status represented 3.1% and 2.1% of the total investments at amortized cost and at fair value, respectively.

### ***Senior Secured Loan Program***

We co-invest in first lien senior secured loans of middle market companies with GE through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a "the Senior Secured Loan Program") or the SSLP. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of ours and GE (with approval from a representative of each required). We provide capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

As of September 30, 2014 and December 31, 2013, we and GE had agreed to make \$11.0 billion of capital available to the SSLP, of which approximately \$9.5 billion and \$8.7 billion in aggregate principal amount, respectively, was funded. As of September 30, 2014 and December 31, 2013, we had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$2.0 billion and \$1.7 billion in aggregate principal amount, respectively, was funded. Investment of any unfunded amount must be approved by the investment committee of the SSLP as described above.

As of September 30, 2014 and December 31, 2013, the SSLP had total assets of \$9.5 billion and \$8.7 billion, respectively. As of September 30, 2014 and December 31, 2013, GE's investment in the SSLP consisted of senior notes of \$7.2 billion and \$6.7 billion, respectively, and SSLP Certificates of \$279.2 million and \$249.3 million, respectively. The SSLP Certificates are junior in right of payment

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to the senior notes held by GE. As of September 30, 2014 and December 31, 2013, we and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

As of September 30, 2014 and December 31, 2013, the SSLP portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies. As of September 30, 2014 and December 31, 2013, one loan was on non-accrual status, representing 0.9% and 1.0%, respectively, of the total loans at principal amount in the SSLP. The portfolio companies in the SSLP are in industries similar to the companies in our portfolio. Additionally, as of September 30, 2014 and December 31, 2013, the SSLP had commitments to fund various delayed draw investments to certain of its portfolio companies of \$501.7 and \$510.4 million, respectively, which had been approved by the SSLP investment committee. As of September 30, 2014 and December 31, 2013, we had commitments to co-invest in the SSLP for our portion of the SSLP's commitments to fund such delayed draw investments of up to \$92.8 million and \$85.1 million, respectively.

Below is a summary of the SSLP's portfolio, followed by a listing of the individual first lien senior secured loans in the SSLP's portfolio as of September 30, 2014 and December 31, 2013:

(dollar amounts in millions)	As of	
	September 30, 2014	December 31, 2013
Total first lien senior secured loans(1)	\$ 9,363.6	\$ 8,664.4
Weighted average yield on first lien senior secured loans(2)	6.8%	7.1%
Number of borrowers in the SSLP	49	47
Largest loan to a single borrower(1)	\$ 332.9	\$ 321.7
Total of five largest loans to borrowers(1)	\$ 1,543.2	\$ 1,510.7

(1) At principal amount.

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

(dollar amounts in millions)

#### SSLP Loan Portfolio as of September 30, 2014

Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount
Access CIG, LLC(2)	Records and information management services provider	10/2017	7.9%	\$ 196.6
ADG, LLC	Dental services provider	9/2019	8.1%	213.1
AMCP Clean Acquisition Company, LLC	Provider of outsourced commercial linen and laundry services	8/2019	8.0%	92.6
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	235.8
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical devices	4/2018	6.5%	234.4
Brewer Holdings Corp.	Provider of software and technology-enabled content and analytical solutions to insurance brokers	11/2019	7.0%	174.2
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	84.3
CH Hold Corp.(2)	Collision repair company	11/2019	5.5%	300.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	153.2
CIBT Holdings, Inc.(4)	Expedited travel document processing services	12/2018	6.8%	188.5
Connoisseur Media, LLC	Owner and operator of radio stations	6/2019	7.3%	140.7
CWD, LLC	Supplier of automotive aftermarket brake parts	6/2016	7.0%	127.1
Document Technologies, LLC(2)(4)	Provider of legal process outsourcing and managed services	8/2020	5.8%	279.2

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(dollar amounts in millions)

#### SSLP Loan Portfolio as of September 30, 2014

Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	8.0%	133.9
Driven Brands, Inc.(2)(4)	Automotive aftermarket car care franchisor	3/2017	6.0%	201.2
ECI Purchaser Company, LLC	Manufacturer of specialized pressure regulators, valves and other control equipment for use with liquefied and compressed gases	12/2019	6.0%	235.6
Excelligence Learning Corporation(4)	Developer, manufacturer and retailer of educational products	8/2018	7.8%	171.2
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.0%	70.6
Fox Hill Holdings, LLC(2)	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	287.3
Gentle Communications, LLC	Dental services provider	6/2020	6.5%	85.0
III US Holdings, LLC	Provider of library automation software and systems	3/2018	6.0%	215.8
Implus Footcare, LLC(4)	Provider of footwear and other accessories	4/2019	6.8%	246.4
Instituto de Banca y Comercio, Inc.(2)(4)(5)	Private school operator	12/2016		87.6
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	12/2019	5.8%	269.6
Laborie Medical Technologies Corp(4)	Provider of medical diagnostics products	10/2018	6.8%	112.7
MCH Holdings, Inc.(4)	Healthcare professional provider	1/2020	6.3%	179.5
MWI Holdings, Inc.(2)	Provider of engineered springs, fasteners, and other precision components	3/2019	7.4%	260.7
Noranco Manufacturing (USA) Ltd.	Supplier of complex machined and sheet metal components for the aerospace industry	4/2019	6.8%	156.7
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	8/2019	7.0%	218.4
Oak Parent, Inc.(2)	Manufacturer of athletic apparel	4/2018	7.5%	302.8
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%	55.8
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	155.2
PODS Funding Corp. II(2)	Storage and warehousing	12/2018	7.0%	332.9
Pretium Packaging, L.L.C.(4)	Plastic container and closure manufacturer	6/2020	6.0%	185.3
Protective Industries, Inc. dba Caplugs(2)(4)	Manufacturer of plastic protection products	10/2019	6.3%	276.2
PSSI Holdings, LLC(2)	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2018	6.0%	247.3
Restaurant Technologies, Inc.	Provider of bulk cooking oil management services to the restaurant and fast food service industries	6/2018	7.0%	199.0
Sanders Industries Holdings, Inc.(4)	Manufacturer of elastomeric parts, mid-sized composite structures, and composite tooling	5/2020	7.0%	84.0
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	10/2019	6.8%	198.5
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	195.5
STATS Acquisition, LLC	Sports technology, data and content company	6/2020	7.0%	103.8
Strategic Partners, Inc.(4)	Supplier of medical uniforms, specialized medical footwear and accessories	8/2018	8.5%	230.3
TA THI Buyer, Inc. and TA THI Parent, Inc.(2)(4)	Supplier of branded light duty truck accessories for pick-up truck applications	7/2020	6.5%	313.5
TecoStar Acquisition Company	Manufacturer of precision complex components for the medical device market and the aerospace and defense market	12/2019	6.1%	157.4
The Teaching Company, LLC(2)(4)	Education publications provider	3/2017	9.0%	109.7
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	12/2019	6.8%	153.2
U.S. Anesthesia Partners, Inc.(2)(3)	Anesthesiology service provider	12/2019	6.0%	264.7

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(dollar amounts in millions)

### SSLP Loan Portfolio as of September 30, 2014

<b>Portfolio Company</b>	<b>Business Description</b>	<b>Maturity Date</b>	<b>Stated Interest Rate(1)</b>	<b>Principal Amount</b>
Universal Services of America, LP	Provider of security officer and guard services	7/2019	6.0%	294.0
Wrigley Purchaser, LLC and Wrigley Management, LLC(2)	Provider of outpatient rehabilitation services	5/2020	6.1%	152.6
				\$ 9,363.6

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- (1) Represents the weighted average annual stated interest rate as of September 30, 2014. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.
- (2) We also hold a portion of this company's first lien senior secured loan.
- (3) We also hold a portion of this company's second lien senior secured loan.
- (4) We hold an equity investment in this company.
- (5) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of September 30, 2014.

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(dollar amounts in millions)

SSLP Loan Portfolio as of December 31, 2013

Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount	Fair Value(2)
Access CIG, LLC(3)	Records and information management services provider	10/2017	7.0%	\$ 186.9	\$ 186.9
ADG, LLC	Dental services provider	9/2019	8.1%	217.5	217.5
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	237.6	237.6
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical devices	4/2018	6.5%	239.2	239.2
BECO Holding Company, Inc.(5)	Wholesale distributor of first response fire protection equipment and related parts	12/2017	8.3%	143.4	143.4
Brewer Holdings Corp. and Zywave, Inc.	Provider of software and technology-enabled content and analytical solutions to insurance brokers	11/2019	7.0%	175.5	175.5
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	86.0	86.0
CCS Group Holdings, LLC(5)	Correctional facility healthcare operator	4/2016	8.0%	134.5	134.5
CH Hold Corp.	Collision repair company	11/2019	5.5%	270.0	270.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	142.3	142.3
CIBT Holdings, Inc.(5)	Expedited travel document processing services	12/2018	6.8%	178.9	178.9
CWD, LLC	Supplier of automotive aftermarket brake parts	6/2016	10.0%	130.5	130.5
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	136.7	136.7
Driven Holdings, LLC(5)	Automotive aftermarket car care franchisor	3/2017	7.0%	159.1	159.1
ECI Purchaser Company, LLC	Manufacturer of equipment to safely control pressurized gases	12/2019	6.0%	209.0	209.0
Excelligence Learning Corporation(5)	Developer, manufacturer and retailer of educational products	8/2018	7.8%	174.0	174.0
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar products	5/2016	8.0%	74.7	74.7
Fox Hill Holdings, LLC(3)	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	289.5	289.5
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	194.5	194.5
Implus Footcare, LLC(5)	Provider of footwear and other accessories	10/2016	9.0%	210.3	210.3
Instituto de Banca y Comercio, Inc.(3)(5)(6)	Private school operator	6/2015		82.4	74.2
Intermedix Corporation(4)	Revenue cycle management provider to the emergency healthcare industry	12/2018	6.3%	321.7	321.7
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	4/2019	6.5%	164.2	164.2
JHP Pharmaceuticals, LLC(5)	Manufacturer of specialty pharmaceutical products	12/2019	6.8%	182.2	182.2
Laborie Medical Technologies Corp(5)	Developer and manufacturer of medical equipment	10/2018	6.8%	113.5	113.5
LJSS Acquisition, Inc.	Fluid power distributor	10/2017	6.8%	159.8	159.8
MWI Holdings, Inc.(3)	Provider of engineered springs, fasteners, and other precision components	3/2019	7.4%	261.6	261.6
Noranco Manufacturing (USA) Ltd.	Supplier of complex machined and sheet metal components for the aerospace industry	4/2019	6.8%	161.1	161.1
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	8/2019	7.0%	224.7	224.7
Oak Parent, Inc.(3)	Manufacturer of athletic apparel	4/2018	7.5%	307.1	307.1
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%	59.5	59.5
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	158.3	158.3
PODS Funding Corp. II(3)	Storage and warehousing	12/2018	7.0%	314.1	314.1

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(dollar amounts in millions)

#### SSLP Loan Portfolio as of December 31, 2013

Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount	Fair Value(2)
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(3)	Provider of highly-customized, tailored protective packaging solutions	3/2017	7.8%	152.0	152.0
Protective Industries, Inc. dba Caplugs(3)(5)	Manufacturer of plastic protection products	10/2019	6.8%	278.3	278.3
PSSI Holdings, LLC(3)	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2018	6.0%	224.4	224.4
Restaurant Technologies, Inc.	Provider of bulk cooking oil management services to the restaurant and fast food service industries	6/2018	7.0%	202.7	202.7
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	10/2019	6.8%	209.0	209.0
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	197.0	197.0
Strategic Partners, Inc.(5)	Supplier of medical uniforms, specialized medical footwear and accessories	8/2018	7.8%	232.1	232.1
Talent Partners G.P. and Print Payroll Services, G.P.	Provider of technology-enabled payroll to the advertising industry	10/2017	8.0%	62.0	62.0
TecoStar Acquisition Company	Manufacturer of precision components for orthopedic medical devices	12/2019	6.4%	118.0	118.0
The Teaching Company, LLC(3)(5)	Education publications provider	3/2017	9.0%	111.5	109.3
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	12/2019	6.8%	154.0	154.0
U.S. Anesthesia Partners, Inc.(3)	Anesthesiology service provider	12/2019	6.0%	210.0	210.0
Universal Services of America, LP	Provider of security officer and guard services	7/2019	6.0%	253.9	253.9
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	159.2	159.2
				\$ 8,664.4	\$ 8,654.0

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- (1) Represents the weighted average annual stated interest rate as of December 31, 2013. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.
- (2) Represents the fair value in accordance with Accounting Standards Codification 820-10. The determination of such fair value is not included in our board of directors valuation process described elsewhere herein.
- (3) We also hold a portion of this company's first lien senior secured loan.
- (4) We also hold a portion of this company's second lien senior secured loan.
- (5) We hold an equity investment in this company.
- (6) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of December 31, 2013.

The amortized cost and fair value of our SSLP Certificates was \$2.0 billion and \$2.0 billion, respectively, as of September 30, 2014, and \$1.7 billion and \$1.8 billion, respectively, as of December 31, 2013. The SSLP Certificates pay a weighted average contractual coupon of three month LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the underlying loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than both the contractual coupon on the SSLP Certificates as well as the weighted average yield on the SSLP's portfolio of 6.8% and 7.1% at September 30, 2014 and December 31, 2013, respectively. Our yield on our investment in the SSLP at amortized cost and fair value was 13.8% and 13.5%, respectively, as of

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September 30, 2014, and 15.0% and 14.8%, respectively, as of December 31, 2013. For the three and nine months ended September 30, 2014, we earned interest income of \$69.8 million and \$205.4 million, respectively, from our investment in the SSLP Certificates.

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For the three and nine months ended September 30, 2013, we earned interest income of \$59.2 million and \$161.2 million, respectively, from our investment in the SSLP Certificates.

We are also entitled to certain fees in connection with the SSLP. For the three and nine months ended September 30, 2014, in connection with the SSLP, we earned capital structuring service, sourcing and other fees totaling \$17.1 million and \$46.1 million, respectively. For the three and nine months ended September 30, 2013, in connection with the SSLP, we earned capital structuring service, sourcing and other fees totaling \$19.9 million and \$42.8 million, respectively.

Selected financial information for the SSLP as of and for the year ended December 31, 2013 is as follows:

(in millions)	As of and for the Year Ended December 31, 2013	
<b>Selected Balance Sheet Information:</b>		
Investments in loans receivable, net of discount for loan origination fees	\$	8,601.6
Cash and other assets	\$	142.3
Total assets	\$	8,743.9
Senior notes	\$	6,699.5
Other liabilities	\$	64.2
Total liabilities	\$	6,763.7
Subordinated certificates and members' capital	\$	1,980.2
Total liabilities and members' capital	\$	8,743.9
<b>Selected Statement of Operations Information:</b>		
Total revenues	\$	554.2
Total expenses	\$	296.7
Net income	\$	257.5

### **RESULTS OF OPERATIONS**

#### *For the three and nine months ended September 30, 2014 and 2013*

Operating results for the three and nine months ended September 30, 2014 and 2013 were as follows:

(in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Total investment income	\$ 253.4	\$ 246.8	\$ 718.0	\$ 648.0
Total expenses	140.6	116.6	392.6	317.4
Net investment income before income taxes	112.8	130.2	325.4	330.6
Income tax expense, including excise tax	7.5	4.0	15.8	11.7
Net investment income	105.3	126.2	309.6	318.9
Net realized gains on investments and foreign currency transactions	76.5	9.0	40.1	29.3
Net unrealized gains (losses) on investments and foreign currency transactions	(4.1)	5.6	87.9	6.4
Realized losses on extinguishment of debt			(0.1)	
Net increase in stockholders' equity resulting from operations	\$ 177.7	\$ 140.8	\$ 437.5	\$ 354.6

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

**Investment Income**

(in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Interest income from investments	\$ 190.8	\$ 169.6	\$ 540.5	\$ 471.8
Capital structuring service fees	31.7	31.6	74.3	61.7
Dividend income	19.7	34.8	67.2	82.7
Management and other fees	6.4	5.4	18.4	14.9
Other income	4.8	5.4	17.6	16.9
Total investment income	\$ 253.4	\$ 246.8	\$ 718.0	\$ 648.0

The increase in interest income from investments for the three months ended September 30, 2014 from the comparable period in 2013 was primarily due to an increase in the size of our portfolio, which increased from an average of \$7.0 billion at amortized cost for the three months ended September 30, 2013 to an average of \$8.2 billion at amortized cost for the comparable period in 2014. The increase in capital structuring service fees for the three months ended September 30, 2014 from the comparable period in 2013 was primarily due to the increase in new investment commitments, which increased from \$1.1 billion for the three months ended September 30, 2013 to \$1.3 billion for the comparable period in 2014, partially offset by the decrease in the average capital structuring service fees received on new investments, from 2.8% for the three months ended September 30, 2013 to 2.4% in the comparable period in 2014. Dividend income for the three months ended September 30, 2014 and 2013 included dividends received from IHAM totaling \$10.0 million and \$25.0 million, respectively. The dividends received from IHAM for the three months ended September 30, 2013 included an additional dividend of \$15.0 million that was paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividend out of accumulated earnings that had previously been retained by IHAM. Also during the three months ended September 30, 2014, we received \$6.0 million in other non-recurring dividends from non-income producing equity securities compared to \$5.2 million for the comparable period in 2013.

The increase in interest income from investments for the nine months ended September 30, 2014 from the comparable period in 2013 was primarily due to the increase in the size of the portfolio, which increased from an average of \$6.4 billion at amortized cost for the nine months ended September 30, 2013 to an average of \$7.9 billion at amortized cost for the comparable period in 2014. The increase in capital structuring service fees for the nine months ended September 30, 2014 from the comparable period in 2013 was primarily due to the increase in new investment commitments, which increased from \$2.7 billion for the nine months ended September 30, 2013 to \$3.2 billion for the comparable period in 2014, while the average capital structuring service fees received on new investments remained steady at 2.3% for both the nine months ended September 30, 2014 and 2013. Dividend income for the nine months ended September 30, 2014 and 2013 included dividends received from IHAM totaling \$40.0 million and \$62.4 million, respectively. The dividends received from IHAM for the nine months ended September 30, 2014 and 2013 included additional dividends of \$10.0 million and \$32.4 million, respectively, that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the nine months ended September 30, 2014, we received \$15.5 million

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in other non-recurring dividends from non-income producing equity securities compared to \$6.6 million for the comparable period in 2013.

**Operating Expenses**

(in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Interest and credit facility fees	\$ 54.1	\$ 44.4	\$ 159.7	\$ 124.0
Base management fees	32.7	27.5	93.5	75.6
Income based fees	31.3	32.3	85.2	81.5
Capital gains incentive fees	13.1	2.9	24.2	7.2
Administrative fees	3.1	3.3	9.7	8.6
Other general and administrative	6.3	6.2	20.3	20.5
<b>Total expenses</b>	<b>\$ 140.6</b>	<b>\$ 116.6</b>	<b>\$ 392.6</b>	<b>\$ 317.4</b>

Interest and credit facility fees for the three and nine months ended September 30, 2014 and 2013, were comprised of the following:

(in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	\$ 44.0	\$ 36.0	\$ 127.7	\$ 97.7
Facility fees	2.1	1.4	8.7	5.8
Amortization of debt issuance cost	4.2	3.5	12.1	10.4
Accretion of discount on notes payable	3.8	3.5	11.2	10.1
<b>Total interest and credit facility fees</b>	<b>\$ 54.1</b>	<b>\$ 44.4</b>	<b>\$ 159.7</b>	<b>\$ 124.0</b>

Stated interest expense for the three months ended September 30, 2014 increased from the comparable period in 2013 primarily due to the increase in the average principal amount of debt outstanding, which increased to \$3.4 billion as compared to \$2.9 billion for the comparable period in 2013. Stated interest expense for the nine months ended September 30, 2014 increased from the comparable period in 2013 primarily due to the increase in the average principal amount of debt outstanding, which increased to \$3.2 billion as compared to \$2.5 billion for the comparable period in 2013. Facility fees for the nine months ended September 30, 2014 increased from the comparable period in 2013 primarily due to higher non-usage fees incurred on the secured revolving facilities.

The increase in base management fees and fees based on our net investment income ("income based fees") for the three and nine months ended September 30, 2014 from the comparable period in 2013 were primarily due to the increase in the size of the portfolio and in the case of income based fees, the related increase in net investment income excluding income based fees and fees based on our net capital gains ("capital gains incentive fees").

For the three and nine months ended September 30, 2014, the capital gains incentive fee expense accrual calculated in accordance with GAAP was \$13.1 million and \$24.2 million, respectively. For the three and nine months ended September 30, 2013, the capital gains incentive fee expense accrual calculated in accordance with GAAP was \$2.9 million and \$7.2 million, respectively. Capital gains incentive fee expense accrual for the three months ended September 30, 2014 increased from the comparable period in 2013 primarily due to higher net gains on investments and foreign currency transactions, which increased from \$8.9 million during the three months ended September 30, 2013 to \$76.5 million for the comparable period in 2014. Capital gains incentive fee expense accrual for the nine months ended September 30, 2014 increased from the comparable period in 2013 primarily due to

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higher net gains on investments and foreign currency transactions, which increased from \$29.3 million during the three months ended September 30, 2013 to \$40.1 million for the comparable period in 2014. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of September 30, 2014, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$87.7 million (included in "capital gains incentive fees payable" in the consolidated balance sheet). However, as of September 30, 2014, there was no capital gains incentive fee actually payable under our investment advisory and management agreement. See Note 3 to our consolidated financial statements for the three and nine months ended September 30, 2013 for more information on the base management fees, income based fees and capital gains incentive fees.

Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs. Other general and administrative expenses include professional fees, rent, insurance, depreciation, director's fees and other costs.

**Income Tax Expense, Including Excise Tax**

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

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. For the three months ended September 30, 2014, we had no U.S. federal excise tax expense. For the nine months ended September 30, 2014, we recorded a net expense of \$4.0 million for U.S. federal excise tax, which includes a reduction in expense in the third quarter related to the recording of a requested refund resulting from the overpayment of 2013 excise tax of \$1.7 million. For the three and nine months ended September 30, 2013, we recorded a net expense of \$2.8 million and \$8.8 million, respectively, for U.S. federal excise tax.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three and nine months ended September 30, 2014, we recorded a tax expense of approximately \$7.5 million and \$11.8 million, respectively, for these subsidiaries. For the three and nine months ended September 30, 2013, we recorded a tax expense of approximately \$1.2 million and \$2.9 million, respectively, for these subsidiaries. The increases in income tax expense for our taxable consolidated subsidiaries for the three and nine months ended September 30, 2014 from the comparable periods in 2013 were primarily driven by the realized gains from the exits of certain investments held by such subsidiaries during the three months ended September 30, 2014.

Table of Contents**Net Realized Gains/Losses**

During the three months ended September 30, 2014, we had \$706.6 million of sales, repayments or exits of investments resulting in \$73.8 million of net realized gains. Net realized gains of \$73.8 million on investments were comprised of \$80.9 million of gross realized gains and \$7.1 million of gross realized losses.

The net realized gains on investments during the three months ended September 30, 2014 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Insight Pharmaceuticals Corporation	\$ 33.1
The Dwyer Group	21.1
Service King Paint & Body, LLC	10.4
Platform Acquisition, Inc.	4.7
Apple & Eve, LLC	4.3
TOA Technologies, Inc.	1.9
BECO Holding Company, Inc.	1.9
X Plus Two Solutions, Inc.	1.5
Pillar Processing LLC	(6.6)
Other, net	1.5
<b>Total</b>	<b>\$ 73.8</b>

During the three months ended September 30, 2014, we also recognized net realized gains on foreign currency transactions of \$2.8 million.

During the three months ended September 30, 2013, we had \$381.7 million of sales, repayments or exits of investments resulting in \$8.9 million of net realized gains. These sales, repayments or exits included \$104.8 million of investments sold to IHAM and certain vehicles managed by IHAM. A net realized loss of \$0.2 million was recorded on the transactions with IHAM. Net realized gains of \$8.9 million on investments were comprised of \$50.8 million of gross realized gains and \$41.9 million of gross realized losses.

The net realized gains on investments during the three months ended September 30, 2013 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Component Hardware Group, Inc.	\$ 17.7
Financial Pacific Company	17.6
Tradesmen International, Inc.	10.0
Senior Secured Loan Fund LLC	1.8
Matrixx Initiatives, Inc.	1.6
eInstruction Corporation	(40.3)
Other, net	0.5
<b>Total</b>	<b>\$ 8.9</b>

During the nine months ended September 30, 2014, the Company had \$2,066.9 million of sales, repayments or exits of investments resulting in \$38.3 million of net realized gains. These sales, repayments or exits included \$64.5 million of investments sold to IHAM or certain vehicles managed by IHAM. No realized gains or losses were recognized on these transactions. Net realized gains of

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\$38.3 million on investments were comprised of \$97.6 million of gross realized gains and \$59.3 million of gross realized losses.

The net realized gains on investments during the nine months ended September 30, 2014 consisted of the following:

(in millions)	Net Realized
Portfolio Company	Gains (Losses)
Insight Pharmaceuticals Corporation	33.1
The Dwyer Group	21.1
Service King Paint & Body, LLC	10.4
Platform Acquisition, Inc.	4.7
Apple & Eve, LLC	4.3
TOA Technologies, Inc.	2.0
JHP Group Holdings, Inc.	1.9
BECO Holding Company, Inc.	1.9
Dialysis Newco, Inc.	1.7
Orion Foods, LLC	1.6
La Paloma Generating Company, LLC	1.6
X Plus Two Solutions, Inc.	1.5
Magnacare Holdings, Inc.	1.3
Imperial Capital Group LLC	1.3
Stag-Parkway, Inc.	1.2
Eberle Design, Inc.	1.1
Geotrace Technologies, Inc.	(2.9)
Pillar Processing LLC	(6.6)
CitiPostal Inc.	(20.3)
MVL Group, Inc.	(27.7)
Other, net	5.1
 Total	 \$ 38.3

During the nine months ended September 30, 2014, we purchased \$0.4 million aggregate principal amount of the 2047 Notes (as defined below) and as a result of these transactions, we recognized realized losses of \$0.1 million. During the nine months ended September 30, 2014, we also recognized net realized gains on foreign currency transactions of \$1.8 million.

During the nine months ended September 30, 2013, the Company had \$1,017.8 million of sales, repayments or exits of investments resulting in \$29.3 million of net realized gains. These sales, repayments or exits included \$139.8 million of investments sold to IHAM or certain vehicles managed by IHAM. A net realized loss of \$0.1 million was recorded on these transactions. Net realized gains of \$29.3 million on investments were comprised of \$72.1 million of gross realized gains and \$42.8 million of gross realized losses.

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The net realized gains on investments during the nine months ended September 30, 2013 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Component Hardware Group, Inc.	\$ 17.7
Financial Pacific Company	17.6
Tradesmen International, Inc.	10.0
Performant Financial Corporation	8.6
Senior Secured Loan Fund LLC	5.4
Performance Food Group, Inc.	4.1
BenefitMall Holdings Inc.	2.0
Matrixx Initiatives, Inc.	1.7
Promo Works, LLC	(1.0)
eInstruction Corporation	(40.3)
Other, net	3.5
 Total	 \$ 29.3

**Net Unrealized Gains/Losses**

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses. For the three and nine months ended September 30, 2014 and 2013, net unrealized gains and losses for our portfolio were comprised of the following:

(in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Unrealized appreciation	\$ 86.1	\$ 35.4	\$ 152.8	\$ 82.5
Unrealized depreciation	(34.6)	(24.3)	(93.3)	(76.0)
Net unrealized (appreciation) depreciation reversal related to net realized gains or losses(1)	(56.5)	(5.5)	27.8	
 Total net unrealized gains (losses)	 \$ (5.0)	 \$ 5.6	 \$ 87.3	 \$ 6.5

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

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The changes in net unrealized appreciation during the three months ended September 30, 2014 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
10th Street, LLC	\$ 38.7
Ciena Capital LLC	6.6
UL Holding Co., LLC and Universal Lubricants, LLC	5.5
VSS-Tranzact Holdings, LLC	4.1
CCS Intermediate Holdings, LLC	3.9
Performance Food Group, Inc.	2.3
Restaurant Holding Company, LLC	(2.3)
2329497 Ontario Inc.	(2.4)
Orion Foods, LLC	(2.9)
ADF Capital, Inc.	(3.0)
The Step2 Company, LLC	(3.3)
Ivy Hill Asset Management, L.P.	(3.4)
Other, net	7.7
<b>Total</b>	<b>\$ 51.5</b>

During the three months ended September 30, 2014, we also recognized net unrealized gains on foreign currency transactions of \$0.9 million.

The changes in net unrealized appreciation during the three months ended September 30, 2013 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
CitiPostal Inc.	\$ 4.0
Orion Foods, LLC	3.4
Community Education Centers, Inc.	3.3
Senior Secured Loan Fund LLC	2.7
HCPPro, Inc.	(2.1)
UL Holding Co., LLC	(3.1)
Insight Pharmaceuticals Corporation	(3.1)
ELC Acquisition Corp.	(3.5)
Competitor Group, Inc.	(3.5)
Other, net	13.0
<b>Total</b>	<b>\$ 11.1</b>



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The changes in net unrealized appreciation during the nine months ended September 30, 2014 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
10th Street, LLC	\$ 47.2
VSS-Tranzact Holdings, LLC	10.0
Ciena Capital LLC	9.4
Imperial Capital Private Opportunities, LP	8.4
Universal Lubricants, LLC	7.1
Campus Management Corp.	6.0
Senior Secured Loan Fund LLC	5.2
CCS Intermediate Holdings, LLC	3.9
Cast & Crew Payroll, LLC	3.4
Waste Pro USA, Inc	2.8
The Thymes, LLC	2.7
American Broadband Communications, LLC	2.6
Performance Food Group, Inc.	2.4
Service King Paint & Body, LLC	2.3
Netsmart Technologies, Inc.	2.1
EUNetworks Group Limited	(2.2)
Orion Foods, LLC	(2.7)
2329497 Ontario Inc.	(2.9)
R3 Education, Inc.	(4.2)
OTG Management, LLC	(4.3)
Community Education Centers, Inc.	(4.5)
ADF Capital, Inc.	(10.2)
The Step2 Company, LLC	(18.4)
Ivy Hill Asset Management, L.P.	(21.5)
Other, net	14.9
Total	\$ 59.5

During the nine months ended September 30, 2014, we also recognized net unrealized gains on foreign currency transactions of \$0.6 million.

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The changes in net unrealized appreciation during the nine months ended September 30, 2013 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Orion Foods, LLC	\$ 7.0
10th Street, LLC	6.8
Senior Secured Loan Fund LLC	6.1
Imperial Capital Private Opportunities, LP	4.7
Community Education Centers, Inc.	4.0
American Broadband Communications, LLC	3.7
AWTP, LLC	3.3
The Dwyer Group	3.1
Apple & Eve, LLC	2.8
Waste Pro USA, Inc	2.8
CT Technologies Intermediate Holdings, Inc.	2.7
Matrixx Initiatives, Inc.	2.3
Hojeij Branded Foods, Inc.	2.1
Woodstream Corporation	(2.1)
Insight Pharmaceuticals Corporation	(2.4)
The Step2 Company, LLC	(2.6)
HCPPro, Inc.	(3.3)
ADF Capital, Inc.	(3.4)
Campus Management Corp.	(4.6)
Ciena Capital LLC	(5.7)
Competitor Group, Inc.	(7.7)
UL Holding Co., LLC	(15.3)
Ivy Hill Asset Management, L.P.	(18.8)
Other, net	21.1
Total	\$ 6.5

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

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

As of September 30, 2014, we had \$107.9 million in cash and cash equivalents and \$3.8 billion in total aggregate principal amount of debt outstanding (\$3.7 billion at carrying value). Subject to leverage and borrowing base restrictions, we had approximately \$1.4 billion available for additional borrowings under the Facilities as of September 30, 2014.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with

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the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowing. As of September 30, 2014, our asset coverage was 243%.

**Equity Issuances**

As of September 30, 2014 and December 31, 2013, our total equity market capitalization was \$5.1 billion and \$5.3 billion, respectively. The following table summarizes the total shares issued and proceeds received in public offerings of our common stock net of underwriting discounts and offering costs for the nine months ended September 30, 2014 and 2013:

(in millions, except per share data)	Shares issued	Offering price per share	Proceeds net of underwriting and operating costs
<b>2014</b>			
July 2014 public offering	15.5	\$ 16.63(1)\$	257.6
Total for the nine months ended September 30, 2014	15.5	\$	257.6
<b>2013</b>			
April 2013 public offering	19.1	\$ 17.43(2)\$	333.2
Total for the nine months ended September 30, 2013	19.1	\$	333.2

- (1) The shares were sold to the underwriters for a price of \$16.63 per share, which the underwriters were then permitted to sell at variable prices to the public.
- (2) The shares were sold to the underwriters for a price of \$17.43 per share, which the underwriters were then permitted to sell at variable prices to the public.

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**Debt Capital Activities**

Our debt obligations consisted of the following as of September 30, 2014 and December 31, 2013:

(in millions)	September 30, 2014			December 31, 2013		
	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	\$ 1,250.0(2)	\$ 335.0	\$ 335.0	\$ 1,060.0	\$	\$
Revolving Funding Facility	540.0(3)	324.0	324.0	620.0	185.0	185.0
SMBC Funding Facility	400.0	54.0	54.0	400.0		
February 2016 Convertible Notes	575.0	575.0	562.8(4)	575.0	575.0	556.5(4)
June 2016 Convertible Notes	230.0	230.0	224.2(4)	230.0	230.0	221.8(4)
2017 Convertible Notes	162.5	162.5	159.9(4)	162.5	162.5	159.2(4)
2018 Convertible Notes	270.0	270.0	265.1(4)	270.0	270.0	264.1(4)
2019 Convertible Notes	300.0	300.0	295.9(4)	300.0	300.0	295.3(4)
2018 Notes	750.0	750.0	750.7(5)	600.0	600.0	596.7(5)
February 2022 Notes	143.8	143.8	143.8	143.8	143.8	143.8
October 2022 Notes	182.5	182.5	182.5	182.5	182.5	182.5
2040 Notes	200.0	200.0	200.0	200.0	200.0	200.0
2047 Notes	229.5	229.5	181.3(6)	230.0	230.0	181.4(6)
	\$ 5,233.3	\$ 3,756.3	\$ 3,679.2	\$ 4,973.8	\$ 3,078.8	\$ 2,986.3

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- (1) Subject to borrowing base and leverage restrictions. Represents the total aggregate amount committed or outstanding, as applicable, under such instrument.
- (2) Provides for a feature that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,755.0 million.
- (3) Provides for a feature that allows us and our consolidated subsidiary, Ares Capital CP, under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865.0 million.
- (4) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less the unaccreted discount initially recorded upon issuance of the Convertible Unsecured Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$12.2 million, \$5.8 million, \$2.6 million, \$4.9 million and \$4.1 million, respectively, as of September 30, 2014. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$18.5 million, \$8.2 million, \$3.3 million, \$5.9 million and \$4.7 million, respectively, as of December 31, 2013.
- (5)

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Represents the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the 2018 Notes. The total unamortized premium for the 2018 Notes was \$0.7 million as of September 30, 2014. The total unaccreted discount for the 2018 Notes was \$3.3 million as of December 31, 2013.

(6)

Represents the aggregate principal amount outstanding less the unaccreted purchased discount. The total unaccreted purchased discount for the 2047 Notes was \$48.2 million and \$48.6 million as of September 30, 2014 and December 31, 2013, respectively.

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The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our debt outstanding as of September 30, 2014 were 4.9% and 6.8 years, respectively, and as of December 31, 2013 were 5.3% and 7.9 years, respectively.

The ratio of total principal amount of debt outstanding to stockholders' equity as of September 30, 2014 was 0.72:1.00 compared to 0.63:1.00 as of December 31, 2013. The ratio of total carrying value of debt outstanding to stockholders' equity as of September 30, 2014 was 0.70:1.00 compared to 0.61:1.00 as of December 31, 2013.

See "Recent Developments" as well as Note 15 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information on the existing 2020 Notes issued subsequent to September 30, 2014.

***Revolving Credit Facility***

We are party to the Revolving Credit Facility, which allows us to borrow up to \$1,250 million at any one time outstanding. The end of the revolving period and the stated maturity date for the Revolving Credit Facility are May 4, 2018 and May 4, 2019, respectively. The Revolving Credit Facility also provides for a feature that allowed us, under certain circumstances, to increase the size of the facility to a maximum of \$1,755 million. The interest rate charged on the Revolving Credit Facility is based on LIBOR plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. Additionally, we are required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. As of September 30, 2014, there was \$335.0 million outstanding under the Revolving Credit Facility and we were in compliance in all material respects with the terms of the Revolving Credit Facility.

***Revolving Funding Facility***

Our consolidated subsidiary, Ares Capital CP, is party to the Revolving Funding Facility, which allows Ares Capital CP to borrow up to \$540 million at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility is May 14, 2017 and May 14, 2019, respectively. The Revolving Funding Facility also provides for a feature that allowed, under certain circumstances, for an increase in the size of the facility to a maximum of \$865 million. The interest rate charged on the Revolving Funding Facility is one month LIBOR plus an applicable spread ranging from 2.25% to 2.50% over LIBOR and ranging from 1.25% to 1.50% over "base rate" (as defined in the agreements governing the Revolving Funding Facility) in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the facility. Additionally, Ares Capital CP is required to pay a commitment fee of between 0.50% and 1.50% per annum depending on the size of the unused portion of the Revolving Funding Facility. As of September 30, 2014, there was \$324.0 million outstanding under the Revolving Funding Facility and we and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

***SMBC Funding Facility***

Our consolidated subsidiary, ACJB, is party to the SMBC Funding Facility, which allows ACJB to borrow up to \$400 million at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 14, 2016 and September 14, 2021, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement. The interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an

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applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.00%. Additionally, ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility. As of September 30, 2014, there was \$54.0 million outstanding under the SMBC Funding Facility and we and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

*Convertible Unsecured Notes*

In January 2011, we issued \$575 million aggregate principal amount of unsecured convertible notes that mature on February 1, 2016 (the "February 2016 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In March 2011, we issued \$230 million aggregate principal amount of unsecured convertible notes that mature on June 1, 2016 (the "June 2016 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In March 2012, we issued \$162.5 million aggregate principal amount of unsecured convertible notes that mature on March 15, 2017 (the "2017 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In the fourth quarter of 2012, we issued \$270.0 million aggregate principal amount of unsecured convertible notes that mature on January 15, 2018 (the "2018 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In July 2013, we issued \$300.0 million aggregate principal amount of unsecured convertible notes that mature on January 15, 2019 (the "2019 Convertible Notes" and together with the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes and the 2018 Convertible Notes, the "Convertible Unsecured Notes"), unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Unsecured Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes bear interest at a rate of 5.750%, 5.125%, 4.875%, 4.750% and 4.375%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Unsecured Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at their respective conversion rates (listed below as of September 30, 2014) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the "Convertible Unsecured Notes Indentures"). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the respective Convertible Unsecured Notes Indenture. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require us to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

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Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of September 30, 2014) are listed below.

	February 2016 Convertible Notes	June 2016 Convertible Notes	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Conversion premium	17.5%	17.5%	17.5%	17.5%	15.0%
Closing stock price at issuance	\$ 16.28	\$ 16.20	\$ 16.46	\$ 16.91	\$ 17.53
Closing stock price date	January 19, 2011	March 22, 2011	March 8, 2012	October 3, 2012	July 15, 2013
Conversion price(1)	\$ 18.56	\$ 18.47	\$ 19.02	\$ 19.70	\$ 20.05
Conversion rate (shares per one thousand dollar principal amount)(1)	53.8839	54.1501	52.5696	50.7591	49.8854
Conversion dates	August 15, 2015	December 15, 2015	September 15, 2016	July 15, 2017	July 15, 2018

- (1) Represents conversion price and conversion rate, as applicable, as of September 30, 2014, taking into account certain de minimis adjustments that will be made on the conversion date.

*Unsecured Notes*

*2018 Notes*

In November 2013, we issued \$600.0 million in aggregate principal amount of unsecured notes, which bear interest at a rate of 4.875% per year and mature on November 30, 2018 (the "2018 Notes"). The 2018 Notes require payment of interest semi-annually, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time at our option at a redemption price equal to par plus a "make whole" premium, as determined pursuant to the indenture governing the 2018 Notes, and any accrued and unpaid interest.

In January 2014, we issued an additional \$150.0 million aggregate principal amount of the 2018 Notes at a premium of 102.7% of their principal amount.

*February 2022 Notes*

In February 2012, we issued \$143.8 million in aggregate principal amount of unsecured notes, which bear interest at a rate of 7.00% per year and mature on February 15, 2022 (the "February 2022 Notes"). The February 2022 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option on or after February 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

*October 2022 Notes*

In September 2012 and October 2012, we issued \$182.5 million in aggregate principal amount of unsecured notes, which bear interest at a rate of 5.875% per year and mature on October 1, 2022 (the "October 2022 Notes"). The October 2022 Notes require payment of interest quarterly and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option on or after October 1, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

*2040 Notes*

In October 2010, we issued \$200.0 million in aggregate principal amount of unsecured notes which bear interest at a rate of 7.75% and mature on October 15, 2040 (the "2040 Notes"). The 2040 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are



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redeemable in whole or in part at any time or from time to time at our option on or after October 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

#### *2047 Notes*

As part of our acquisition of Allied Capital (the "Allied Acquisition"), we assumed \$230.0 million aggregate principal amount of unsecured notes which bear interest at a rate of 6.875% and mature on April 15, 2047 (the "2047 Notes" and together with the 2018 Notes, the February 2022 Notes, the October 2022 Notes and the 2040 Notes, the "Unsecured 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 at our option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

As of September 30, 2014, we were in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures and the indentures governing the Unsecured Notes.

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

See "Recent Developments" as well as Note 15 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information on the existing 2020 Notes issued subsequent to September 30, 2014. See Note 5 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more detail on our debt obligations.

### **OFF BALANCE SHEET ARRANGEMENTS**

We have various commitments to fund investments in our portfolio, as described below.

As of September 30, 2014 and December 31, 2013, we had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) our discretion:

<b>(in millions)</b>	<b>As of</b>	
	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Total revolving and delayed draw commitments	\$ 769.2	\$ 834.5
Less: funded commitments	(139.4)	(87.1)
<b>Total unfunded commitments</b>	<b>629.8</b>	<b>747.4</b>
Less: commitments substantially at discretion of ours	(6.0)	(16.0)
Less: unavailable commitments due to borrowing base or other covenant restrictions		(1.7)
<b>Total net adjusted unfunded revolving and delayed draw commitments</b>	<b>\$ 623.8</b>	<b>\$ 729.7</b>

Included within the total revolving and delayed draw commitments as of September 30, 2014 were commitments to issue up to \$79.8 million in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of September 30, 2014, we had \$20.4 million in letters of

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credit issued and outstanding under these commitments on behalf of the portfolio companies. In addition to these letters of credit included as a part of the total revolving and delayed draw commitments to portfolio companies, as of September 30, 2014, we also had \$5.3 million of letters of credit issued and outstanding on behalf of other portfolio companies. For all these letters of credit issued and outstanding, we would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of these letters of credit issued and outstanding are recorded as a liability on our balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$0.1 million expire in 2014, \$25.0 million expire in 2015 and \$0.6 million expire in 2016.

We also have commitments to co-invest in the SSLP for our portion of the SSLP's commitments to fund delayed draw investments to certain portfolio companies of the SSLP. See "Senior Secured Loan Program" above and Note 4 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information.

As of September 30, 2014 and December 31, 2013, we were party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

(in millions)	As of	
	September 30, 2014	December 31, 2013
Total private equity commitments	\$ 109.5	\$ 59.5
Less: funded private equity commitments	(15.2)	(11.9)
Total unfunded private equity commitments	94.3	47.6
Less: private equity commitments substantially at discretion of ours	(91.2)	(43.2)
Total net adjusted unfunded private equity commitments	\$ 3.1	\$ 4.4

In the ordinary course of business, we may sell certain of our investments to third party purchasers. In particular, in connection with the sale of certain controlled portfolio company equity investments (as well as certain other sales), we have, and may continue to do so in the future, agreed to indemnify such purchasers for future liabilities arising from the investments and the related sale transaction. Such indemnification provisions have given rise to liabilities in the past and may do so in the future.

**RECENT DEVELOPMENTS**

We have applied to the SBA for a license to allow a new wholly owned subsidiary to operate as a SBIC under the Small Business Investment Act of 1958. In May 2014, we received a "green light" or "go forth letter" from the SBA inviting us to continue our application process to obtain a license to form and operate an SBIC subsidiary, and we submitted our license application in October 2014. If approved, the license would provide us with an incremental source of long-term debt capital. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license, and we have received no assurance or indication from the SBA that we will receive an SBIC license, or of the timeframe in which we would receive a license, should one ultimately be granted.

In November 2014, we declared a fourth quarter 2014 dividend of \$0.38 per share payable on December 31, 2014 to stockholders of record as of December 15, 2014.

In November 2014, we issued \$400 million aggregate principal amount of the existing 2020 Notes. We used the net proceeds of the issuance of the existing 2020 Notes to repay certain outstanding indebtedness under our debt facilities and for general corporate purposes, which included

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investing in portfolio companies in accordance with our investment objective. The Notes offered hereby will be treated as a single series with the existing 2020 Notes under the indenture and will have the same terms as the existing 2020 Notes. See "Description of Notes."

**CRITICAL ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with GAAP, and include the accounts of ours and our consolidated subsidiaries. We are an investment company following accounting and reporting guidance in Accounting Standards Codification 946. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2014.

***Cash and Cash Equivalents***

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

***Concentration of Credit Risk***

We place our cash and cash equivalents with financial institutions and, at times, cash held in money market accounts may exceed the Federal Deposit Insurance Corporation insured limit.

***Investments***

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 55% of our portfolio at fair value is

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subject to review by an independent valuation firm each quarter. In addition, our independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, our investment valuation process within the context of performing the integrated audit.

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

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

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

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

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

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

The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, who review a minimum of 55% of our portfolio at fair value.

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

***Interest and Dividend Income Recognition***

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on securities purchased are

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accreted/amortized into interest income over the life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

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

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

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

We have loans in our portfolio that contain payment-in-kind ("PIK") provisions. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash.

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

Our investment adviser seeks to provide assistance to our portfolio companies in connection with our investments and in return we may receive fees for capital structuring services. These fees are generally only available to us as a result of our 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 our investment adviser provides vary by investment, but generally include reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to us. In certain instances where we are invited to participate as a co-lender in a transaction and do not provide significant services in connection with the investment, a portion of loan fees paid to us in such situations will be deferred and amortized over the estimated life of the loan. We 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 us to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

***Foreign Currency Translation***

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

- (1) Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.

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- (2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

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

***Accounting for Derivative Instruments***

We do not utilize hedge accounting and instead mark our derivatives to market in our consolidated statement of operations.

***Equity Offering Expenses***

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

***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related debt instrument using the straight line method or the effective yield method, depending on the type of debt instrument.

***Income Taxes***

We have elected to be treated as a RIC under the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders at least 90% of our investment company taxable income, as defined by the Code, for each year. We, among other things, have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal corporate-level income taxes.

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

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

***Dividends to Common Stockholders***

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

We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our

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stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividend. We intend to use primarily newly issued shares to implement the dividend reinvestment plan (so long as we are trading at a premium to net asset value). If our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan. However, we reserve the right to issue new shares of our common stock in connection with our obligations under the dividend reinvestment plan even if our shares are trading below net asset value.

*Use of Estimates in the Preparation of Financial Statements*

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

*New Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition." Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

*Interest Rate Risk*

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

As of September 30, 2014, 82% of the investments at fair value in our portfolio bore interest at variable rates, 8% bore interest at fixed rates, 8% were non-interest earning and 2% were on non-accrual status. Additionally, for the variable rate investments, 72% of these investments contained interest rate floors (representing 59% of total investments at fair value). The Facilities all bear interest at variable rates with no interest rate floors, while the Unsecured Notes and the Convertible Unsecured Notes bear interest at fixed rates.

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

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While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments. In addition, there can be no assurance that we will be able to effectively hedge our interest rate risk.

Based on our September 30, 2014, balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

(in millions) Basis Point Change	Interest Income	Interest Expense	Net Income(1)
Up 300 basis points	\$ 139.6	\$ 21.4	\$ 118.2
Up 200 basis points	\$ 67.4	\$ 14.2	\$ 53.2
Up 100 basis points	\$ (3.6)	\$ 7.1	\$ (10.7)
Down 100 basis points	\$ 6.7	\$ (1.2)	\$ 7.9
Down 200 basis points	\$ 6.7	\$ (1.2)	\$ 7.9
Down 300 basis points	\$ 6.7	\$ (1.2)	\$ 7.9

(1)

Excludes the impact of income based fees. See Note 3 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information on the income based fees.

Based on our December 31, 2013 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

(in millions) Basis Point Change	Interest Income	Interest Expense	Net Income(1)
Up 300 basis points	\$ 98.2	\$ 5.6	\$ 92.6
Up 200 basis points	\$ 38.7	\$ 3.7	\$ 35.0
Up 100 basis points	\$ (19.0)	\$ 1.9	\$ (20.9)
Down 100 basis points	\$ 6.3	\$ (0.3)	\$ 6.6
Down 200 basis points	\$ 6.3	\$ (0.3)	\$ 6.6
Down 300 basis points	\$ 6.3	\$ (0.3)	\$ 6.6

(1)

Excludes the impact of income based fees. See Note 3 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information on the income based fees.



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

Information about our senior securities (including preferred stock, debt securities and other indebtedness) is shown in the following tables as of the end of each fiscal year ended December 31 since we commenced operations and as of September 30, 2014. The report of our independent registered public accounting firm, KPMG LLP, on the senior securities table as of December 31, 2013, is attached as an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus is a part. The " " indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
<b>Revolving Credit Facility</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 335,000	\$ 2,427	\$	N/A
Fiscal 2013	\$	\$	\$	N/A
Fiscal 2012	\$	\$	\$	N/A
Fiscal 2011	\$ 395,000	\$ 2,518	\$	N/A
Fiscal 2010	\$ 146,000	\$ 3,213	\$	N/A
Fiscal 2009	\$ 474,144	\$ 2,298	\$	N/A
Fiscal 2008	\$ 480,486	\$ 2,205	\$	N/A
Fiscal 2007	\$ 282,528	\$ 2,650	\$	N/A
Fiscal 2006	\$ 193,000	\$ 2,638	\$	N/A
Fiscal 2005	\$	\$	\$	N/A
<b>Revolving Funding Facility</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 324,000	\$ 2,427	\$	N/A
Fiscal 2013	\$ 185,000	\$ 2,642	\$	N/A
Fiscal 2012	\$ 300,000	\$ 2,816	\$	N/A
Fiscal 2011	\$ 463,000	\$ 2,518	\$	N/A
Fiscal 2010	\$ 242,050	\$ 3,213	\$	N/A
Fiscal 2009	\$ 221,569	\$ 2,298	\$	N/A
Fiscal 2008	\$ 114,300	\$ 2,205	\$	N/A
Fiscal 2007	\$ 85,000	\$ 2,650	\$	N/A
Fiscal 2006	\$ 15,000	\$ 2,638	\$	N/A
Fiscal 2005	\$ 18,000	\$ 32,645	\$	N/A
Fiscal 2004	\$ 55,500	\$ 3,878	\$	N/A
<b>Revolving Funding II Facility</b>				
Fiscal 2009	\$	\$	\$	N/A
<b>SMBC Revolving Funding Facility</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 54,000	\$ 2,427	\$	N/A
Fiscal 2013	\$	\$	\$	N/A
Fiscal 2012	\$	\$	\$	N/A
<b>Debt Securitization</b>				
Fiscal 2011	\$ 77,531	\$ 2,518	\$	N/A
Fiscal 2010	\$ 155,297	\$ 3,213	\$	N/A
Fiscal 2009	\$ 273,752	\$ 2,298	\$	N/A
Fiscal 2008	\$ 314,000	\$ 2,205	\$	N/A
Fiscal 2007	\$ 314,000	\$ 2,650	\$	N/A
Fiscal 2006	\$ 274,000	\$ 2,638	\$	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
<b>February 2016 Convertible Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 562,805	\$ 2,427	\$	N/A
Fiscal 2013	\$ 556,456	\$ 2,642	\$	N/A
Fiscal 2012	\$ 548,521	\$ 2,816	\$	N/A
Fiscal 2011	\$ 541,153	\$ 2,518	\$	N/A
<b>June 2016 Convertible Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 224,196	\$ 2,427	\$	N/A
Fiscal 2013	\$ 221,788	\$ 2,642	\$	N/A
Fiscal 2012	\$ 218,761	\$ 2,816	\$	N/A
Fiscal 2011	\$ 215,931	\$ 2,518	\$	N/A
<b>2017 Convertible Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 159,936	\$ 2,427	\$	N/A
Fiscal 2013	\$ 159,220	\$ 2,642	\$	N/A
Fiscal 2012	\$ 158,312	\$ 2,816	\$	N/A
<b>2018 Convertible Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 265,091	\$ 2,427	\$	N/A
Fiscal 2013	\$ 264,097	\$ 2,642	\$	N/A
Fiscal 2012	\$ 262,829	\$ 2,816	\$	N/A
<b>2019 Convertible Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 295,913	\$ 2,427	\$	N/A
Fiscal 2013	\$ 295,279	\$ 2,642	\$	N/A
<b>2011 Notes</b>				
Fiscal 2010	\$ 296,258	\$ 3,213	\$	\$1,018
<b>2012 Notes</b>				
Fiscal 2010	\$ 158,108	\$ 3,213	\$	\$1,018
<b>2018 Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 750,745	\$ 2,427	\$	N/A
Fiscal 2013	\$ 596,756	\$ 2,642	\$	N/A
<b>February 2022 Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 143,750	\$ 2,427	\$	\$1,029
Fiscal 2013	\$ 143,750	\$ 2,642	\$	\$1,043
Fiscal 2012	\$ 143,750	\$ 2,816	\$	\$1,035
<b>October 2022 Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 182,500	\$ 2,427	\$	\$1,013
Fiscal 2013	\$ 182,500	\$ 2,642	\$	\$993
Fiscal 2012	\$ 182,500	\$ 2,816	\$	\$986
<b>2040 Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 200,000	\$ 2,427	\$	\$1,040
Fiscal 2013	\$ 200,000	\$ 2,642	\$	\$1,038
Fiscal 2012	\$ 200,000	\$ 2,816	\$	\$1,041
Fiscal 2011	\$ 200,000	\$ 2,518	\$	\$984
Fiscal 2010	\$ 200,000	\$ 3,213	\$	\$952

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<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities(1)</b>	<b>Asset Coverage Per Unit(2)</b>	<b>Involuntary Liquidating Preference Per Unit(3)</b>	<b>Average Market Value Per Unit(4)</b>
<b>2047 Notes</b>				
Fiscal 2014 (as of September 30, 2014, unaudited)	\$ 181,265	\$ 2,427	\$	\$980
Fiscal 2013	\$ 181,429	\$ 2,642	\$	\$972
Fiscal 2012	\$ 181,199	\$ 2,816	\$	\$978
Fiscal 2011	\$ 180,988	\$ 2,518	\$	\$917
Fiscal 2010	\$ 180,795	\$ 3,213	\$	\$847

- (1) Total amount of each class of senior securities outstanding at carrying value at the end of the period presented.
- (2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the "Asset Coverage Per Unit" (including for the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in \$25 increments).
- (3) The amount to which such class of senior security would be entitled upon our involuntary liquidation in preference to any security junior to it.
- (4) Not applicable, except for with respect to the 2011 Notes, the 2012 Notes, the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, as other senior securities are not registered for public trading. The average market value per unit for each of the 2011 Notes, the 2012 Notes, the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes is based on the average daily prices of such notes and is expressed per \$1,000 of indebtedness (including for the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in \$25 increments).

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**DESCRIPTION OF NOTES**

The following description of the particular terms of the 3.875% Notes due 2020 supplements and, to the extent inconsistent with, replaces the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus.

On November 21, 2014, we issued \$400 million in aggregate principal amount of our 3.875% senior notes due 2020 (the "existing 2020 Notes") under a base indenture dated as of October 21, 2010, between us and U.S. Bank National Association, as trustee (the "trustee"), as supplemented by the Fifth Supplemental Indenture between us and the trustee, dated as of November 21, 2014 (together, the "indenture"). We may issue additional Notes ("additional Notes") from time to time under the indenture, subject to the terms and conditions of the indenture, and the Notes offered hereby will constitute additional Notes for purposes of the indenture. The \$ \_\_\_\_\_ million aggregate principal amount of additional Notes offered hereby will be treated as a single series with the existing 2020 Notes under the indenture and will have the same terms as the existing 2020 Notes. The Notes offered hereby will have the same CUSIP number and will be fungible and rank equally with the existing 2020 Notes. Unless the context otherwise requires, for all purposes of this "Description of Notes," references to the "Notes" or the "2020 Notes" include the Notes offered hereby, the existing 2020 Notes and any further additional Notes that may be issued from time to time under the indenture. The terms of the Notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, or the TIA.

The following description is a summary of the material provisions of the Notes and the indenture and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the Notes and the indenture, including the definitions of certain terms used in the indenture. We urge you to read these documents because they, and not this description, define your rights as a holder of the Notes. You may request a copy of the indenture from us by making a written request to Ares Capital Corporation, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067 or by calling us at (310) 401-4200.

For purposes of this description, references to "we," "our" and "us" refer only to Ares Capital and not to any of its current or future subsidiaries and references to "subsidiaries" refer only to our consolidated subsidiaries and exclude any investments held by Ares Capital in the ordinary course of business which are not, under GAAP, consolidated on the financial statements of Ares Capital and its subsidiaries.

**General**

The Notes:

will be our general unsecured, senior obligations;

were initially issued in an aggregate principal amount of \$400.0 million, not including the \$ \_\_\_\_\_ million aggregate principal amount of Notes being offered hereby;

will mature on January 15, 2020, unless earlier redeemed or repurchased, as discussed below;

will bear cash interest from November 21, 2014 at an annual rate of 3.875% payable semi-annually on January 15 and July 15 of each year, beginning on July 15, 2015;

will be subject to redemption at our option as described under " Optional Redemption;"

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will be subject to repurchase by us at the option of the holders following a Change of Control Repurchase Event (as defined below under " Offer to Repurchase Upon a Change of Control Repurchase Event"), at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the date of repurchase;

will be issued in denominations of \$2,000 and integral multiples of \$1,000 thereof; and

will be represented by one or more registered Notes in global form, but in certain limited circumstances may be represented by Notes in definitive form. See " Book-Entry, Settlement and Clearance."

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. The indenture does not contain any financial covenants and does not restrict us from paying dividends or issuing or repurchasing our other securities. Other than restrictions described under " Offer to Repurchase Upon a Change of Control Repurchase Event" and " Merger, Consolidation or Sale of Assets" below, the indenture does not contain any covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect such holders.

We may, without the consent of the holders, issue additional Notes under the indenture with the same terms (except for the issue date, public offering price and, if applicable, the initial interest payment date) and with the same CUSIP numbers as the Notes offered hereby in an unlimited aggregate principal amount; *provided* that such additional Notes must be part of the same issue as the Notes offered hereby for U.S. federal income tax purposes. The \$ million aggregate principal amount of Notes offered hereby will be issued as additional Notes under the indenture.

We do not intend to list the Notes on any securities exchange or any automated dealer quotation system.

**Payments on the Notes; Paying Agent and Registrar; Transfer and Exchange**

We will pay the principal of, and interest on, Notes in global form registered in the name of or held by DTC or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such Global Note (as defined below).

Payment of principal of (and premium, if any) and any such interest on the Notes will be made at the corporate trust office of the trustee in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; *provided, however*, that at our option payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the security register.

A holder of Notes may transfer or exchange Notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of Notes, but we may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture.

The registered holder of a Note will be treated as its owner for all purposes.

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**Interest**

The Notes will bear cash interest at a rate of 3.875% per year until maturity. Interest on the Notes will accrue from November 21, 2014 or from the most recent date on which interest has been paid or duly provided for. Interest will be payable semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2015.

Interest will be paid to the person in whose name a Note is registered at 5:00 p.m. New York City time (the "close of business") on January 1 or July 1, as the case may be, immediately preceding the relevant interest payment date (each, a "regular record date"). Interest on the Notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

If any interest payment date, redemption date, the maturity date or any earlier required repurchase date upon a Change of Control Repurchase Event (defined below) of a Note falls on a day that is not a business day, the required payment will be made on the next succeeding business day and no interest on such payment will accrue in respect of the delay. The term "business day" means, with respect to any Note, any day other than a Saturday, a Sunday or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

**Ranking**

The Notes will be our general unsecured obligations that rank senior in right of payment to all of our future indebtedness that is expressly subordinated, or junior, in right of payment to the Notes. The Notes will rank pari passu, or equally, in right of payment with all of our existing and future liabilities that are not so subordinated, or junior. The Notes will effectively rank subordinated, or junior, to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness. The Notes will rank structurally subordinated, or junior, to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure secured debt will be available to pay obligations on the Notes only after all indebtedness under such secured debt has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the Notes then outstanding.

As of December 31, 2014, our total consolidated indebtedness was approximately \$4.0 billion aggregate principal amount outstanding, of which approximately \$170 million was secured indebtedness at the Ares Capital level, and of which an aggregate of approximately \$386 million was indebtedness of our subsidiaries. After giving effect to the issuance of the Notes, including the Notes offered hereby, and assuming the proceeds therefrom are used to repay outstanding borrowings under the Facilities, our total consolidated indebtedness would have been approximately \$4.0 billion aggregate principal amount outstanding as of December 31, 2014. See "The Company Recent Developments" and "Capitalization" for more information on our outstanding indebtedness.

**Optional Redemption**

We may redeem some or all of the Notes at any time, or from time to time. If we choose to redeem any Notes prior to maturity, we will pay a redemption price equal to the greater of the following amounts, plus, in each case, accrued and unpaid interest to the redemption date:

100% of the principal amount of the Notes to be redeemed, or

the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on the Notes to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30- day months) using the applicable Treasury Rate plus 35 basis points;

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*provided*, however, that if we redeem any Notes on or after December 15, 2019 (the date falling one month prior to the maturity date of the Notes), the redemption price for the Notes will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

If we choose to redeem any Notes, we will deliver a notice of redemption to holders of Notes not less than 30 nor more than 60 days before the redemption date. If we are redeeming less than all of the Notes, the particular Notes to be redeemed will be selected in accordance with the applicable procedures of the trustee and, so long as the Notes are registered to DTC or its nominee, DTC; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than \$2,000. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions of the Notes called for redemption.

For purposes of calculating the redemption price in connection with the redemption of the Notes, on any redemption date, the following terms have the meanings set forth below:

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue (computed as of the third business day immediately preceding the redemption), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The redemption price and the Treasury Rate will be determined by us.

"Comparable Treasury Issue" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financing practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes being redeemed.

"Comparable Treasury Price" means (1) the average of the remaining Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Quotation Agent obtains fewer than four such reference treasury dealer quotations, the average of all such quotations.

"Quotation Agent" means a Reference Treasury Dealer selected by us.

"Reference Treasury Dealer" means each of (1) Merrill Lynch, Pierce, Fenner & Smith Incorporated, (2) J.P. Morgan Securities LLC and (3) Wells Fargo Securities, LLC, or their respective affiliates which are primary U.S. government securities dealers and their respective successors; *provided, however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. government securities dealer in the United States (a "Primary Treasury Dealer"), we shall select another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

All determinations made by any Reference Treasury Dealer, including the Quotation Agent, with respect to determining the redemption price will be final and binding absent manifest error.

**Offer to Repurchase Upon a Change of Control Repurchase Event**

If a Change of Control Repurchase Event occurs, unless we have exercised our right to redeem the Notes in full, we will make an offer to each holder of Notes to repurchase all or any part (in

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minimum denominations of \$2,000 and integral multiples of \$1,000 principal amount) of that holder's Notes at a repurchase price in cash equal to 100% of the aggregate principal amount of Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to the date of purchase. Within 30 days following any Change of Control Repurchase Event or, at our option, prior to any Change of Control, but after the public announcement of the Change of Control, we will mail a notice to each holder describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase Notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Repurchase Event occurring on or prior to the payment date specified in the notice. We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Notes, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the Notes by virtue of such conflict.

On the Change of Control Repurchase Event payment date, subject to extension if necessary to comply with the provisions of the Investment Company Act, we will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to our offer;
- (2) deposit with the paying agent an amount equal to the aggregate purchase price in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the trustee the Notes properly accepted, together with an officers' certificate stating the aggregate principal amount of Notes being purchased by us.

The paying agent will promptly remit to each holder of Notes properly tendered the purchase price for the Notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of any Notes surrendered; *provided* that each new Note will be in a minimum principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

We will not be required to make an offer to repurchase the Notes upon a Change of Control Repurchase Event if a third party makes an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all Notes properly tendered and not withdrawn under its offer.

The source of funds that will be required to repurchase Notes in the event of a Change of Control Repurchase Event will be our available cash or cash generated from our operations or other potential sources, including funds provided by a purchaser in the Change of Control transaction, borrowings, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of Notes tendered. The terms of our Facilities provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under the Facilities at that time and to terminate the Facilities. In addition, the indentures governing our Convertible Unsecured Notes contain a provision that would require us to offer to purchase the Convertible Unsecured Notes upon the occurrence of a fundamental change. A failure to purchase any tendered Convertible Unsecured Notes would constitute an event of default under the indentures for the Convertible Unsecured Notes, as applicable, which would, in turn, constitute a



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default under the Facilities and the indenture governing the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources" for a general discussion of our indebtedness. Our future debt instruments may contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the Notes and/or our other debt. See "Risk Factors We may not be able to repurchase the Notes upon a Change of Control Repurchase Event."

The definition of "Change of Control" includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of "all or substantially all" of our properties or assets and those of our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise, established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require us to repurchase the Notes as a result of a sale, transfer, conveyance or other disposition of less than all of our assets and the assets of our subsidiaries taken as a whole to another person or group may be uncertain.

For purposes of the Notes:

"Below Investment Grade Rating Event" means the Notes are downgraded below Investment Grade by both Rating Agencies on any date from the date of the public notice of an arrangement that results in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by either of the Rating Agencies); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

"Change of Control" means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the assets of Ares Capital and its Controlled Subsidiaries taken as a whole to any "person" or "group" (as those terms are used in Section 13(d)(3) of the Exchange Act), other than to any Permitted Holders; *provided* that, for the avoidance of doubt, a pledge of assets pursuant to any secured debt instrument of Ares Capital or its Controlled Subsidiaries shall not be deemed to be any such sale, lease, transfer, conveyance or disposition;
- (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as those terms are used in Section 13(d)(3) of the Exchange Act) (other than any Permitted Holders) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of Ares Capital, measured by voting power rather than number of shares; or

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- (3) the approval by Ares Capital's stockholders of any plan or proposal relating to the liquidation or dissolution of Ares Capital.

"Change of Control Repurchase Event" means the occurrence of a Change of Control and a Below Investment Grade Rating Event.

"Controlled Subsidiary" means any subsidiary of Ares Capital, 50% or more of the outstanding equity interests of which are owned by Ares Capital and its direct or indirect subsidiaries and of which Ares Capital possesses, directly or indirectly, the power to direct or cause the direction of the management or policies, whether through the ownership of voting equity interests, by agreement or otherwise.

"Fitch" means Fitch, Inc., also known as Fitch Ratings, or any successor thereto.

"Investment Grade" means a rating of BBB- or better by Fitch (or its equivalent under any successor rating categories of Fitch) and BBB- or better by S&P (or its equivalent under any successor rating categories of S&P) (or, in each case, if such Rating Agency ceases to rate the Notes for reasons outside of our control, the equivalent investment grade credit rating from any Rating Agency selected by us as a replacement Rating Agency).

"Permitted Holders" means (i) us, (ii) one or more of our Controlled Subsidiaries and (iii) Ares Capital Management LLC or any affiliate of Ares Capital Management LLC that is organized under the laws of a jurisdiction located in the United States of America and in the business of managing or advising clients.

"Rating Agency" means:

- (1) each of Fitch and S&P; and
- (2) if either of Fitch or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" as defined in Section (3)(a)(62) of the Exchange Act selected by us as a replacement agency for Fitch or S&P, or both, as the case may be.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc., or any successor thereto.

"Voting Stock" as applied to stock of any person, means shares, interests, participations or other equivalents in the equity interest (however designated) in such person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

**Covenants**

In addition to the covenants described in the base indenture, the following covenants shall apply to the Notes. To the extent of any conflict or inconsistency between the base indenture and the following covenants, the following covenants shall govern:

***Merger, Consolidation or Sale of Assets***

The indenture provides that we will not merge or consolidate with or into any other person (other than a merger of a wholly owned subsidiary into us), or sell, transfer, lease, convey or otherwise dispose of all or substantially all our property (*provided* that, for the avoidance of doubt, a pledge of assets pursuant to any secured debt instrument of Ares Capital or its Controlled Subsidiaries shall not

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be deemed to be any such sale, transfer, lease, conveyance or disposition) in any one transaction or series of related transactions unless:

we are the surviving person (the "Surviving Person") or the Surviving Person (if other than us) formed by such merger or consolidation or to which such sale, transfer, lease, conveyance or disposition is made shall be a corporation or limited liability company organized and existing under the laws of the United States of America or any state or territory thereof;

the Surviving Person (if other than us) expressly assumes, by supplemental indenture in form reasonably satisfactory to the trustee, executed and delivered to the trustee by such Surviving Person, the due and punctual payment of the principal of, and premium, if any, and interest on, all the Notes outstanding, and the due and punctual performance and observance of all the covenants and conditions of the indenture to be performed by us;

immediately before and immediately after giving effect to such transaction or series of related transactions, no default or event of default shall have occurred and be continuing; and

we shall deliver, or cause to be delivered, to the trustee, an officers' certificate and an opinion of counsel, each stating that such transaction and the supplemental indenture, if any, in respect thereto, comply with this covenant and that all conditions precedent in the indenture relating to such transaction have been complied with.

For the purposes of this covenant, the sale, transfer, lease, conveyance or other disposition of all the property of one or more of our subsidiaries, which property, if held by us instead of such subsidiaries, would constitute all or substantially all of our property on a consolidated basis, shall be deemed to be the transfer of all or substantially all of our property.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a person. As a result, it may be unclear as to whether the merger, consolidation or sale of assets covenant would apply to a particular transaction as described above absent a decision by a court of competent jurisdiction. Although these types of transactions are permitted under the indenture, certain of the foregoing transactions could constitute a Change of Control that results in a Change of Control Repurchase Event permitting each holder to require us to repurchase the Notes of such holder as described above.

An assumption by any person of obligations under the Notes and the indenture might be deemed for U.S. federal income tax purposes to be an exchange of the Notes for new Notes by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

***Other Covenants***

We agree that for the period of time during which the Notes are outstanding, we will not violate, whether or not we are subject to, Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act or any successor provisions.

If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our

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fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with GAAP, as applicable.

**Events of Default**

Each of the following is an event of default:

- (1) default in the payment of any interest upon any Note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of the principal of (or premium, if any, on) any Note when it becomes due and payable at its maturity including upon any redemption date or required repurchase date;
- (3) our failure for 60 consecutive days after written notice from the trustee or the holders of at least 25% in principal amount of the Notes then outstanding has been received to comply with any of our other agreements contained in the Notes or indenture;
- (4) default by us or any of our significant subsidiaries, as defined in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act (but excluding any subsidiary which is (a) a non-recourse or limited recourse subsidiary, (b) a bankruptcy remote special purpose vehicle or (c) is not consolidated with Ares Capital for purposes of GAAP), with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of \$75 million in the aggregate of us and/or any such subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise, unless, in either case, such indebtedness is discharged, or such acceleration is rescinded, stayed or annulled, within a period of 30 calendar days after written notice of such failure is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding;
- (5) Pursuant to Section 18(a)(1)(c)(ii) and Section 61 of the Investment Company Act, on the last business day of each of 24 consecutive calendar months, any class of securities shall have an asset coverage (as such term is used in the Investment Company Act) of less than 100%; or
- (6) certain events of bankruptcy, insolvency, or reorganization involving us occur and remain undischarged or unstayed for a period of 60 days.

If an event of default occurs and is continuing, then and in every such case (other than an event of default specified in item (6) above) the trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the entire principal amount of Notes to be due and immediately payable, by a notice in writing to us (and to the trustee if given by the holders), and upon any such declaration such principal or specified portion thereof shall become immediately due and payable. Notwithstanding the foregoing, in the case of the events of bankruptcy, insolvency or reorganization described in item (6) above, 100% of the principal of and accrued and unpaid interest on the Notes will automatically become due and payable.

At any time after a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in principal amount of the outstanding Notes, by written notice to us and the

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trustee, may rescind and annul such declaration and its consequences if (i) we have paid or deposited with the trustee a sum sufficient to pay all overdue installments of interest, if any, on all outstanding Notes, the principal of (and premium, if any, on) all outstanding Notes that have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates borne by or provided for in such Notes, to the extent that payment of such interest is lawful interest upon overdue installments of interest at the rate or rates borne by or provided for in such Notes, and all sums paid or advanced by the trustee and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel, and (ii) all events of default with respect to the Notes, other than the nonpayment of the principal of (or premium, if any, on) or interest on such Notes that have become due solely by such declaration of acceleration, have been cured or waived. No such rescission will affect any subsequent default or impair any right consequent thereon.

No holder of Notes will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture, or for the appointment of a receiver or trustee, or for any other remedy under the indenture, unless

- (i) such holder has previously given written notice to the trustee of a continuing event of default with respect to the Notes,
- (ii) the holders of not less than 25% in principal amount of the outstanding Notes shall have made written request to the trustee to institute proceedings in respect of such event of default;
- (iii) such holder or holders have offered to the trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (iv) the trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (v) no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes.

Notwithstanding any other provision in the indenture, the holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any, on) and interest, if any, on such Note on the stated maturity or maturity expressed in such Note (or, in the case of redemption, on the redemption date or, in the case of repayment at the option of the holders, on the repayment date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such holder.

The trustee shall be under no obligation to exercise any of the rights or powers vested in it by the indenture at the request or direction of any of the holders of the Notes unless such holders shall have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Subject to the foregoing, the holders of a majority in principal amount of the outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Notes, *provided* that (i) such direction shall not be in conflict with any rule of law or with this indenture, (ii) the trustee may take any other action deemed proper by the trustee that is not inconsistent with such direction and (iii) the trustee need not take any action that it determines in good faith may involve it in personal liability or be unjustly prejudicial to the holders of Notes not consenting.

The holders of not less than a majority in principal amount of the outstanding Notes may on behalf of the holders of all of the Notes waive any past default under the indenture with respect to the Notes and its consequences, except a default (i) in the payment of (or premium, if any, on) or interest,

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if any, on any Note, or (ii) in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of the holder of each outstanding Note affected. Upon any such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured, for every purpose, but no such waiver shall extend to any subsequent or other default or event of default or impair any right consequent thereto.

We are required to deliver to the trustee, within 120 days after the end of each fiscal year, an officers' certificate stating that to the knowledge of the signers whether we are in default in the performance of any of the terms, provisions or conditions of the indenture.

Within 90 days after the occurrence of any default under the indenture with respect to the Notes, the trustee shall transmit notice of such default known to the trustee, unless such default shall have been cured or waived; *provided, however*, that, except in the case of a default in the payment of the principal of (or premium, if any, on) or interest, if any, on any Note, the trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors of the trustee in good faith determines that withholding of such notice is in the interest of the holders of the Notes.

**Satisfaction and Discharge; Defeasance**

We may satisfy and discharge our obligations under the indenture by delivering to the securities registrar for cancellation all outstanding Notes or by depositing with the trustee or delivering to the holders, as applicable, after the Notes have become due and payable, or otherwise, moneys sufficient to pay all of the outstanding Notes and paying all other sums payable under the indenture by us. Such discharge is subject to terms contained in the indenture.

In addition, the Notes are subject to defeasance and covenant defeasance, in each case, in accordance with the terms of the indenture. Defeasance means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due date and (ii) delivering to the Trustee an opinion of counsel stating that (a) we have received from, or there has been published by, the Internal Revenue Service (the "IRS") a ruling, or (b) since the date of execution of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon, the holders of the Notes and any coupons appertaining thereto will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred, we can legally release ourselves from all payment and other obligations on the Notes. Covenant defeasance means that, subject to the satisfaction of certain conditions, including, but not limited to, (i) depositing in trust for the benefit of the holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates and (ii) delivering to the Trustee an opinion of counsel to the effect that the holders of the Notes and any coupons appertaining thereto will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred, we will be released from some of the restrictive covenants in the indenture.

**Trustee**

U.S. Bank National Association is the trustee, security registrar and paying agent. U.S. Bank National Association, in each of its capacities, including without limitation as trustee, security registrar

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and paying agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information, or for any information provided to it by us, including but not limited to settlement amounts and any other information.

We may maintain banking relationships in the ordinary course of business with the trustee and its affiliates.

**Governing Law**

The indenture provides that it and the Notes shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws that would cause the application of laws of another jurisdiction.

**Book-Entry, Settlement and Clearance**

*Global Notes*

The Notes will be initially issued in the form of one or more registered Notes in global form, without interest coupons (the "Global Notes"). Upon issuance, each of the Global Notes will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

upon deposit of a Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the underwriters; and

ownership of beneficial interests in a Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the Global Note).

Beneficial interests in Global Notes may not be exchanged for Notes in physical, certificated form except in the limited circumstances described below.

***Book-Entry Procedures for Global Notes***

All interests in the Global Notes will be subject to the operations and procedures of DTC. We provide the following summary of those operations and procedures solely for the convenience of investors. The operations and procedures of DTC are controlled by that settlement system and may be changed at any time. Neither we nor the underwriters are responsible for those operations or procedures.

DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York;

a "banking organization" within the meaning of the New York State Banking Law;

a member of the Federal Reserve System;

a "clearing corporation" within the meaning of the Uniform Commercial Code; and





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a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the underwriters; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a Global Note, that nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a Global Note:

will not be entitled to have Notes represented by the Global Note registered in their names;

will not receive or be entitled to receive physical, certificated Notes; and

will not be considered the owners or holders of the Notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal and interest with respect to the Notes represented by a Global Note will be made by the trustee to DTC's nominee as the registered holder of the Global Note. Neither we nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

***Certificated Notes***

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Notes only if:

DTC notifies us at any time that it is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days;

DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days; or

an event of default with respect to the Notes has occurred and is continuing and such beneficial owner requests that its Notes be issued in physical, certificated form.



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**CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a general summary of the material U.S. federal income tax considerations (and, in the case of a non-U.S. Holder (as defined below), the material U.S. federal estate tax consequences) applicable to an investment in the Notes. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. The discussion is based upon the Code, Treasury Regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect. Investors should consult their own tax advisors with respect to tax considerations that pertain to their investment in the Notes.

This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, controlled foreign corporations, passive foreign investment companies and regulated investment companies (and shareholders of such corporations), dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, entities that are tax-exempt for U.S. federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes) and beneficial owners of pass-through entities, or persons whose functional currency is not the U.S. dollar. It also does not deal with beneficial owners of the Notes other than purchasers of the Notes who acquire the Notes in this offering for cash at a price equal to the public offering price of the Notes shown on the front cover of this prospectus supplement. Moreover, this discussion does not address the effect of the unearned income Medicare contribution tax. Investors considering purchasing the Notes should consult their own tax advisors concerning the application of the U.S. federal tax laws to their individual circumstances, as well as any consequences to such investors relating to purchasing, owning and disposing of the Notes under the laws of any other taxing jurisdiction.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) 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 of any political subdivision thereof, (iii) a trust (a) subject to the control of one or more U.S. persons and the primary supervision of a court in the United States, or (b) that has a valid election (under applicable Treasury Regulations) to be treated as a U.S. person, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source. The term "non-U.S. Holder" means a beneficial owner of a Note that is neither a U.S. Holder nor a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding Notes, and persons holding interests in such partnerships, should each consult their own tax advisors as to the consequences of investing in the Notes in their individual circumstances.

We intend to treat, for U.S. federal income tax purposes, the issuance of the Notes offered hereby as a "qualified reopening" of the existing 2020 Notes which were issued on November 21, 2014 with an "issue price" equal to 99.600% of their principal amount and which will mature on January 15, 2020. Accordingly, we intend to treat the Notes offered hereby as having the same "issue date" and the same "issue price" as the existing 2020 Notes for U.S. federal income tax purposes. Since the existing

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2020 Notes were issued with an "issue price" equal to 99.600% of their principal amount, the existing 2020 Notes were issued without original issue discount ("OID"); accordingly, the Notes offered hereby are treated as issued without OID. The remainder of this discussion assumes that the issuance of the Notes offered hereby will be treated as a qualified reopening for U.S. federal income tax purposes.

**Taxation of U.S. Holders**

*Pre-Issuance Accrued Stated Interest.* Interest on the notes offered hereby will accrue from November 21, 2014 up to, but not including, the date of delivery and will be paid by the purchasers of the Notes offered hereby (the "Pre-Issuance Accrued Stated Interest"). On July 15, 2015, we will pay this Pre-Issuance Accrued Stated Interest to the holders of the Notes offered hereby as of the applicable record date along with interest accrued on the Notes offered hereby from the date of delivery to such interest payment date. Pursuant to applicable U.S. Treasury Regulations, we intend to treat a portion of the first stated interest payment on the Notes offered hereby as a return to U.S. Holders of an amount equal to the Pre-Issuance Accrued Stated Interest on such Notes paid by such U.S. Holders, and not as an amount payable on such Notes. As a result of such treatment, U.S. Holders should be able to treat the receipt of such Pre-Issuance Accrued Stated Interest as a non-taxable return of capital, rather than as taxable interest income on the Notes offered hereby. U.S. Holders should consult with their own tax advisors regarding the tax treatment of Pre-Issuance Accrued Stated Interest.

*Payments of Interest.* Payments or accruals of interest on a Note offered hereby other than any Pre-Issuance Accrued Stated Interest (as described above under "Taxation of U.S. Holders Pre-Issuance Accrued Stated Interest") generally will be taxable to a U.S. Holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. Holder's regular method of tax accounting.

*Bond Premium.* If a U.S. Holder purchases a Note offered hereby for an amount (excluding any amount that is treated as Pre-Issuance Accrued Stated Interest as described above under "Taxation of U.S. Holders Pre-Issuance Accrued Stated Interest") in excess of the amount payable at maturity of the Note (other than payments of stated interest), such a U.S. Holder will have bond premium with respect to such Note in an amount equal to the excess of the U.S. Holder's purchase price over the amount payable at maturity of such Notes (or an earlier call date if it results in a smaller amortizable bond premium). It may be possible for a U.S. Holder to elect to amortize the amount of any bond premium on such a Note using the constant yield method over the remaining term of the Note (or until an earlier call date, as applicable). However, because we may call the Notes under certain circumstances at a price in excess of their stated principal amount (see "Description of Notes Optional Redemption"), such amortization may be reduced and/or deferred. Any amortized amount of bond premium for a taxable year generally will offset stated interest income otherwise required to be included in respect of the Note during such taxable year. The election to amortize bond premium on a constant yield method, once made, also will apply to all other debt obligations with bond premium that a U.S. Holder holds at the beginning of, or acquires during or after, the first taxable year to which the election applies and may not be revoked without the consent of the IRS. As a result, if a U.S. Holder has previously made an election to amortize bond premium and such election has not been validly revoked, a U.S. Holder will be required to amortize any bond premium on a Note offered hereby in the manner described in this paragraph. If a U.S. Holder has not previously made and does not elect to amortize any bond premium in respect of a Note offered hereby, then the bond premium thereon will decrease the gain or increase the loss such U.S. Holder would otherwise recognize on the disposition of the Notes. U.S. Holders are urged to consult their own tax advisors regarding this election and the tax consequences of holding a Note with bond premium.

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*Sale, Exchange or Retirement of Notes.* Upon the sale, exchange, redemption or retirement of a Note offered hereby, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement and the U.S. Holder's adjusted tax basis in the Note. For these purposes, the amount realized does not include any amount attributable to accrued interest (including Pre-Issuance Accrued Stated Interest, which will be treated as described above under " Taxation of U.S. Holders Pre-Issuance Accrued Stated Interest"). Amounts attributable to accrued interest (other than Pre-Issuance Accrued Stated Interest) are treated as interest as described under " Payments of Interest" above. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder (excluding for this purpose the amount of Pre-Issuance Accrued Stated Interest paid by the U.S. Holder upon acquisition of the Note) decreased by the amount of any previously amortized bond premium with respect to the U.S. Holder's Note. Capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder's holding period in the Note was more than one year. Long-term capital gains generally are taxed at reduced rates for individuals and certain other non-corporate U.S. Holders, and the deductibility of capital losses is subject to limitations.

**Taxation of Non-U.S. Holders**

*Payments on the Notes.* A non-U.S. Holder generally will not be subject to U.S. federal income or withholding taxes on payments of principal or interest on a Note provided that (i) income on the Note is not effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States, (ii) in the case of interest income, the recipient is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iii) the non-U.S. Holder does not own (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (iv) the non-U.S. Holder provides a statement on an IRS Form W-8BEN, W-8BEN-E or other applicable form signed under penalties of perjury that includes its name and address and certifies that it is not a United States person in compliance with applicable requirements, or satisfies documentary evidence requirements for establishing that it is a non-U.S. Holder.

A non-U.S. Holder that is not exempt from tax under these rules generally will be subject to U.S. federal income tax withholding on payments of interest on the Notes at a rate of 30% unless (i) the income is effectively connected with the conduct of a U.S. trade or business, in which case the interest will be subject to U.S. federal income tax on a net income basis as applicable to U.S. Holders generally (unless an applicable income tax treaty provides otherwise), or (ii) an applicable income tax treaty provides for a lower rate of, or exemption from, withholding tax. To claim the benefit of an income tax treaty or to claim exemption from withholding because income is effectively connected with a U.S. trade or business, the non-U.S. Holder must timely provide the appropriate, properly executed IRS forms. These forms may be required to be periodically updated.

In the case of a non-U.S. Holder that is a corporation and that receives income that is effectively connected with the conduct of a U.S. trade or business, such income may also be subject to a branch profits tax (which is generally imposed on a non-U.S. corporation on the actual or deemed repatriation from the United States of earnings and profits attributable to a U.S. trade or business) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if the non-U.S. Holder is a qualified resident of a country with which the United States has an income tax treaty.

*Sale, Exchange or Retirement of Notes.* Generally, a non-U.S. Holder will not be subject to U.S. federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption or retirement of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. Holder (and, if required by an applicable income tax treaty, is not attributable to a United States "permanent establishment" maintained by the non-U.S. Holder). Non-U.S. Holders should consult their own tax advisors with regard to whether taxes will be imposed on capital gain in their individual circumstances.

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*Estate Tax.* A Note that is held by an individual who, at the time of such individual's death, is not a citizen or resident of the United States, for U.S. federal estate tax purposes, generally will not be subject to the U.S. federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual's interest in the Notes is effectively connected with the individual's conduct of a U.S. trade or business.

**Information Reporting and Backup Withholding.**

A U.S. Holder (other than an "exempt recipient," including a corporation and certain other persons who, when required, demonstrate their exempt status) may be subject to backup withholding on, and to information reporting requirements with respect to, payments of principal or interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes. In general, if a non-corporate U.S. Holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding at the applicable rate may apply. Non-U.S. Holders generally are exempt from information reporting and backup withholding, provided, if necessary, that they demonstrate their qualification for exemption. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner generally would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is timely furnished to the IRS.

**Additional Withholding Requirements**

Withholding taxes may be imposed under the provisions of the law generally known as the Foreign Account Tax Compliance Act, or FATCA, on certain types of payments made to non-U.S. financial institutions and certain other non- U.S. entities. Specifically, a 30% withholding tax may be imposed on interest on, or gross proceeds from the sale or disposition of, the Notes paid to a "foreign financial institution" or a "nonfinancial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner (generally by providing an IRS Form W-8BEN-E) or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules and provides appropriate documentation (such as an IRS Form W-8BEN-E). If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Notes are held will affect the determination of whether such withholding is required.

Under the applicable Treasury Regulations, withholding under FATCA generally applies to payments of interest on the Notes from their date of issuance and will apply to payments of gross proceeds from the sale or other disposition of such Notes on or after January 1, 2017. The FATCA withholding tax will apply to all withholdable payments without regard to whether the beneficial owner of the payment would otherwise be entitled to an exemption from imposition of withholding tax pursuant to an applicable tax treaty with the United States or U.S. domestic law. If payment of this withholding tax is made, holders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such interest or proceeds will be required to seek a credit

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or refund from the IRS to obtain the benefit of such exemption or reduction, if any. We will not pay additional amounts to holders of the Notes in respect of any amounts withheld.

Prospective holders should consult their own tax advisors regarding the potential application of withholding under FATCA to their investment in the Notes.

***Investors should consult their own tax advisors with respect to the particular tax consequences of an investment in the Notes in their individual circumstances, including the possible effect of any pending legislation or proposed regulations.***

Table of Contents**UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC are acting as representatives of the underwriters. Subject to the terms and conditions set forth in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the aggregate principal amount of Notes set forth opposite its name below.

<b><u>Underwriter</u></b>	<b>Principal Amount</b>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$
J.P. Morgan Securities LLC	
Wells Fargo Securities, LLC	
 Total	 \$

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

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

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

**Commissions and Discounts**

The following table shows the total underwriting discounts that we are to pay to the underwriters in connection with this offering.

	<b>Per Note</b>	<b>Total</b>
Public offering price	% \$	
Underwriting discount (sales load)	% \$	
Proceeds, before expenses, to us	% \$	

The public offering price set forth above does not include accrued interest of \$ \_\_\_\_\_ in the aggregate from November 21, 2014 up to, but not including, the date of delivery.

The underwriters propose to offer some of the Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and may offer the Notes to certain other Financial Industry Regulatory Authority (FINRA) members at the public offering price less a concession not in excess of \_\_\_\_\_ % of the aggregate principal amount of the Notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of \_\_\_\_\_ % of the aggregate principal amount of the Notes. After the initial offering of the Notes to the public, the public offering price and such concessions may be changed. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.



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The expenses of the offering, not including the underwriting discount, are estimated at approximately \$ \_\_\_\_\_ million and are payable by us.

**No Sales of Similar Securities**

Subject to certain exceptions, we have agreed not to directly or indirectly, offer, pledge, sell, contract to sell, grant any option for the sale of, or otherwise transfer or dispose of any debt securities issued or guaranteed by the Company or any securities convertible into or exercisable or exchangeable for debt securities issued or guaranteed by the Company or file any registration statement under the Securities Act with respect to any of the foregoing until the settlement date of this offering without first obtaining the written consent of the representatives. This consent may be given at any time without public notice.

**Listing**

While a trading market developed after issuing the existing 2020 Notes, we cannot assure you that an active and liquid market for the Notes will be maintained. Although the underwriters have informed us that they intend to continue to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue market making activities at any time without notice. The Notes are not listed on any securities exchange or quoted on any automated dealer quotation system, and we do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system. Accordingly, we cannot assure you that a liquid market for the Notes will be maintained. If an active public trading market for the Notes is not maintained, the market price and liquidity of the Notes may be adversely affected.

**Price Stabilization, Short Positions**

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater principal amount of Notes than they are required to purchase in the offering. The underwriters must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be affected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time without any notice relating thereto.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the underwriters make any representation that the

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representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Electronic Offer, Sale and Distribution of Notes**

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

**Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The underwriters and their respective affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Ares and its affiliates and managed funds and Ares Capital or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Ares Capital or on behalf of Ares Capital, Ares or any of our or their portfolio companies, affiliates and/or managed funds. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to Ares, Ares Capital or Ares Capital Management and their affiliates and managed funds.

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

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to Ares, Ares Capital, Ares Capital Management or any of our portfolio companies.

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

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

In the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities

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and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of certain of the underwriters serve as agents and/or lenders under our credit facilities or other debt instruments (including the Revolving Credit Facility and the Revolving Funding Facility) and may also be lenders to private investment funds managed by IHAM. JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, is the administrative agent under our Revolving Credit Facility. Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC were joint bookrunners and joint lead arrangers for our Revolving Credit Facility. Certain of the underwriters and their affiliates were underwriters in connection with our initial public offering and our subsequent common stock offerings, debt offerings and rights offering, for which they received customary fees.

Proceeds of this offering will be used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility, the Revolving Funding Facility and/or the SMBC Funding Facility and for general corporate purposes. Affiliates of certain of the underwriters, including Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, are lenders under the Revolving Credit Facility, and an affiliate of Wells Fargo Securities, LLC is a lender under the Revolving Funding Facility. Accordingly, affiliates of certain of the underwriters may receive more than 5% of the proceeds of this offering to the extent such proceeds are used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility and/or the Revolving Funding Facility.

Frank E. O'Bryan, one of our independent directors, holds certain securities of one or more of this offering's underwriters (or their affiliates). As a result, Mr. O'Bryan may be considered an "interested person" of the Company during the pendency of this offering under relevant rules of the Investment Company Act.

The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, New York 10036. The principal business address of J.P. Morgan Securities LLC is 383 Madison Avenue, New York, New York 10179. The principal business address of Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, NC 28202.

**Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of the Notes may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

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

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

**Notice to Prospective Investors in the United Kingdom**

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

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**LEGAL MATTERS**

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

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<u>Consolidated Statement of Operations for the three and nine months ended September 30, 2014 (unaudited) and September 30, 2013 (unaudited)</u>	<u>S-85</u>
<u>Consolidated Schedules of Investments as of September 30, 2014 (unaudited) and December 31, 2013</u>	<u>S-86</u>
<u>Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2014 (unaudited)</u>	<u>S-150</u>
<u>Consolidated Statement of Cash Flows for the nine months ended September 30, 2014 (unaudited) and September 30, 2013 (unaudited)</u>	<u>S-151</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>S-152</u>

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

(in thousands, except per share data)

	As of	
	September 30, 2014 (unaudited)	December 31, 2013
<b>ASSETS</b>		
Investments at fair value		
Non-controlled/non-affiliate company investments	\$ 6,090,210	\$ 5,136,612
Non-controlled affiliate company investments	196,572	260,484
Controlled affiliate company investments	2,496,798	2,235,801
Total investments at fair value (amortized cost of \$8,600,794 and \$7,537,403, respectively)	8,783,580	7,632,897
Cash and cash equivalents	107,878	149,629
Interest receivable	167,984	123,981
Receivable for open trades	28,244	128,566
Other assets	115,373	106,431
Total assets	\$ 9,203,059	\$ 8,141,504
<b>LIABILITIES</b>		
Debt	\$ 3,679,201	\$ 2,986,275
Base management fees payable	32,685	29,270
Income based fees payable	31,345	29,001
Capital gains incentive fees payable	87,702	80,937
Accounts payable and other liabilities	81,505	68,649
Interest and facility fees payable	40,667	42,828
Payable for open trades	306	100
Total liabilities	3,953,411	3,237,060
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.001 per share, 500,000 common shares authorized 314,108 and 297,971 common shares issued and outstanding, respectively	314	298
Capital in excess of par value	5,250,934	4,982,477
Accumulated overdistributed net investment income	(59,999)	(8,785)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets	(124,980)	(165,040)
Net unrealized gains on investments and foreign currency transactions	183,379	95,494
Total stockholders' equity	5,249,648	4,904,444
Total liabilities and stockholders' equity	\$ 9,203,059	\$ 8,141,504
<b>NET ASSETS PER SHARE</b>	\$ 16.71	\$ 16.46

See accompanying notes to consolidated financial statements.

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS****(in thousands, except per share data)**

	For the three months ended September 30,		For the nine months ended September 30,	
	2014 (unaudited)	2013 (unaudited)	2014 (unaudited)	2013 (unaudited)
<b>INVESTMENT INCOME</b>				
From non-controlled/non-affiliate company investments:				
Interest income from investments	\$ 114,552	\$ 102,222	\$ 314,763	\$ 281,734
Capital structuring service fees	21,196	18,257	47,890	35,888
Dividend income	8,345	4,486	21,922	13,583
Management and other fees		286		949
Other income	3,938	3,612	13,840	12,944
Total investment income from non-controlled/non-affiliate company investments	148,031	128,863	398,415	345,098
From non-controlled affiliate company investments:				
Interest income from investments	2,706	4,097	8,901	15,748
Capital structuring service fees	369		1,019	
Dividend income	1,071	5,258	4,569	6,421
Other income	69	37	472	166
Total investment income from non-controlled affiliate company investments	4,215	9,392	14,961	22,335
From controlled affiliate company investments:				
Interest income from investments	73,554	63,304	216,822	174,287
Capital structuring service fees	10,147	13,298	25,433	25,807
Dividend income	10,271	25,104	40,671	62,711
Management and other fees	6,359	5,098	18,389	13,926
Other income	819	1,742	3,351	3,815
Total investment income from controlled affiliate company investments	101,150	108,546	304,666	280,546
Total investment income	253,396	246,801	718,042	647,979
<b>EXPENSES</b>				
Interest and credit facility fees	54,096	44,424	159,740	124,032
Base management fees	32,685	27,467	93,500	75,587
Income based fees	31,345	32,284	85,203	81,510
Capital gains incentive fees	13,087	2,915	24,190	7,148
Administrative fees	3,105	3,346	9,661	8,544
Other general and administrative	6,274	6,152	20,314	20,548
Total expenses	140,592	116,588	392,608	317,369
<b>NET INVESTMENT INCOME BEFORE INCOME TAXES</b>	<b>112,804</b>	<b>130,213</b>	<b>325,434</b>	<b>330,610</b>
Income tax expense, including excise tax	7,514	3,991	15,817	11,714
<b>NET INVESTMENT INCOME</b>	<b>105,290</b>	<b>126,222</b>	<b>309,617</b>	<b>318,896</b>
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS</b>				
Net realized gains (losses):				
Non-controlled/non-affiliate company investments	21,800	7,877	32,467	24,305

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Non-controlled affiliate company investments	58,560	63	58,598	208
Controlled affiliate company investments	(6,592)	1,006	(52,780)	4,759
Foreign currency transactions	2,764		1,847	
Net realized gains	76,532	8,946	40,132	29,272
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	(9,590)	3,817	196	27,915
Non-controlled affiliate company investments	(37,439)	(7,812)	9,607	(9,745)
Controlled affiliate company investments	42,076	9,624	77,486	(11,701)
Foreign currency transactions	870		596	
Net unrealized gains (losses)	(4,083)	5,629	87,885	6,469
Net realized and unrealized gains from investments and foreign currency transactions	72,449	14,575	128,017	35,741
REALIZED LOSSES ON EXTINGUISHMENT OF DEBT			(72)	
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	\$ 177,739	\$ 140,797	\$ 437,562	\$ 354,637
BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 0.57	\$ 0.52	\$ 1.45	\$ 1.36
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	310,564	268,312	302,315	261,120

See accompanying notes to consolidated financial statements.

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

As of September 30, 2014

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Investment Funds and Vehicles</b>							
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.94 units)		9/7/2007	\$	\$ 186(2)	
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	487	1,962(2)	
HCI Equity, LLC(7)(8)(9)	Investment company	Member interest (100.00% interest)		4/1/2010		399	
Imperial Capital Private Opportunities, LP(9)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	5,134	18,868(2)	
Partnership Capital Growth Fund I, L.P.(9)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006		1,361(2)	
Partnership Capital Growth Investors III, L.P.(9)	Investment partnership	Limited partnership interest (2.50% interest)		10/5/2011	2,260	2,332(2)	
PCG-Ares Sidecar Investment, L.P.(9)	Investment partnership	Limited partnership interest (100.00% interest)		5/22/2014	2,042	2,151(2)	
Piper Jaffray Merchant Banking Fund I, L.P.(9)	Investment partnership	Limited partnership interest (2.00% interest)		8/16/2012	1,034	931(2)	
Senior Secured Loan Fund LLC(7)(10)	Co-investment vehicle	Subordinated certificates (\$1,954,145 par due 12/2024)	8.23% (Libor + 8.00%/M)(27)	10/30/2009	1,954,145	1,983,457	
		Membership interest (87.50% interest)		10/30/2009			
					1,954,145	1,983,457	
VSC Investors LLC(9)	Investment company	Membership interest (1.95% interest)		1/24/2008	877	1,505(2)	
					1,965,979	2,013,152	38.35%

**Healthcare Services**

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Alegeus Technologies Holdings Corp.	Benefits administration and transaction processing provider	Preferred stock (2,997 shares)		12/13/2013	3,087	2,542
		Common stock (3 shares)		12/13/2013	3	
					3,090	2,542
AwarePoint Corporation	Healthcare technology platform developer	First lien senior secured loan (\$10,000 par due 6/2018)	9.50%	9/5/2014	9,900	10,000(2)
		Warrant to purchase up to 547,046 shares of Series F preferred stock		9/5/2014		2(2)
					9,900	10,002

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2014****(dollar amounts in thousands)****(unaudited)**

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
AxelaCare Holdings, Inc. and AxelaCare Investment Holdings, L.P.	Provider of home infusion services	Preferred units (8,218,160 units)		4/12/2013	822	681(2)	
		Common units (83,010 units)		4/12/2013	8	6(2)	
					830	687	
California Forensic Medical Group, Incorporated	Correctional facility healthcare operator	First lien senior secured loan (\$48,766 par due 11/2018)	9.25% (Libor + 8.00%/Q)	11/16/2012	48,766	48,766(3)(26)	
CCS Intermediate Holdings, LLC and CCS Group Holdings, LLC	Correctional facility healthcare operator	First lien senior secured revolving loan (\$750 par due 7/2019)	6.25% (Base Rate + 3.00%/Q)	7/23/2014	750	750(2)(26)	
		First lien senior secured loan (\$15,000 par due 7/2021)	5.00% (Libor + 4.00%/Q)	7/23/2014	14,927	15,000(2)(26)	
		Second lien senior secured loan (\$135,000 par due 7/2022)	9.38% (Libor + 8.38%/Q)	7/23/2014	133,678	135,000(2)(26)	
		Class A units (601,937 units)		8/19/2010		2,553(2)	
					149,355	153,303	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(6)	Healthcare analysis services provider	Class A common stock (9,679 shares)		6/15/2007	2,543	2,820(2)	
		Class C common stock (1,546 shares)		6/15/2007		450(2)	
					2,543	3,270	
DNAnexus, Inc.	Bioinformatics company	First lien senior secured loan (\$5,000 par due 10/2017)	9.25%	3/21/2014	4,784	5,000(2)	
		First lien senior secured loan (\$5,000 par due 2/2018)	9.25%	3/21/2014	4,769	5,000(2)	
		Warrants to purchase up to 909,092 units of Series C preferred stock		3/21/2014			(2)

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					9,553	10,000
Genocea Biosciences, Inc.	Vaccine discovery technology company	First lien senior secured loan (\$9,788 par due 4/2017) Common stock (31,500 shares)	8.00%	9/30/2013	9,637	9,788(2)
				2/10/2014		285(2)
					9,637	10,073
GI Advo Opco, LLC	Behavioral treatment services provider	First lien senior secured loan (\$14,170 par due 6/2017)	6.00% (Libor + 4.75%/Q)	12/13/2013	14,498	14,170(2)(26)

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2014****(dollar amounts in thousands)****(unaudited)**

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Global Healthcare Exchange, LLC and GHX Ultimate Parent Corp.	On-demand supply chain automation solutions provider	First lien senior secured loan (\$125,000 par due 3/2020)	10.00% (Libor + 9.00%/Q)	3/11/2014	123,921	125,000(2)(26)	
		Class A common stock (2,475 shares)		3/11/2014	2,475	2,475(2)	
		Class B common stock (938 shares)		3/11/2014	25	335(2)	
						126,421	127,810
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	2,700(2)	
Intermedix Corporation	Revenue cycle management provider to the emergency healthcare industry	Second lien senior secured loan (\$112,000 par due 6/2020)	9.25% (Libor + 8.25%/Q)	12/27/2012	112,000	112,000(2)(26)	
LM Acquisition Holdings, LLC(8)	Developer and manufacturer of medical equipment	Class A units (426 units)		9/27/2013	1,000	1,638(2)	
MC Acquisition Holdings I, LLC	Healthcare professional provider	Class A units (1,338,314 shares)		1/17/2014	1,338	1,541(2)	
Monte Nido Holdings, LLC	Outpatient eating disorder treatment provider	First lien senior secured loan (\$44,750 par due 12/2019)	7.75% (Libor + 6.75%/Q)	12/20/2013	44,750	43,855(3)(19)(26)	
MW Dental Holding Corp.	Dental services provider	First lien senior secured loan (\$37,818 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	37,818	37,818(2)(26)	
		First lien senior secured loan (\$48,362 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	48,362	48,362(3)(26)	
		First lien senior secured loan (\$9,721 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	9,721	9,721(4)(26)	
					95,901	95,901	
My Health Direct, Inc.	Healthcare scheduling exchange software solution provider	First lien senior secured loan (\$3,000 par due 1/2018)	10.75%	9/18/2014	2,901	2,970(2)	
				9/18/2014	39	39(2)	

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Warrant to purchase  
up to 4,548 shares of  
Series D preferred  
stock

2,940 3,009

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2014****(dollar amounts in thousands)****(unaudited)**

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Napa Management Services Corporation	Anesthesia management services provider	First lien senior secured loan (\$9,543 par due 2/2019)	7.25% (Base Rate + 4.00%/Q)	4/15/2011	9,543	9,543(2)(21)(26)	
		First lien senior secured loan (\$70,691 par due 2/2019)	6.00% (Libor + 5.00%/Q)	4/15/2011	70,691	70,691(2)(21)(26)	
		First lien senior secured loan (\$3,957 par due 2/2019)	7.25% (Base Rate + 4.00%/Q)	4/15/2011	3,950	3,957(3)(21)(26)	
		First lien senior secured loan (\$29,309 par due 2/2019)	6.00% (Libor + 5.00%/Q)	4/15/2011	29,261	29,309(3)(21)(26)	
		Common units (5,345 units)		4/15/2011	5,764	9,973(2)	
					119,209	123,473	
Netsmart Technologies, Inc. and NS Holdings, Inc.	Healthcare technology provider	First lien senior secured loan (\$2,778 par due 12/2017)	8.75% (Libor + 7.50%/Q)	12/18/2012	2,778	2,778(2)(17)(26)	
		First lien senior secured loan (\$35,144 par due 12/2017)	8.75% (Libor + 7.50%/Q)	12/18/2012	35,144	35,144(2)(17)(26)	
		Common stock (2,500,000 shares)		6/21/2010	2,500	4,780(2)	
					40,422	42,702	
New Trident Holdcorp, Inc.	Outsourced mobile diagnostic healthcare service provider	Second lien senior secured loan (\$80,000 par due 7/2020)	10.25% (Libor + 9.00%/Q)	8/6/2013	78,607	78,400(2)(26)	
Nodality, Inc.	Biotechnology company	First lien senior secured loan (\$8,000 par due 2/2018)	8.90%	4/25/2014	7,750	8,000(2)	
		First lien senior secured loan (\$3,000 par due 8/2018)	8.90%	4/25/2014	2,895	3,000(2)	
		Warrant to purchase up to 164,179 shares of Series B preferred stock		4/25/2014		41(2)	
					10,645	11,041	
OmniSYS Acquisition Corporation, OmniSYS, LLC, and	Provider of technology-enabled solutions to	First lien senior secured loan (\$20,606 par due 11/2018)	8.50% (Libor + 7.50%/Q)	11/21/2013	20,606	20,606(2)(26)	

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OSYS Holdings, LLC	pharmacies	Limited liability company membership interest (1.57%)	11/21/2013	1,000	1,112(2)
				21,606	21,718

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2014****(dollar amounts in thousands)****(unaudited)**

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
PerfectServe, Inc.	Communications software platform provider for hospitals and physician practices	First lien senior secured loan (\$2,500 par due 10/2017)	10.00%	12/26/2013	2,477	2,500(2)	
		First lien senior secured loan (\$3,500 par due 4/2017)	10.00%	12/26/2013	3,472	3,500(2)	
		Warrants to purchase up to 34,113 units of Series C Preferred Stock		12/26/2013			75(2)
					5,949	6,075	
PGA Holdings, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Preferred stock (333 shares)		3/12/2008	125	18(2)	
		Common stock (16,667 shares)		3/12/2008	167	922(2)	
					292	940	
Physiotherapy Associates Holdings, Inc.	Physical therapy provider	Class A common stock (100,000 shares)		12/13/2013	3,090	2,240	
POS I Corp. (fka Vantage Oncology, Inc.)	Radiation oncology care provider	Common stock (62,157 shares)		2/3/2011	4,670	548(2)	
Reed Group Holdings, LLC	Medical disability management services provider	Equity interests		4/1/2010			(2)
Respicardia, Inc.	Developer of implantable therapies to improve cardiovascular health	First lien senior secured loan (\$2,000 par due 7/2015)	11.00%	6/28/2012	1,997	2,000(2)	
		Warrants to purchase up to 99,094 shares of Series C preferred stock		6/28/2012	38	29(2)	
					2,035	2,029	
				12/13/2012	75,000	75,000(2)(26)	

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Sage Products Holdings III, LLC	Patient infection control and preventive care solutions provider	Second lien senior secured loan (\$75,000 par due 6/2020)	9.25% (Libor + 8.00%/Q)			
Sarnova HC, LLC, Tri-Anim Health Services, Inc., and BEMS Holdings, LLC	Distributor of emergency medical service and respiratory products	Second lien senior secured loan (\$60,000 par due 9/2018)	8.75% (Libor + 8.00%/M)	6/30/2014	60,000	60,000(2)(26)
SurgiQuest, Inc.	Medical device company	Warrants to purchase up to 54,672 shares of Series D-4 convertible preferred stock		9/28/2012		(2)

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2014****(dollar amounts in thousands)****(unaudited)**

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
U.S. Anesthesia Partners, Inc.	Anesthesiology service provider	First lien senior secured loan (\$49,850 par due 12/2019)	6.00% (Libor + 5.00%/Q)	6/26/2014	49,850	49,850(2)(26)	
		Second lien senior secured loan (\$50,000 par due 9/2020)	9.00% (Libor + 8.00%/Q)	9/24/2014	50,000	50,000(2)(26)	
					99,850	99,850	
Wrigley Purchaser, LLC and Wrigley Management, LLC	Provider of outpatient rehabilitation services	First lien senior secured loan (\$7,100 par due 5/2020)	6.13% (Libor + 5.38%/Q)	5/19/2014	7,100	7,100(2)(26)	
Young Innovations, Inc.	Dental supplies and equipment manufacturer	Second lien senior secured loan (\$45,000 par due 7/2019)	9.00% (Libor + 8.00%/Q)	5/30/2014	45,000	45,000(2)(26)	
					1,207,509	1,217,383	23.19%
<b>Services Other</b>							
American Residential Services L.L.C.	Heating, ventilation and air conditioning services provider	First lien senior secured loan (\$17,456 par due 6/2021)	5.50% (Libor + 4.50%/Q)	6/30/2014	17,372	17,456(2)(26)	
		Second lien senior secured loan (\$50,000 par due 12/2021)	9.00% (Libor + 8.00%/Q)	6/30/2014	49,517	50,000(2)(26)	
					66,889	67,456	
Capital Investments and Ventures Corp.	SCUBA diver training and certification provider	First lien senior secured loan (\$66,035 par due 8/2020)	6.75% (Libor + 5.75%/Q)	8/9/2012	65,686	66,035(2)(26)	
		First lien senior secured loan (\$23,060 par due 8/2020)	6.75% (Libor + 5.75%/Q)	8/9/2012	23,060	23,060(3)(26)	
		First lien senior secured loan (\$8,203 par due 8/2020)	6.75% (Libor + 5.75%/Q)	8/9/2012	8,203	8,203(4)(26)	
					96,949	97,298	
Community Education Centers, Inc.	Offender re-entry and in-prison	First lien senior secured loan (\$714)	7.50% (Base Rate + 4.25%/M)	12/10/2010	714	714(2)(18)(26)	

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treatment services provider	par due 12/2014)				
	First lien senior secured loan (\$13,571 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	13,571	13,571(2)(18)(26)
	Second lien senior secured loan (\$47,767 par due 12/2015)		12/10/2010	47,169	42,233(2)(25)
	Warrants to purchase up to 654,618 shares		12/10/2010		(2)
				61,454	56,518

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2014****(dollar amounts in thousands)****(unaudited)**

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Competitor Group, Inc. and Calera XVI, LLC	Endurance sports media and event operator	First lien senior secured revolving loan (\$2,850 par due 11/2018)	10.00% (Base Rate + 6.75%/Q)	11/30/2012	2,850	2,565(2)(26)	
		First lien senior secured revolving loan (\$900 par due 11/2018)	9.00% (Libor + 7.75%/Q)	11/30/2012	900	810(2)(26)	
		First lien senior secured loan (\$24,380 par due 11/2018)	10.00% (Libor + 7.75% Cash, 1.00% PIK/Q)	11/30/2012	24,380	21,942(2)(26)	
		First lien senior secured loan (\$29,853 par due 11/2018)	10.00% (Libor + 7.75% Cash, 1.00% PIK/Q)	11/30/2012	29,853	26,868(3)(26)	
		Membership units (2,500,000 units)		11/30/2012	2,516	338(2)(9)	
					60,499	52,523	
Crown Health Care Laundry Services, Inc. and Crown Laundry Holdings, LLC(6)	Provider of outsourced linen management solutions to the healthcare industry	First lien senior secured revolving loan (\$1,300 par due 3/2019)	8.25% (Libor + 7.00%/Q)	3/13/2014	1,300	1,300(2)(26)(29)	
		First lien senior secured loan (\$24,377 par due 3/2019)	8.25% (Libor + 7.00%/Q)	3/13/2014	24,377	24,377(2)(26)	
		Class A preferred units (2,475,000 units)		3/13/2014	2,475	2,317(2)	
		Class B common units (275,000 units)		3/13/2014	275	257(2)	
							28,427
Dwyer Acquisition Parent, Inc. and TDG Group Holding Company	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$52,670 par due 2/2020)	11.00%	8/15/2014	52,670	52,670(2)	
		Common stock (30,000 shares)		8/15/2014	3,000	3,000(2)	
					55,670	55,670	
Fox Hill Holdings, Inc.	Third party claims administrator on behalf of insurance carriers	First lien senior secured loan (\$20,622 par due 6/2018)	8.00% (Base Rate + 4.75%/Q)	10/31/2013	20,622	20,622(2)(26)	
				10/31/2013	64,719	64,719(2)(26)	

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First lien senior  
secured loan (\$64,719  
par due 6/2018)      6.75%  
(Libor + 5.75%/Q)

85,341      85,341

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
ISS #2, LLC	Provider of repairs, refurbishments and services to the broader industrial end user markets	First lien senior secured loan (\$19,900 par due 6/2018)	7.75% (Base Rate + 4.50%/M)	6/5/2013	19,900	19,900(2)(26)	
		First lien senior secured loan (\$33,200 par due 6/2018)	6.50% (Libor + 5.50%/Q)	6/5/2013	33,200	33,200(2)(26)	
		First lien senior secured loan (\$4,913 par due 6/2018)	6.50% (Libor + 5.50%/Q)	6/5/2013	4,913	4,913(2)(26)	
		First lien senior secured loan (\$44,437 par due 6/2018)	6.50% (Libor + 5.50%/Q)	6/5/2013	44,437	44,437(3)(26)	
					102,450	102,450	
Massage Envy, LLC	Franchisor in the massage industry	First lien senior secured loan (\$28,245 par due 9/2018)	8.50% (Libor + 7.25%/Q)	9/27/2012	28,245	28,245(2)(26)	
		First lien senior secured loan (\$47,716 par due 9/2018)	8.50% (Libor + 7.25%/Q)	9/27/2012	47,716	47,716(3)(26)	
		Common stock (3,000,000 shares)		9/27/2012	3,000	3,944(2)	
					78,961	79,905	
McKenzie Sports Products, LLC	Designer, manufacturer and distributor of hunting-related supplies	First lien senior secured loan (\$7,500 par due 9/2020)	4.75% (Libor + 3.75%/Q)	9/18/2014	7,500	7,500(2)(26)	
		First lien senior secured loan (\$88,500 par due 9/2020)	6.75% (Libor + 5.75%/Q)	9/18/2014	88,500	88,500(2)(23)(26)	
					96,000	96,000	
Spin HoldCo Inc.	Laundry service and equipment provider	Second lien senior secured loan (\$140,000 par due 5/2020)	8.00% (Libor + 7.00%/M)	5/14/2013	140,000	140,000(2)(26)	
Wash Multifamily Laundry Systems, LLC	Laundry service and equipment provider	Second lien senior secured loan (\$78,000 par due 2/2020)	7.75% (Libor + 6.75%/Q)	6/26/2012	78,000	78,000(2)(26)	
					950,640	939,412	17.89%



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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Energy Alphabet Energy, Inc.	Technology developer to convert waste-heat into electricity	First lien senior secured loan (\$2,000 par due 7/2017)	9.50%	2/26/2014	1,926	2,000(2)	
		First lien senior secured loan (\$3,000 par due 7/2017)	9.62%	12/26/2013	2,774	3,000(2)	
		Series B preferred stock (74,449 shares)		2/26/2014	250	250(2)	
		Warrant to purchase up to 59,524 units of Series B preferred stock		12/16/2013	146	126(2)	
					5,096	5,376	
Bicent (California) Holdings LLC	Gas turbine power generation facilities operator	Senior subordinated loan (\$49,812 par due 2/2021)	8.25% (Libor + 7.25%/Q)	2/6/2014	49,812	49,812(2)(26)	
Brush Power, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$1,030 par due 8/2020)	7.50% (Base Rate + 4.25%/Q)	8/1/2013	1,030	1,030(2)(26)	
		First lien senior secured loan (\$87,084 par due 8/2020)	6.25% (Libor + 5.25%/Q)	8/1/2013	87,084	87,084(2)(26)	
					88,114	88,114	
Centinela Funding, LLC	Solar power generation facility developer and operator	Senior subordinated loan (\$55,542 par due 11/2020)	10.00% (Libor + 8.75%/Q)	11/14/2012	55,542	55,542(2)(26)	
CPV Maryland Holding Company II, LLC	Gas turbine power generation facilities operator	Senior subordinated loan (\$42,305 par due 12/2020)	10.00%	8/8/2014	42,305	42,102(2)	
		Warrant to purchase up to 4 units of common stock		8/8/2014		200(2)	
					42,305	42,302	
DESRI Wind Development Acquisition Holdings, L.L.C(6)	Wind and solar power generation facility operator	Senior subordinated loan (\$14,750 par due 8/2021)	9.25%	8/26/2014	14,750	14,750(2)	
		Membership interest (7.50% interest)		8/26/2014	806	806(2)	

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					15,556	15,556
Freeport LNG Expansion, L.P.	Liquefied natural gas producer	First lien senior secured loan (\$19,468 par due 11/2014)	8.65% (Libor + 8.50%/Q)	6/27/2014	19,199	19,468(2)

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Joule Unlimited Technologies, Inc. and Stichting Joule Global Foundation	Renewable fuel and chemical production developer	First lien senior secured loan (\$6,591 par due 2/2017)	10.00%	7/25/2013	6,546	6,591(2)	
		Warrant to purchase up to 32,051 shares of Series C-2 preferred stock		7/25/2013		39(2)(8)	
					6,546	6,630	
La Paloma Generating Company, LLC	Natural gas fired, combined cycle plant operator	Second lien senior secured loan (\$10,000 par due 2/2020)	9.25% (Libor + 8.25%/Q)	2/20/2014	9,635	9,750(2)(26)	
Moxie Liberty LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$100,000 par due 8/2020)	7.50% (Libor + 6.50%/Q)	8/21/2013	98,890	100,000(2)(26)	
Panda Sherman Power, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$32,429 par due 9/2018)	9.00% (Libor + 7.50%/Q)	9/14/2012	32,429	32,429(2)(26)	
Panda Temple Power II, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$20,000 par due 4/2019)	7.25% (Libor + 6.00%/Q)	4/3/2013	19,843	20,000(2)(26)	
Panda Temple Power, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$60,000 par due 7/2018)	11.50% (Libor + 10.00%/Q)	7/17/2012	58,628	60,000(2)(26)	
Petroflow Energy Corporation	Oil and gas exploration and production company	First lien senior secured loan (\$50,757 par due 7/2020)	12.00% (Libor + 8.00% Cash, 3.00% PIK/Q)	7/31/2014	49,775	50,757(2)(26)	
Sunrun Solar Owner Holdco X, LLC	Residential solar energy provider	First lien senior secured loan (\$58,966 par due 6/2019)	9.50% (Libor + 8.25%/Q)	6/7/2013	58,966	58,966(2)(26)	
Sunrun Solar Owner Holdco XIII, LLC	Residential solar energy provider	First lien senior secured loan (\$32,846 par due 12/2019)	9.50% (Libor + 8.25%/Q)	11/27/2013	32,648	32,846(2)(26)	
					642,984	647,548	12.33%
<b>Business Services</b>							
2329497 Ontario Inc.(8)				12/13/2013	43,380	40,562(2)(26)	

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	Outsourced data center infrastructure and related services provider	Second lien senior secured loan (\$45,000 par due 6/2019)	10.50% (Libor + 9.25%/M)			
Access CIG, LLC	Records and information management services provider	First lien senior secured loan (\$985 par due 10/2017)	8.00% (Base Rate + 4.75%/M)	10/5/2012	985	985(2)(26)

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
BlackArrow, Inc.	Advertising and data solutions software platform provider	First lien senior secured loan (\$8,000 par due 9/2017)	9.25%	3/13/2014	7,761	8,000(2)	
		Warrant to purchase up to 517,386 units of Series C preferred stock		3/13/2014		76(2)	
					7,761	8,076	
CallMiner, Inc.	Provider of cloud-based conversational analytics solutions	First lien senior secured loan (\$4,000 par due 5/2018)	10.00%	7/23/2014	3,971	4,000(2)	
		Warrant to purchase up to 2,350,636 shares of Series 1 preferred stock		7/23/2014		(2)	
					3,971	4,000	
Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.(6)	Payroll and accounting services provider to the entertainment industry	First lien senior secured loan (\$12,107 par due 12/2017)	5.75% (Libor + 4.75%/M)	12/24/2012	12,107	12,107(2)(16)(26)	
		First lien senior secured loan (\$41,813 par due 12/2017)	5.75% (Libor + 4.75%/M)	12/24/2012	41,813	41,813(3)(16)(26)	
		Class A membership units (2,500,000 units)		12/24/2012	2,500	5,743(2)	
		Class B membership units (2,500,000 units)		12/24/2012	2,500	5,743(2)	
					58,920	65,406	
CIBT Investment Holdings, LLC	Expedited travel document processing services	Class A shares (2,500 shares)		12/15/2011	2,500	3,893(2)	
Command Alkon, Incorporated and CA Note Issuer, LLC	Software solutions provider to the ready-mix concrete industry	Second lien senior secured loan (\$48,000 par due 8/2020)	9.25% (Libor + 8.25%/Q)	9/28/2012	48,000	48,000(2)(26)	
		Senior subordinated loan (\$17,000 par due 8/2021)	14.00% PIK	8/8/2014	17,000	17,000(2)	
					65,000	65,000	

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Coverall North America, Inc.	Commercial janitorial services provider	Letter of credit facility		1/17/2013		(30)
DTI Holdco, Inc. and OPE DTI Holdings, Inc.	Provider of legal process outsourcing and managed services	First lien senior secured loan (\$1,000 par due 8/2020)	5.75%	8/19/2014	1,000	1,000(2)(26)
			(Libor + 4.75%/Q)			
		Class A common stock (7,500 shares)		8/19/2014	7,500	7,500(2)
		Class B common stock (7,500 shares)		8/19/2014		(2)
					8,500	8,500

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
First Insight, Inc.	SaaS company providing merchandising and pricing solutions to companies worldwide	First lien senior secured loan (\$3,500 par due 4/2017)	9.50%	3/20/2014	3,412	3,500(2)	
		Warrants to purchase up to 122,827 units of Series C preferred stock		3/20/2014		6(2)	
GHS Interactive Security, LLC and LG Security Holdings, LLC	Originates residential security alarm contracts	First lien senior secured loan (\$7,058 par due 5/2018)	7.50%	12/13/2013	7,109	7,058(26)	
		Class A membership units (1,560,000 units)	(Libor + 6.00%/S)	12/13/2013	1,607	1,404	
					8,716	8,462	
HCPro, Inc. and HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Senior subordinated loan (\$9,297 par due 5/2015)		3/5/2013	2,691	(2)(25)	
		Class A units (14,293,110 units)		6/26/2008	12,793	(2)	
					15,484		
IfByPhone Inc.	Voice-based marketing automation software provider	Warrant to purchase up to 124,300 shares of Series C preferred stock		10/15/2012	88	82(2)	
Investor Group Services, LLC(6)	Business consulting for private equity and corporate clients	Limited liability company membership interest (8.50% interest)		6/22/2006		601	
IronPlanet, Inc.	Online auction platform provider for used heavy equipment	First lien senior secured revolving loan (\$5,000 par due 9/2015)	8.00%	9/24/2013	5,000	5,000(2)(29)	
		First lien senior secured loan (\$7,153 par due 7/2017)	9.25%	9/24/2013	6,886	7,153(2)	
		Warrant to purchase to up to 133,333 shares of Series C preferred stock		9/24/2013	214	249(2)	

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				12,100	12,402
Intel Laboratories, Inc.	Data services provider for building materials to the property insurance industry	Preferred units (1,798,391 units)	6/29/2012	1,000	1,293(2)

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of September 30, 2014

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Keynote Systems, Inc. and Hawaii Ultimate Parent Corp., Inc.	Web and mobile cloud performance testing and monitoring services provider	First lien senior secured loan (\$182,345 par due 2/2020)	9.50% (Libor + 8.50%/Q)	8/22/2013	182,345	182,345(2)(26)	
		Class A common stock (2,970 shares)		8/22/2013	2,970	4,496(2)	
		Class B common stock (1,956,522 shares)		8/22/2013	30	45(2)	
					185,345	186,886	
Market Track Holdings, LLC	Business media consulting services company	Preferred stock (1,500 shares)		12/13/2013	1,982	2,191	
		Common stock (15,000 shares)		12/13/2013	1,982	2,191	
					3,964	4,382	
Maximus Holdings, LLC	Provider of software simulation tools and related services	Warrants to purchase up to 1,050,013 shares of common stock		12/13/2013		643	
Multi-Ad Services, Inc.(6)	Marketing services and software provider	Preferred units (1,725,280 units)		4/1/2010	788	2,185	
		Common units (1,725,280 units)		4/1/2010			
					788	2,185	
MVL Group, Inc.(7)	Marketing research provider	Senior subordinated loan (\$226 par due 7/2012)		4/1/2010	226	226(2)(25)	
		Common stock (560,716 shares)		4/1/2010		(2)	
					226	226	
NComputing, Inc.	Desktop virtualization hardware and software technology service provider	Warrant to purchase up to 462,726 shares of Series C preferred stock		3/20/2013		23(2)	
OpenSky Project, Inc.	Social commerce platform operator	First lien senior secured loan (\$3,000 par due	10.00%	6/4/2014	2,957	3,000(2)	

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		9/2017)			
		Warrant to purchase up	6/4/2014	48	48(2)
		to 46,996 shares of			
		Series D preferred stock			
				3,005	3,048
PHL Investors, Inc., and PHL Holding Co.(7)	Mortgage services	Class A common stock (576 shares)	7/31/2012	3,768	(2)
Powersport Auctioneer Holdings, LLC	Powersport vehicle auction operator	Common units (1,972 units)	3/2/2012	1,000	1,102(2)

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PSSI Holdings, LLC	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	First lien senior secured loan (\$946 par due 6/2018)	6.00% (Libor + 5.00%/S)	8/7/2013	946	946(2)(26)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	179(2)	
Rainstor, Inc.	Database solution provider designed to manage Big Data for large enterprises	First lien senior secured loan (\$1,900 par due 4/2016)	11.25%	3/28/2013	1,869	1,662(2)	
		Warrant to purchase up to 142,210 shares of Series C preferred stock		3/28/2013	88	(2)	
					1,957	1,662	
Rocket Fuel Inc.	Provider of open and integrated software for digital marketing optimization	Common stock (79,396 units)		9/9/2014	278	1,165(2)	
Ship Investor & Cy S.C.A.(8)	Payment processing company	Common stock (936,693 shares)		12/13/2013	1,729	3,032	
Summit Business Media Parent Holding Company LLC	Business media consulting services	Limited liability company membership interest (45.98% interest)		5/20/2011		697(2)	
Tripwire, Inc.	IT security software provider	First lien senior secured loan (\$84,738 par due 5/2018)	7.00% (Libor + 5.75%/Q)	5/23/2011	84,738	84,738(2)(26)	
		First lien senior secured loan (\$49,750 par due 5/2018)	7.00% (Libor + 5.75%/Q)	5/23/2011	49,750	49,750(3)(26)	
		First lien senior secured loan (\$9,950 par due 5/2018)	7.00% (Libor + 5.75%/Q)	5/23/2011	9,950	9,950(4)(26)	
		Class A common stock (2,970 shares)		5/23/2011	2,970	9,740(2)	
		Class B common stock (2,655,638 shares)		5/23/2011	30	98(2)	
					147,438	154,276	

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Velocity Holdings Corp.	Hosted enterprise resource planning application management services provider	Common units (1,713,546 units)	12/13/2013	4,503	3,445	
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest	4/1/2010			(2)
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (5.98% interest)	10/26/2007	10,204	15,261	
				597,218	601,926	11.47%

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As of September 30, 2014

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	First lien senior secured loan (\$23,425 par due 6/2019)	7.00% (Libor + 6.00%/Q)	6/27/2014	23,425	23,425(2)(13)(26)	
		First lien senior secured loan (\$14,615 par due 6/2019)	4.00% (Libor + 3.00%/Q)	6/27/2014	14,615	14,615(2)(26)	
		First lien senior secured loan (\$52,039 par due 6/2019)	4.00% (Libor + 3.00%/Q)	6/27/2014	52,039	52,039(3)(26)	
		First lien senior secured loan (\$4,280 par due 6/2019)	7.00% (Libor + 6.00%/Q)	6/27/2014	4,280	4,280(4)(13)(26)	
					94,359	94,359	
Campus Management Corp. and Campus Management Acquisition Corp.(6)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	9,290	
ELC Acquisition Corp., ELC Holdings Corporation, and Excellence Learning Corporation(6)	Developer, manufacturer and retailer of educational products	Preferred stock (99,492 shares)	12.00% PIK	8/1/2011	11,358	11,358	
		Common stock (50,800 shares)		8/1/2011		177	
					11,358	11,535	
Infilaw Holding, LLC	Operator of for-profit law schools	First lien senior secured revolving loan		8/25/2011		(2)(28)	
		First lien senior secured loan (\$14,148 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	14,148	14,148(3)(26)	
		Series A preferred units (124,890 units)	9.50% (Libor + 8.50%/Q)	8/25/2011	124,890	124,890(2)(26)	
		Series B preferred stock (3.91 units)		10/19/2012	9,245	12,366(2)	
					148,283	151,404	
Instituto de Banca y Comercio, Inc. &	Private school operator	First lien senior secured loan (\$57,620 par		4/24/2013	53,340	46,144(2)(25)	

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Leeds IV Advisors, Inc.

due 12/2016)			
Series B preferred stock (1,750,000 shares)	8/5/2010	5,000	(2)
Series C preferred stock (2,512,586 shares)	6/7/2010	689	(2)
Common stock (20 shares)	6/7/2010		(2)
		59,029	46,144

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Lakeland Tours, LLC	Educational travel provider	First lien senior secured revolving loan (\$18,000 par due 1/2017)	5.25% (Libor + 4.25%/Q)	10/4/2011	18,000	18,000(2)(26)(29)	
		First lien senior secured loan (\$1,522 par due 1/2017)	5.25% (Libor + 4.25%/Q)	10/4/2011	1,521	1,522(2)(26)	
		First lien senior secured loan (\$82,989 par due 1/2017)	8.50% (Libor + 7.50%/Q)	10/4/2011	82,940	82,989(2)(15)(26)	
		First lien senior secured loan (\$7,292 par due 1/2017)	5.25% (Libor + 4.25%/Q)	10/4/2011	7,280	7,292(3)(26)	
		First lien senior secured loan (\$40,362 par due 1/2017)	8.50% (Libor + 7.50%/Q)	10/4/2011	40,297	40,362(3)(15)(26)	
		Common stock (5,000 shares)		10/4/2011	5,000	5,341(2)	
					155,038	155,506	
PIH Corporation	Franchisor of education-based early childhood centers	First lien senior secured revolving loan (\$621 par due 6/2016)	7.25% (Libor + 6.25%/M)	12/13/2013	621	621(26)	
		First lien senior secured loan (\$36,794 par due 6/2016)	7.25% (Libor + 6.25%/M)	12/13/2013	37,543	36,794(26)	
					38,164	37,415	
R3 Education, Inc. and EIC Acquisitions Corp.	Medical school operator	Preferred stock (8,800 shares)		7/30/2008	2,200	3,000	
		Common membership interest (26.27% interest)		9/21/2007	15,800	24,277	
		Warrants to purchase up to 27,890 shares		12/8/2009			
					18,000	27,277	
Regent Education, Inc.	Provider of software solutions designed to optimize the financial aid and enrollment processes	First lien senior secured loan (\$3,000 par due 1/2018)	10.00%	7/1/2014	2,929	2,910	
		Warrant to purchase up to 987,771 shares of Series CC preferred stock		7/1/2014		79	

2,929 2,989

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
RuffaloCODY, LLC	Provider of student fundraising and enrollment management services	First lien senior secured revolving loan (\$346 par due 5/2019)	5.57% (Libor + 4.32%/Q)	5/29/2013	346	346(2)(26)	
		First lien senior secured loan (\$2,040 par due 5/2019)	5.57% (Libor + 4.32%/Q)	5/29/2013	2,040	2,040(2)(26)	
		First lien senior secured loan (\$29,550 par due 5/2019)	5.57% (Libor + 4.32%/Q)	5/29/2013	29,550	29,550(2)(26)	
		First lien senior secured loan (\$3,710 par due 5/2019)	5.57% (Libor + 4.32%/Q)	5/29/2013	3,710	3,710(4)(26)	
		First lien senior secured loan (\$8,028 par due 5/2019)	5.57% (Libor + 4.32%/Q)	5/29/2013	8,028	8,028(4)(26)	
						43,674	43,674
					581,354	579,593	11.04%
<b>Consumer Products Non-durable</b>							
Feradyne Outdoors, LLC and Bowhunter Holdings, LLC	Provider of branded archery and bowhunting accessories	First lien senior secured loan (\$50,100 par due 3/2019)	6.55% (Libor + 5.55%/Q)	4/24/2014	50,100	49,660(2)(22)(26)	
		First lien senior secured loan (\$7,001 par due 3/2019)	4.00% (Libor + 3.00%/Q)	4/24/2014	7,001	6,940(2)(26)	
		Common units (300 units)		4/24/2014	3,000	2,277(2)	
					60,101	58,877	
Gilchrist & Soames, Inc.	Personal care manufacturer	First lien senior secured revolving loan (\$8,150 par due 12/2014)	6.25% (Libor + 5.00%/M)	4/1/2010	8,150	8,150(2)(26)	
		First lien senior secured revolving loan (\$550 par due 12/2014)	6.25% (Libor + 5.00%/M)	4/1/2010	550	550(2)(26)	
		First lien senior secured loan (\$22,851 par due 12/2014)	13.44% Cash, 2.00% PIK	4/1/2010	22,851	22,622(2)	
					31,551	31,322	

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Implus Footcare, LLC	Provider of footwear and other accessories	Preferred stock (455 shares)	6.00% PIK	10/31/2011	4,669	4,669(2)
		Common stock (455 shares)		10/31/2011		1,088(2)
					4,669	5,757

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Indra Holdings Corp.	Designer, marketer, and distributor of rain and cold weather products	Second lien senior secured loan (\$80,000 par due 11/2021)	8.50% (Libor + 7.50%/Q)	5/1/2014	78,770	80,000(2)(26)	
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of OTC healthcare products	Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		1,214(2)	
		Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		3(2)	
						1,217	
Oak Parent, Inc.	Manufacturer of athletic apparel	First lien senior secured loan (\$30,862 par due 4/2018)	7.50% (Libor + 7.00%/Q)	4/2/2012	30,770	30,862(3)(26)	
		First lien senior secured loan (\$81 par due 4/2018)	9.25% (Base Rate + 6.00%/Q)	4/2/2012	81	81(3)(26)	
		First lien senior secured loan (\$8,722 par due 4/2018)	7.50% (Libor + 7.00%/Q)	4/2/2012	8,696	8,722(4)(26)	
		First lien senior secured loan (\$23 par due 4/2018)	9.25% (Base Rate + 6.00%/Q)	4/2/2012	23	23(4)(26)	
					39,570	39,688	
PG-ACP Co-Invest, LLC	Supplier of medical uniforms, specialized medical footwear and accessories	Class A membership units (1,000,0000 units)		8/29/2012	1,000	2,059(2)	
Shock Doctor, Inc. and BRP Hold 14, LLC	Developer, marketer and distributor of sports protection equipment and accessories	First lien senior secured revolving loan (\$315 par due 3/2020)	10.00% (Base Rate + 6.75%/Q)	3/14/2014	315	315(2)(26)	
		First lien senior secured loan (\$32,627 par due 3/2020)	8.75% (Libor + 7.75%/Q)	3/14/2014	32,627	32,627(2)(26)	
		First lien senior secured loan (\$53,865 par due 3/2020)	8.75% (Libor + 7.75%/Q)	3/14/2014	53,865	53,865(3)(26)	
		Class A preferred units (50,000 units)		3/14/2014	5,000	5,123(2)	
					91,807	91,930	



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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
The Step2 Company, LLC(7)	Toy manufacturer	Second lien senior secured loan (\$26,896 par due 9/2019)	10.00%	4/1/2010	26,706	26,896(2)	
		Second lien senior secured loan (\$35,833 par due 9/2019)		4/1/2010	30,802	7,665(2)(25)	
		Second lien senior secured loan (\$4,500 par due 9/2019)	10.00%	3/13/2014	4,500	4,500(2)	
		Common units (1,116,879 units)		4/1/2010	24		
		Warrants to purchase up to 3,157,895 units		4/1/2010			
						62,032	39,061
The Thymes, LLC(7)	Cosmetic products manufacturer	Preferred units (6,283 units)		6/21/2007	4,014	3,590	
		Common units (5,400 units)		6/21/2007		9,446	
					4,014	13,036	
Woodstream Corporation	Pet products manufacturer	First lien senior secured loan (\$4,817 par due 8/2016)	6.00% (Libor + 5.00%/Q)	4/18/2012	4,817	4,817(4)(26)	
		First lien senior secured loan (\$12 par due 8/2016)	7.00% (Base Rate + 3.75%/Q)	4/18/2012	12	12(4)(26)	
		Senior subordinated loan (\$80,000 par due 2/2017)	11.50% (11.50%/Q)	4/18/2012	77,964	80,000(2)	
		Common stock (4,254 shares)		1/22/2010	1,222	2,336(2)	
						84,015	87,165
				457,529	450,112	8.57%	
<b>Financial Services</b>							
AllBridge Financial, LLC(7)	Asset management services	Equity interests		4/1/2010	1,140	5,839	
Callidus Capital Corporation(7)	Asset management services	Common stock (100 shares)		4/1/2010	3,000	1,727	
Ciena Capital LLC(7)	Real estate and small business loan servicer	First lien senior secured revolving loan (\$14,000 par due 12/2014)	6.00%	11/29/2010	14,000	14,000(2)	

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First lien senior secured loan (\$22,000 par due 12/2016)	12.00%	11/29/2010	22,000	22,000(2)
Equity interests		11/29/2010	53,375	20,343(2)
			89,375	56,343

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$28,000 par due 5/2018)	12.75%	5/10/2012	28,000	28,000(2)	
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated loan (\$1,000 par due 9/2015)	9.00%	9/30/2011	1,000	1,000(2)	
Gordian Acquisition Corp.	Financial services firm	Common stock (526 shares)		11/30/2012			(2)
Imperial Capital Group LLC	Investment services	Class A common units (23,130 units)		5/10/2007	11,248	15,781(2)	
		2006 Class B common units (7,578 units)		5/10/2007	2	4(2)	
		2007 Class B common units (945 units)		5/10/2007			(2)
					11,250	15,785	
Ivy Hill Asset Management, L.P.(7)(9)	Asset management services	Member interest (100.00% interest)		6/15/2009	170,961	258,883	
Javlin Three LLC, Javlin Four LLC, and Javlin Five LLC(9)	Asset-backed financial services company	First lien senior secured revolving loan (\$40,800 par due 6/2017)	8.41% (Libor + 8.25%/M)	6/24/2014	40,800	40,800(2)	
					345,526	408,377	7.78%
<b>Manufacturing</b>							
Cambrios Technologies Corporation	Nanotechnology-based solutions for electronic devices and computers	First lien senior secured loan (\$1,667 par due 8/2015)	12.00%	8/7/2012	1,667	1,667(2)	
		Warrants to purchase up to 400,000 shares of Series D-4 convertible preferred stock		8/7/2012			13(2)
					1,667	1,680	
Component Hardware Group, Inc.	Commercial equipment	First lien senior secured loan (\$8,164 par due 7/2019)	5.25% (Libor + 4.25%/Q)	7/1/2013	8,164	8,164(4)(26)	
Harvey Tool Company, LLC and Harvey Tool Holding, LLC	Cutting tool provider to the metalworking industry	First lien senior secured loan (\$24,875 par due 3/2020)	5.75% (Libor + 4.75%/Q)	3/28/2014	24,875	24,875(2)(26)	

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		First lien senior secured loan (\$62 par due 3/2020)	7.00% (Base Rate + 3.75%/Q)	3/28/2014	62	62(2)(26)
		Class A membership units (750 units)		3/28/2014	750	905(2)
					25,687	25,842
Ioxus, Inc.	Energy storage devices	First lien senior secured loan (\$10,000 par due 11/2017)	9.00%	4/29/2014	9,645	10,000(2)
		Warrant to purchase up to 538,314 shares of Series C preferred stock		4/29/2014		(2)
					9,645	10,000

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Mac Lean-Fogg Company	Provider of intelligent transportation systems products in the traffic and rail industries	Senior subordinated loan (\$101,380 par due 10/2023)	9.50% Cash, 1.50% PIK	10/31/2013	101,380	101,380(2)	
MWI Holdings, Inc.	Engineered springs, fasteners, and other precision components	First lien senior secured loan (\$38,274 par due 3/2019)	9.38% (Libor + 8.13%/Q)	6/15/2011	38,274	38,274(2)(26)	
		First lien senior secured loan (\$10,000 par due 3/2019)	9.38% (Libor + 8.13%/Q)	6/15/2011	10,000	10,000(4)(26)	
					48,274	48,274	
NetShape Technologies, Inc.	Metal precision engineered components	First lien senior secured revolving loan (\$972 par due 12/2014)	7.50% (Libor + 6.50%/Q)	4/1/2010	972	972(2)(26)	
Niagara Fiber Intermediate Corp.	Insoluble fiber filler products	First lien senior secured revolving loan (\$933 par due 5/2018)	7.75% (Base Rate + 4.50%/M)	5/8/2014	916	933(2)(26)	
		First lien senior secured loan (\$15,541 par due 5/2018)	6.75% (Libor + 5.50%/M)	5/8/2014	15,400	15,541(2)(26)	
					16,316	16,474	
Pelican Products, Inc.	Flashlights	Second lien senior secured loan (\$40,000 par due 4/2021)	9.25% (Libor + 8.25%/Q)	4/11/2014	39,945	40,000(2)(26)	
Protective Industries, Inc. dba Caplugs	Plastic protection products	First lien senior secured loan (\$990 par due 10/2019)	6.25% (Libor + 5.25%/M)	11/30/2012	990	990(2)(26)	
		Preferred stock (2,379,361 shares)		5/23/2011	1,298	6,469(2)	
					2,288	7,459	
Saw Mill PCG Partners LLC	Metal precision engineered components manufacturer	Common units (1,000 units)		1/30/2007	1,000	(2)	
SI Holdings, Inc.	Elastomeric parts, mid-sized composite structures, and composite tooling	Common stock (1,500 shares)		5/30/2014	1,500	1,726(2)	
TPTM Merger Corp.	Time temperature indicator products	First lien senior secured loan (\$15,790 par due 9/2018)	6.25% (Libor + 5.25%/Q)	9/12/2013	15,790	15,790(2)(26)	
		First lien senior secured loan (\$9,950 par due 9/2018)	6.25% (Libor + 5.25%/Q)	9/12/2013	9,950	9,950(4)(26)	

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25,740	25,740	
282,578	287,711	5.48%

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
<b>Restaurants and Food Services</b>							
ADF Capital, Inc., ADF Restaurant Group, LLC, and ARG Restaurant Holdings, Inc.	Restaurant owner and operator	First lien senior secured loan (\$28,581 par due 12/2018)	9.25% (Libor + 8.25%/Q)	11/27/2006	28,581	27,724(2)(20)(26)	
		First lien senior secured loan (\$10,919 par due 12/2018)	9.25% (Libor + 8.25%/Q)	11/27/2006	10,922	10,591(3)(20)(26)	
		Promissory note (\$18,225 par due 12/2018)		11/27/2006	13,770	7,462(2)	
		Warrants to purchase up to 23,750 units of Series D common stock		12/18/2013	24	(2)	
					53,297	45,777	
Benihana, Inc.	Restaurant owner and operator	First lien senior secured loan (\$306 par due 1/2019)	7.50% (Base Rate + 4.25%/Q)	8/21/2012	306	306(4)(26)	
		First lien senior secured loan (\$4,583 par due 1/2019)	6.75% (Libor + 5.50%/Q)	8/21/2012	4,583	4,583(4)(26)	
					4,889	4,889	
Garden Fresh Restaurant Corp.	Restaurant owner and operator	First lien senior secured revolving loan		10/3/2013		(2)(28)	
		First lien senior secured loan (\$42,602 par due 7/2018)	10.00% (Libor + 8.50%/M)	10/3/2013	42,602	42,602(3)(26)	
Hojeij Branded Foods, Inc.	Airport restaurant operator	First lien senior secured revolving loan (\$450 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	450	450(2)(26)(29)	
		First lien senior secured loan (\$30,612 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	30,260	30,612(2)(26)	
		Warrants to purchase up to 7.5% of membership interest		2/15/2012		434(2)	
		Warrants to purchase up to 324 shares of Class A common stock		2/15/2012	669	6,249(2)	
					31,379	37,745	

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of September 30, 2014

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Orion Foods, LLC (fka Hot Stuff Foods, LLC)(7)	Convenience food service retailer	First lien senior secured revolving loan (\$2,016 par due 9/2015)	10.75% (Base Rate + 7.50%/M)	4/1/2010	2,016	1,837(2)(26)	
		First lien senior secured loan (\$32,478 par due 9/2015)	10.00% (Libor + 8.50%/Q)	4/1/2010	32,478	29,591(2)(26)	
		Second lien senior secured loan (\$19,420 par due 9/2015)		4/1/2010			(2)(25)
		Preferred units (10,000 units)		10/28/2010			(2)
		Class A common units (25,001 units)		4/1/2010			(2)
		Class B common units (1,122,452 units)		4/1/2010			(2)
OTG Management, LLC	Airport restaurant operator	First lien senior secured loan (\$45,200 par due 12/2017)	8.75% (Libor + 7.25%/M)	12/11/2012	45,200	45,200(2)(26)	
		Common units (3,000,000 units)		1/5/2011	3,000	2,186(2)	
		Warrants to purchase up to 7.73% of common units		6/19/2008	100	4,360(2)	
					48,300	51,746	
Papa Murphy's Holdings, Inc.	Restaurant owner and operator	Common stock (147,983 shares)		12/13/2013	1,065	1,509	
Performance Food Group, Inc. and Wellspring Distribution Corp	Food service distributor	Second lien senior secured loan (\$24,389 par due 11/2019)	6.25% (Libor + 5.25%/Q)	5/14/2013	24,291	24,389(2)(26)	
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	6,303	9,060(2)	
					30,594	33,449	
Restaurant Holding Company, LLC	Fast food restaurant operator	First lien senior secured loan (\$37,406 par due 2/2019)	8.75% (Libor + 7.75%/M)	3/13/2014	37,071	35,162(2)(26)	
S.B. Restaurant Company	Restaurant owner and operator	Preferred stock (46,690 shares)		4/1/2010		(2)	
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010		(2)	

283,691 284,307 5.42%

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
<b>Containers Packaging</b> GS Pretium Holdings, Inc.	Manufacturer and supplier of high performance plastic containers	Common stock (500,000 shares)		6/2/2014	500	442(2)	
ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	First lien senior secured revolving loan		8/31/2011		(2)(28)	
		First lien senior secured loan (\$49,513 par due 8/2016)	7.00% (Libor + 6.00%/Q)	8/31/2011	49,522	49,513(2)(26)	
		First lien senior secured loan (\$53,656 par due 8/2016)	7.00% (Libor + 6.00%/Q)	8/31/2011	53,656	53,656(3)(26)	
					103,178	103,169	
Microstar Logistics LLC, Microstar Global Asset Management LLC, and MStar Holding Corporation	Keg management solutions provider	Second lien senior secured loan (\$142,500 par due 12/2018)	8.50% (Libor + 7.50%/Q)	12/14/2012	142,500	142,500(2)(26)	
		Common stock (50,000 shares)		12/14/2012	3,951	6,600(2)	
					146,451	149,100	
					250,129	252,711	4.81%
<b>Hotel Services</b> Castle Management Borrower LLC	Hotel operator	First lien senior secured revolving loan (\$4,995 par due 9/2020)	7.50% (Libor + 6.50%/Q)	9/18/2014	4,995	4,995(2)(26)	
		First lien senior secured loan (\$155,000 par due 9/2020)	7.50% (Libor + 6.50%/Q)	9/18/2014	155,000	155,000(2)(26)	
					159,995	159,995	
					159,995	159,995	3.05%
<b>Aerospace and Defense</b> Cadence Aerospace, LLC (fka PRV Aerospace, LLC)	Aerospace precision components manufacturer	First lien senior secured loan (\$4,425 par due 5/2018)	6.50% (Libor + 5.25%/Q)	5/15/2012	4,397	4,425(4)(26)	
				5/10/2012	79,657	76,471(2)(26)	



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		Second lien senior secured loan (\$79,657 par due 5/2019)	10.50% (Libor + 9.25%/Q)		84,054	80,896
ILC Industries, LLC	Designer and manufacturer of protective cases and technically advanced lighting systems	First lien senior secured loan (\$29,812 par due 7/2020)	5.75% (Libor + 4.75%/Q)	7/15/2014	29,812	29,812(2)(26)
		Second lien senior secured loan (\$40,000 par due 7/2021)	9.50% (Libor + 8.50%/Q)	7/15/2014	40,000	40,000(2)(26)
					69,812	69,812
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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of September 30, 2014

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Senior preferred stock (775 shares)	8.00% PIK	1/17/2008	118	118(2)	
		Common stock (1,885,195 shares)		1/17/2008	2,291	2,264(2)	
					2,409	2,382	
					156,275	153,090	2.92%
<b>Retail</b>							
Fulton Holdings Corp.	Airport restaurant operator	First lien senior secured loan (\$43,000 par due 5/2018)	8.50%	5/10/2013	43,000	43,000(2)(14)	
		First lien senior secured loan (\$40,000 par due 5/2018)	8.50%	5/28/2010	40,000	40,000(3)(14)	
		Common stock (19,672 shares)		5/28/2010	1,461	2,686(2)	
					84,461	85,686	
Paper Source, Inc. and Pine Holdings, Inc.	Retailer of fine and artisanal paper products	First lien senior secured revolving loan (\$333 par due 9/2018)	7.25% (Libor + 6.25%/Q)	9/23/2013	333	333(2)(26)	
		First lien senior secured revolving loan (\$667 par due 9/2018)	7.25% (Libor + 6.25%/Q)	9/23/2013	667	667(2)(26)	
		First lien senior secured loan (\$8,885 par due 9/2018)	7.25% (Libor + 6.25%/Q)	9/23/2013	8,885	8,885(2)(26)	
		First lien senior secured loan (\$9,925 par due 9/2018)	7.25% (Libor + 6.25%/Q)	9/23/2013	9,925	9,925(4)(26)	
		Class A common stock (36,364 shares)		9/23/2013	6,000	7,122(2)	
					25,810	26,932	
Things Remembered, Inc.	Personalized gifts retailer	First lien senior secured loan (\$14,590 par due 5/2018)	8.25% (Libor + 6.75%/Q)	5/24/2012	14,590	14,007(4)(26)	
					124,861	126,625	2.41%
<b>Oil and Gas</b>							
Lonestar Prospects, Ltd.				9/18/2014	75,000	75,000(2)(26)	

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Sand proppant producer and distributor to the oil and natural gas industry	First lien senior secured loan (\$75,000 par due 9/2018)	8.50% (Libor + 7.50%/Q)
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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>		
UL Holding Co., LLC and Universal Lubricants, LLC(6)	Petroleum product manufacturer	Second lien senior secured loan (\$10,904 par due 12/2016)		4/30/2012	8,911	7,885(2)(25)			
		Second lien senior secured loan (\$2,160 par due 12/2016)		4/30/2012	1,753	1,562(2)(25)			
		Second lien senior secured loan (\$49,466 par due 12/2016)		4/30/2012	40,134	35,771(2)(25)			
		Class A common units (10,782 units)		6/17/2011	1,512	(2)			
		Class B-5 common units (599,200 units)		6/17/2011	5,472	(2)			
		Class B-4 common units (50,000 units)		4/25/2008	500	(2)			
		Class C common units (618,091 units)		4/25/2008		(2)			
		Warrant to purchase up to 422,852 shares of Class A units		5/2/2014		(2)			
		Warrant to purchase up to 16,856 shares of Class B-1 units		5/2/2014		(2)			
		Warrant to purchase up to 33,712 shares of Class B-2 units		5/2/2014		(2)			
		Warrant to purchase up to 17,433 shares of Class B-3 units		5/2/2014		(2)			
		Warrant to purchase up to 47,265 shares of Class B-5 units		5/2/2014		(2)			
		Warrant to purchase up to 35,082 shares of Class B-6 units		5/2/2014		(2)			
		Warrant to purchase up to 615,547 shares of Class C units		5/2/2014		(2)			
							58,282	45,218	
							133,282	120,218	2.29%
		<b>Automotive Services</b>							
CH Hold Corp	Collision repair company	First lien senior secured loan (\$17,750 par due 11/2019)	5.50% (Libor + 4.75%/Q)	7/25/2014	17,750	17,750(2)(26)			
				12/16/2011	993	993(2)(26)			

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Driven Brands, Inc. and Driven Holdings, LLC	Automotive aftermarket car care franchisor	First lien senior	6.00%			
		secured loan (\$993 par due 3/2017)	(Libor + 5.00%/Q)			
		Preferred stock (247,500 units)		12/16/2011	2,475	3,027(2)
		Common stock (25,000 units)		12/16/2011	25	1,027(2)
				3,493	5,047	

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Eckler Industries, Inc.	Restoration parts and accessories provider for classic automobiles	First lien senior secured revolving loan (\$4,900 par due 7/2017)	8.25% (Base Rate + 5.00%/Q)	7/12/2012	4,900	4,900(2)(26)	
		First lien senior secured loan (\$8,025 par due 7/2017)	7.25% (Libor + 6.00%/Q)	7/12/2012	8,025	8,025(2)(26)	
		First lien senior secured loan (\$30,124 par due 7/2017)	7.25% (Libor + 6.00%/Q)	7/12/2012	30,124	30,124(3)(26)	
		Series A preferred stock (1,800 shares)		7/12/2012	1,800	1,464(2)	
		Common stock (20,000 shares)		7/12/2012	200	(2)	
					45,049	44,513	
EcoMotors, Inc.	Engine developer	First lien senior secured loan (\$4,242 par due 10/2016)	10.83%	12/28/2012	4,162	4,242(2)	
		First lien senior secured loan (\$5,000 par due 6/2017)	10.83%	12/28/2012	4,882	5,000(2)	
		First lien senior secured loan (\$3,583 par due 7/2016)	10.13%	12/28/2012	3,526	3,583(2)	
		Warrant to purchase up to 321,888 shares of Series C preferred stock		12/28/2012		43(2)	
					12,570	12,868	
SK SPV IV, LLC	Collision repair site operators	Series A common stock (12,500 units)		8/18/2014	625	1,998(2)	
		Series B common stock (12,500 units)		8/18/2014	625	1,998(2)	
					1,250	3,996	
TA THI Buyer, Inc. and TA THI Parent, Inc.	Collision repair company	First lien senior secured loan (\$30,000 par due 7/2020)	6.50% (Libor + 5.50%/Q)	7/28/2014	30,000	30,000(2)(26)	
		Series A Preferred stock (50,000 shares)		7/28/2014	5,000	5,000(2)	
					35,000	35,000	
					115,112	119,174	2.27%

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**Commercial Real Estate Finance**

10th Street, LLC and New 10th Street, LLC(7)	Real estate holding company	First lien senior secured loan (\$25,002 par due 11/2019)	7.00% Cash, 1.00% PIK	3/31/2014	25,002	25,002(2)
		Senior subordinated loan (\$26,897 par due 11/2019)	7.00% Cash, 1.00% PIK	4/1/2010	26,897	26,897(2)
		Member interest (10.00% interest)		4/1/2010	594	54,476
		Option (25,000 units)		4/1/2010	25	25
					52,518	106,400

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$1,947 par due 12/2025)	8.75% (Libor + 7.25%/Q)	4/1/2010	568	1,220(26)	
Cleveland East Equity, LLC	Hotel operator	Real estate equity interests		4/1/2010	26	3,310	
Commons R-3, LLC	Real estate developer	Real estate equity interests		4/1/2010			
Crescent Hotels & Resorts, LLC and affiliates(7)	Hotel operator	Senior subordinated loan (\$2,236 par due 9/2011) Common equity interest		4/1/2010 4/1/2010			(2)(25)
NPH, Inc.	Hotel property	Real estate equity interests		4/1/2010	2,291	2,533	
					55,403	113,463	2.16%
<b>Chemicals</b>							
Argotec, LLC	Thermoplastic polyurethane films	First lien senior secured revolving loan (\$1,887 par due 5/2018)	7.00% (Base Rate + 3.75%/M)	5/31/2013	1,887	1,887(2)(26)	
		First lien senior secured loan (\$18,475 par due 5/2019)	5.75% (Libor + 4.75%/M)	5/31/2013	18,475	18,475(2)(26)	
					20,362	20,362	
K2 Pure Solutions Nocal, L.P.	Chemical producer	First lien senior secured revolving loan (\$4,256 par due 8/2019)	8.13% (Libor + 7.13%/M)	8/19/2013	4,256	4,171(2)(26)	
		First lien senior secured loan (\$21,366 par due 8/2019)	7.00% (Libor + 6.00%/M)	8/19/2013	21,366	20,938(2)(26)	
		First lien senior secured loan (\$39,750 par due 8/2019)	7.00% (Libor + 6.00%/M)	8/19/2013	39,750	38,955(3)(26)	
		First lien senior secured loan (\$19,875 par due 8/2019)	7.00% (Libor + 6.00%/M)	8/19/2013	19,875	19,477(4)(26)	
					85,247	83,541	



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Liquid Light, Inc.	Developer and licensor of process technology for the conversion of carbon dioxide into major chemicals	First lien senior secured loan (\$3,000 par due 11/2017)	10.00%	8/13/2014	2,925	2,925(2)		
		Warrant to purchase up to 86,009 shares of Series B preferred stock		8/13/2014	77	77(2)		
						3,002	3,002	
						108,611	106,905	2.04%

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
<b>Telecommunications</b>							
American Broadband Communications, LLC, American Broadband Holding Company, and Cameron Holdings of NC, Inc.	Broadband communication services	Warrants to purchase up to 208 shares		11/7/2007		8,516	
		Warrants to purchase up to 200 shares		9/1/2010		4,506	
							13,022
EUNetworks Group Limited(8)	Broadband bandwidth infrastructure provider	First lien senior secured loan (\$25,071 par due 5/2019)	7.50% (Libor + 6.50%/M)	12/13/2013	27,554	25,321(26)	
Quantance, Inc.	Designer of semiconductor products to the mobile wireless market	First lien senior secured loan (\$3,236 par due 9/2016)	10.25%	8/23/2013	3,169	3,236(2)	
		Warrant to purchase up to 130,432 shares of Series D Preferred Stock		8/23/2013	74	102(2)	
						3,243	3,338
Startec Equity, LLC(7)	Communication services	Member interest		4/1/2010			
Wilcon Holdings LLC	Communications infrastructure provider	Class A common stock (2,000,000 shares)		12/13/2013	1,829	1,962	
						32,626	43,643
<b>Printing, Publishing and Media</b>							
Batanga, Inc.	Independent digital media company	First lien senior secured revolving loan (\$4,000 par due 10/2014)	8.50%	10/31/2012	4,000	4,000(2)	
		First lien senior secured loan (\$3,667 par due 11/2016)	9.60%	10/31/2012	3,667	3,760(2)(24)	
		First lien senior secured loan (\$3,692 par due 9/2017)	9.60%	10/31/2012	3,692	3,692(2)	

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Earthcolor Group, LLC	Printing management services	Limited liability company interests (9.30%)	5/18/2012	11,359	11,452
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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	First lien senior secured loan (\$20,562 par due 3/2017)	9.00% (Libor + 7.50%/Q)	3/6/2011	20,562	20,151(2)(26)	
		First lien senior secured loan (\$9,550 par due 3/2017)	9.00% (Libor + 7.50%/Q)	3/6/2011	9,550	9,359(4)(26)	
		Preferred stock (10,663 shares)		9/29/2006	1,066	2,593(2)	
		Common stock (15,393 shares)		9/29/2006	3	6(2)	
					31,181	32,109	
					42,540	43,561	0.83%
<b>Health Clubs</b>							
Athletic Club Holdings, Inc.	Premier health club operator	First lien senior secured loan (\$34,000 par due 3/2019)	7.25% (Libor + 6.00%/M)	10/11/2007	34,000	34,000(2)(12)(26)	
CFW Co-Invest, L.P. and NCP Curves, L.P.	Health club franchisor	Limited partnership interest (4,152,165 shares)		7/31/2012	4,152	3,451(2)	
		Limited partnership interest (2,218,235 shares)		7/31/2012	2,218	1,844(2)(8)	
					6,370	5,295	
					40,370	39,295	0.75%
<b>Transportation</b>							
PODS Funding Corp. II	Storage and warehousing	First lien senior secured loan (\$3,929 par due 12/2018)	7.00% (Libor + 6.00%/Q)	12/19/13	3,929	3,929(26)	
		First lien senior secured loan (\$34,119 par due 12/2018)	7.00% (Libor + 6.00%/Q)	12/19/13	34,119	34,119(26)	
United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
					38,048	38,048	0.72%

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**Environmental Services**

Genomatica, Inc.	Developer of a biotechnology platform for the production of chemical products	Warrant to purchase 322,422 shares of Series D preferred stock	3/28/2013		6(2)
RE Community Holdings II, Inc., Pegasus Community Energy, LLC., and MPH Energy Holdings, LP	Operator of municipal recycling facilities	Preferred stock (1,000 shares)	3/1/2011	8,839	15(2)
		Limited partnership interest (3.13% interest)	1/8/2014		(2)
				8,839	15

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Waste Pro USA, Inc	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	30,660(2)	
					21,102	30,681	0.58%
<b>Housing Building Materials</b>							
Kinestral Technologies, Inc.	Designer of adaptive, dynamic glass for the commercial and residential markets	First lien senior secured loan (\$6,500 par due 8/2017)	10.00%	4/22/2014	6,379	6,500(2)	
		Warrant to purchase up to 325,000 shares of Series A preferred stock		4/22/2014	73	73(2)	
					6,452	6,573	
					6,452	6,573	0.13%
<b>Food and Beverage</b>							
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	77(2)	
		Class A-1 common stock (2,157 shares)				(2)	
					980	77	
					980	77	0.00%
					\$ 8,600,794	\$ 8,783,580	167.32%

(1) Other than the Company's investments listed in footnote 7 below (subject to the limitations set forth therein), the Company does not "Control" any of its portfolio companies, for the purposes of the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). In general, under the Investment Company Act, the Company would "Control" a portfolio company if the Company owned more than 25% of its outstanding voting securities (i.e., securities with the right to elect directors) and/or had the power to exercise control over the management or policies of such portfolio company. All of the Company's portfolio company investments, which as of September 30, 2014 represented 167% of the Company's net assets or 95% of the Company's total assets, are subject to legal restrictions on sales.

(2) These assets are pledged as collateral for the Revolving Credit Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company's obligations under the Revolving Credit Facility (see Note 5 to the consolidated financial statements).

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- (3) These assets are owned by the Company's consolidated subsidiary Ares Capital CP Funding LLC ("Ares Capital CP"), are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).
- (4) These assets are owned by the Company's consolidated subsidiary Ares Capital JB Funding LLC ("ACJB"), are pledged as collateral for the SMBC Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than ACJB's obligations under the SMBC Funding Facility (see Note 5 to the consolidated financial statements).
- (5) Investments without an interest rate are non-income producing.
- (6) As defined in the Investment Company Act, the Company is deemed to be an "Affiliated Person" of a portfolio company because it owns 5% or more of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company

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(including through a management agreement). Transactions during the nine months ended September 30, 2014 in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to Control) are as follows:

<b>Company</b>	<b>Purchases (cost)</b>	<b>Redemptions (cost)</b>	<b>Sales (cost)</b>	<b>Interest income</b>	<b>Capital structuring service fees</b>	<b>Dividend income</b>	<b>Other income</b>	<b>Net realized gains (losses)</b>	<b>Net unrealized gains (losses)</b>
Apple & Eve, LLC and US Juice Partners, LLC	\$	\$	\$ 5,000	\$	\$	\$	\$	\$ 4,344	\$ (205)
Campus Management Corp. and Campus Management Acquisition Corp.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 5,954
Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.	\$	\$ 4,454	\$ 5,000	\$ 3,041	\$	\$ 1,019	\$ 181	\$	\$ 3,445
Crown Health Care Laundry Services, Inc. and Crown Laundry Holdings, LLC	\$ 28,550	\$ 123	\$	\$ 1,154	\$ 590	\$	\$ 86	\$	\$ (176)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC	\$ 702	\$ 702	\$	\$ 3	\$	\$	\$ 26	\$	\$ (1,386)
DESR Wind Development Acquisition Holdings, L.L.C.	\$ 15,556	\$	\$	\$ 166	\$ 369	\$	\$	\$	\$
The Dwyer Group	\$ 14,418	\$ 46,377	\$	\$ 2,772	\$ 60	\$ 2,279	\$ 179	\$ 21,141	\$ (11,791)
ELC Acquisition Corp. and ELC Holdings Corporation	\$	\$	\$	\$	\$	\$ 1,072	\$	\$	\$ (1,168)
Insight Pharmaceuticals Corporation	\$	\$ 19,187	\$ 12,070	\$ 1,765	\$	\$	\$	\$ 33,075	\$ (2,544)
Investor Group Services, LLC	\$	\$	\$	\$	\$	\$ 199	\$	\$	\$ (32)
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 430
Soteria Imaging Services, LLC	\$	\$	\$	\$	\$	\$	\$	\$ 38	\$
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 10,024
UL Holding Co., LLC	\$	\$ 3,487	\$	\$	\$	\$	\$	\$	\$ 7,056

(7)

As defined in the Investment Company Act, the Company is deemed to be both an "Affiliated Person" and "Control" this portfolio company because it owns more than 25% of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the nine months ended September 30, 2014 in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are as follows:

<b>Company</b>	<b>Purchases (cost)</b>	<b>Redemptions (cost)</b>	<b>Sales (cost)</b>	<b>Interest income</b>	<b>Capital structuring service fees</b>	<b>Dividend income</b>	<b>Other income</b>	<b>Net realized gains (losses)</b>	<b>Net unrealized gains (losses)</b>
10th Street, LLC and New 10th Street, LLC	\$ 24,895	\$	\$	\$ 2,952	\$ 455	\$	\$	\$	\$ 47,219
AllBridge Financial, LLC	\$	\$ 3,937	\$	\$	\$	\$ 382	\$	\$	\$ 58
Callidus Capital Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$ 14
Ciena Capital LLC	\$	\$ 4,000	\$	\$ 2,881	\$	\$	\$	\$	\$ 9,417
Citipostal Inc.	\$	\$ 70,270	\$	\$ 60	\$	\$	\$ 17	\$ (20,247)	\$ 25,270
Crescent Hotels & Resorts, LLC and affiliates	\$	\$	\$	\$	\$	\$ 42	\$	\$	\$



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HCI Equity, LLC	\$	\$	112	\$	\$	\$	\$	89	\$	\$	\$	178		
HCP Acquisition Holdings, LLC	\$	\$		\$	\$	\$	\$		\$	\$	\$			
Hot Light Brands, Inc.	\$	\$	90	\$	\$	\$	\$		\$	\$	144	(163)		
Ivy Hill Asset Management, L.P.	\$	\$		\$	\$	\$	\$	40,000	\$	\$		(21,471)		
MVL Group, Inc.	\$	\$	30,040	\$	\$	\$	\$		\$	\$	(27,709)	27,781		
Orion Foods, LLC	\$	3,000	\$	29,466	\$	\$	3,327	\$	\$	625	\$	1,624	(4,847)	
Pillar Processing LLC, PHL Investors, Inc., and PHL Holding Co.	\$	\$	9,844	\$	\$	\$	\$		\$	\$	(6,592)	6,522		
Senior Secured Loan Fund LLC*	\$	348,508	\$	139,561	\$	\$	205,433	\$	24,978	\$	\$	21,098	\$	3,134
Startec Equity, LLC	\$	\$		\$	\$	\$	\$		\$	\$	\$	\$	\$	
The Step2 Company, LLC	\$	4,500	\$		\$	\$	2,169	\$		\$	\$	\$	(18,436)	
The Thymes, LLC	\$	\$	840	\$	\$	\$	\$	158	\$	\$	\$	\$	2,810	

\*

Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), the Company co-invests through the Senior Secured Loan Fund LLC d/b/a the "Senior Secured Loan Program" (the "SSLP"). The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**As of September 30, 2014**

**(dollar amounts in thousands)**

**(unaudited)**

Act or otherwise) because, among other things, these "voting securities" do not afford the Company the right to elect directors of the SSLP or any other special rights (see Note 4 to the consolidated financial statements).

- (8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.
- (9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.
- (10) In the first quarter of 2011, the staff of the Securities and Exchange Commission (the "Staff") informally communicated to certain business development companies ("BDCs") the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) under the Investment Company Act) (i.e., not eligible to be included in a BDC's 70% "qualifying assets" basket). Subsequently, in August 2011 the Securities and Exchange Commission issued a concept release (the "Concept Release") which stated that "[a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company". The Company provided a comment letter in respect of the Concept Release and continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as "eligible portfolio companies" entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent discussions with the Staff, the Company has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non-qualifying assets" should the Staff ultimately disagree with the Company's position.
- (11) Variable rate loans to the Company's portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, the Company has provided the interest rate in effect on the date presented.
- (12) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$11 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (13) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$68 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (14) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 6.00% on \$11 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(15)

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In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.25% on \$53 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(16)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$25 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(17)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.13% on \$55 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(18)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 1.13% on \$17 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**As of September 30, 2014**

**(dollar amounts in thousands)**

**(unaudited)**

- (19) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.75% on \$24 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (20) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 5.00% on \$21 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (21) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$71 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (22) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.55% on \$28 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (23) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$88 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (24) The Company is entitled to receive a fixed fee upon the occurrence of certain events as defined in the credit agreement governing the Company's debt investment in the portfolio company. The fair value of such fee is included in the fair value of the debt investment.
- (25) Loan was on non-accrual status as of September 30, 2014.
- (26) Loan includes interest rate floor feature.
- (27) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates entitle the holders thereof to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.
- (28) As of September 30, 2014, no amounts were funded by the Company under this first lien senior secured revolving loan; however, there were letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.
- (29) As of September 30, 2014, in addition to the amounts funded by the Company under this first lien senior secured revolving loan, there were also letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.
- (30) As of September 30, 2014, no amounts were funded by the Company under this letter of credit facility; however, there were letters of credit issued and outstanding through a financial intermediary under the letter of credit facility. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.



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As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Investment Funds and Vehicles</b>							
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.94 units)		9/7/2007	\$ 867	\$ 2,851(2)	
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	826	1,177(2)	
Dynamic India Fund IV, LLC(9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	3,285	
HCI Equity, LLC(7)(8)(9)	Investment company	Member interest (100.00% interest)		4/1/2010	112	334	
Imperial Capital Private Opportunities, LP(9)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	3,315	10,231(2)	
Partnership Capital Growth Fund I, L.P.(9)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006	1,411	3,939(2)	
Partnership Capital Growth Investors III, L.P.(9)	Investment partnership	Limited partnership interest (2.50% interest)		10/5/2011	2,804	2,588(2)	
Piper Jaffray Merchant Banking Fund I, L.P.(9)	Investment partnership	Limited partnership interest (2.00% interest)		8/16/2012	632	563(2)	
Senior Secured Loan Fund LLC(7)(10)	Co-investment vehicle	Subordinated certificates (\$1,745,192 par due 12/2024)	8.24% (Libor + 8.00%/Q)(26)	10/30/2009	1,745,192	1,771,369	
		Membership interest (87.50% interest)		10/30/2009			
					1,745,192	1,771,369	
VSC Investors LLC(9)	Investment company	Membership interest (1.95% interest)		1/24/2008	745	1,211(2)	
					1,760,726	1,797,548	36.65%
<b>Healthcare Services</b>							
Alegeus Technologies Holdings Corp.	Benefits administration and	Preferred stock (2,997 shares)		12/13/2013	3,087	3,087	

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transaction processing  
provider

		Common stock (3 shares)		12/13/2013	3	3
					3,090	3,090
ATI Physical Therapy Holdings, LLC	Outpatient rehabilitation services provider	Class C common stock (51,005 shares)		12/13/2013	53	53
AxelaCare Holdings, Inc. and AxelaCare Investment Holdings, L.P.	Provider of home infusion services	First lien senior secured loan (\$4,458 par due 4/2019)	5.75% (Libor + 4.50%/Q)	4/12/2013	4,458	4,458(2)(25)
		Preferred units (8,218,160 units)		4/12/2013	822	855(2)
		Common units (83,010 units)		4/12/2013	8	9(2)
					5,288	5,322

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As of December 31, 2013

(dollar amounts in thousands)

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
California Forensic Medical Group, Incorporated	Correctional facility healthcare operator	First lien senior secured loan (\$53,640 par due 11/2018)	9.25% (Libor + 8.00%/Q)	11/16/2012	53,640	53,640(3)(25)	
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	1,546(2)	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(6)	Healthcare analysis services provider	Class A common stock (9,679 shares)		6/15/2007	2,543	4,014(2)	
		Class C common stock (1,546 shares)		6/15/2007		641(2)	
					2,543	4,655	
Dialysis Newco, Inc.	Dialysis provider	First lien senior secured loan (\$15,509 par due 8/2020)	5.25% (Libor + 4.25%/Q)	8/16/2013	15,509	15,509(2)(25)	
		Second lien senior secured loan (\$56,500 par due 2/2021)	9.75% (Libor + 8.50%/Q)	8/16/2013	56,500	56,500(2)(25)	
					72,009	72,009	
Genocea Biosciences, Inc.	Vaccine discovery technology company	First lien senior secured loan (\$10,000 par due 4/2017)	8.00%	9/30/2013	9,805	10,000(2)	
		Warrant to purchase up to 689,655 shares of Series C convertible preferred stock		9/30/2013		(2)	
					9,805	10,000	
GI Advo Opco, LLC	Residential behavioral treatment services provider	First lien senior secured loan (\$15,005 par due 6/2017)	6.00% (Libor + 4.75%/Q)	12/13/2013	15,448	15,455(25)	
		First lien senior secured loan (\$13 par due 6/2017)	7.00% (Base Rate + 3.75%/Q)	12/13/2013	13	13(25)	
					15,461	15,468	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,758(2)	
Intermedix Corporation	Revenue cycle management provider to the emergency	Second lien senior secured loan (\$112,000 par due	10.25% (Libor + 9.00%/Q)	12/27/2012	112,000	112,000(2)(25)	



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	healthcare industry	6/2019)				
JHP Group Holdings, Inc.	Manufacturer of speciality pharmaceutical products	Series A preferred stock (1,000,000 shares)	6.00% PIK	2/19/2013	272	2,673(2)
LM Acquisition Holdings, LLC(8)	Developer and manufacturer of medical equipment	Class A units (426 units)		9/27/2013	1,000	1,195(2)

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As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	First lien senior secured loan (\$134,115 par due 3/2018)	9.00% (Libor + 8.00%/Q)	9/15/2010	134,721	135,457(2)(25)	
		First lien senior secured loan (\$56,134 par due 3/2018)	9.00% (Libor + 8.00%/Q)	9/15/2010	56,134	56,695(3)(25)	
		First lien senior secured loan (\$4,668 par due 3/2018)	9.00% (Libor + 8.00%/Q)	3/6/2012	4,668	4,715(4)(25)	
					195,523	196,867	
Monte Nido Holdings, LLC	Outpatient eating disorder treatment provider	First lien senior secured loan (\$44,750 par due 12/2019)	7.75% (Libor + 6.75%/Q)	12/20/2013	44,750	44,750(2)(19)(25)	
MW Dental Holding Corp.	Dental services provider	First lien senior secured revolving loan (\$4,500 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	4,500	4,500(2)(25)	
		First lien senior secured loan (\$12,582 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	12,582	12,582(2)(25)	
		First lien senior secured loan (\$12,460 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	12,460	12,460(2)(25)	
		First lien senior secured loan (\$48,757 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	48,757	48,757(3)(25)	
		First lien senior secured loan (\$9,800 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	9,800	9,800(4)(25)	
							88,099
Napa Management Services Corporation	Anesthesia management services provider	First lien senior secured loan (\$23,496 par due 4/2018)	6.50% (Libor + 5.25%/Q)	4/15/2011	23,496	23,496(2)(25)	
		First lien senior secured loan (\$33,266 par due 4/2018)	6.50% (Libor + 5.25%/Q)	4/15/2011	33,203	33,266(3)(25)	
		Common units (5,000 units)		4/15/2011	5,000	8,896(2)	
					61,699	65,658	
National Healing Corporation and National Healing	Wound care service and equipment provider	Second lien senior secured loan (\$10,000 par due 2/2020)	9.25% (Libor + 8.00%/S)	12/13/2013	10,297	10,301(25)	

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Holding Corp.

Preferred stock  
(869,565 shares)

12/13/2013

1,296

1,296

11,593

11,597

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As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Netsmart Technologies, Inc. and NS Holdings, Inc.	Healthcare technology provider	First lien senior secured loan (\$2,833 par due 12/2017)	7.25% (Libor + 6.00%/Q)	12/18/2012	2,833	2,833(2)(17)(25)	
		First lien senior secured loan (\$36,259 par due 12/2017)	7.25% (Libor + 6.00%/Q)	12/18/2012	36,259	36,259(2)(17)(25)	
		Common stock (2,500,000 shares)		6/21/2010	2,500	2,710(2)	
					41,592	41,802	
New Trident Holdcorp, Inc.	Outsourced mobile diagnostic healthcare service provider	Second lien senior secured loan (\$80,000 par due 7/2020)	10.25% (Libor + 9.00%/Q)	8/6/2013	78,465	80,000(2)(25)	
OmniSYS Acquisition Corporation, OmniSYS, LLC, and OSYS Holdings, LLC	Provider of technology-enabled solutions to pharmacies	First lien senior secured loan (\$21,000 par due 11/2018)	8.50% (Libor + 7.50%/Q)	11/21/2013	21,000	21,000(2)(25)	
		Limited liability company membership interest (1.57% interest)		11/21/2013	1,000	1,000(2)	
					22,000	22,000	
PerfectServe, Inc.	Communications software platform provider for hospitals and physician practices	First lien senior secured loan (\$3,500 par due 4/2017)	10.00%	12/26/2013	3,465	3,500	
		Warrants to purchase up to 34,113 units of Series C preferred stock		12/26/2013		50	
					3,465	3,550	
PG Mergersub, Inc. and PGA Holdings, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Second lien senior secured loan (\$2,368 par due 10/2018)	8.25% (Libor + 7.00%/Q)	4/19/2012	2,439	2,376(25)	
		Second lien senior secured loan (\$21,316 par due 10/2018)	8.25% (Libor + 7.00%/Q)	4/19/2012	21,316	21,380(2)(25)	
		Preferred stock (333 shares)		3/12/2008	125	16(2)	
		Common stock (16,667 shares)		3/12/2008	167	825(2)	

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Physiotherapy Associates Holdings, Inc.	Outpatient rehabilitation physical therapy provider	Class A common stock (100,000 shares)	12/13/2013	24,047 3,090	24,597 3,090
POS I Corp. (fka Vantage Oncology, Inc.)	Radiation oncology care provider	Common stock (62,157 shares)	2/3/2011	4,670	1,375(2)

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(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
RCHP, Inc.	Operator of general acute care hospitals	First lien senior secured loan (\$14,887 par due 11/2018)	7.00% (Libor + 5.75%/Q)	11/4/2011	14,888	14,664(2)(25)	
		First lien senior secured loan (\$60,518 par due 11/2018)	7.00% (Libor + 5.75%/Q)	11/4/2011	60,496	59,611(3)(25)	
		Second lien senior secured loan (\$85,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	85,000	85,000(2)(25)	
					160,384	159,275	
Reed Group, Ltd.	Medical disability management services provider	Equity interests		4/1/2010		(2)	
Respicardia, Inc.	Developer of implantable therapies to improve cardiovascular health	First lien senior secured loan (\$3,800 par due 7/2015)	11.00%	6/28/2012	3,787	3,800(2)	
		Warrants to purchase up to 99,094 shares of Series C preferred stock		6/26/2012	38	29(2)	
					3,825	3,829	
Sage Products Holdings III, LLC	Patient infection control and preventive care solutions provider	Second lien senior secured loan (\$75,000 par due 6/2020)	9.25% (Libor + 8.00%/Q)	12/13/2012	75,000	75,000(2)(25)	
Sorbent Therapeutics, Inc.	Orally-administered drug developer	First lien senior secured loan (\$6,500 par due 9/2016)	10.25%	4/23/2013	6,500	6,500(2)	
		Warrant to purchase up to 727,272 shares of Series C preferred stock		4/23/2013		25(2)	
					6,500	6,525	
Soteria Imaging Services, LLC(6)	Outpatient medical imaging provider	Preferred member units (1,823,179 units)		4/1/2010			
SurgiQuest, Inc.	Medical device company	First lien senior secured loan (\$6,281 par due 10/2017)	10.00%	9/28/2012	6,133	6,281(2)	
		First lien senior secured loan (\$2,000 par due 10/2017)	10.69%	9/28/2012	1,953	2,000(2)	
				9/28/2012		(2)	

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Warrants to purchase  
up to 54,672 shares of  
Series D-4 convertible  
preferred stock

					8,086	8,281
U.S. Anesthesia Partners, Inc.	Anesthesiology service provider	First lien senior secured loan (\$30,000 par due 12/2019)	6.00% (Libor + 5.00%/Q)	12/31/2013	30,000	30,000(2)(25)

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As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Young Innovations, Inc.	Dental supplies and equipment manufacturer	First lien senior secured loan (\$9,697 par due 1/2019)	5.75% (Libor + 4.50%/Q)	1/31/2013	9,697	9,697(3)(25)	
		First lien senior secured loan (\$32 par due 1/2019)	6.75% (Base Rate + 3.50%/Q)	1/31/2013	32	32(3)(25)	
		First lien senior secured loan (\$13,304 par due 1/2019)	5.75% (Libor + 4.50%/Q)	1/31/2013	13,304	13,304(4)(25)	
		First lien senior secured loan (\$44 par due 1/2019)	6.75% (Base Rate + 3.50%/Q)	1/31/2013	44	44(4)(25)	
					23,077	23,077	
				1,163,140	1,172,781	23.91%	
<b>Business Services</b>							
2329497 Ontario Inc.(8)	Provider of outsourced data center infrastructure and related services	Second lien senior secured loan (\$42,333 par due 6/2019)	10.50% (Libor + 9.25%/M)	12/13/2013	43,551	43,603(25)	
Access CIG, LLC	Records and information management services provider	First lien senior secured loan (\$992 par due 10/2017)	7.00% (Libor + 5.75%/M)	10/5/2012	992	992(2)(25)	
BluePay Processing, Inc.	Technology-enabled payment processing solutions provider	First lien senior secured loan (\$6,000 par due 8/2019)	5.00% (Libor + 4.00%/Q)	8/30/2013	6,000	6,000(2)(25)	
Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.(6)	Payroll and accounting services provider to the entertainment industry	First lien senior secured loan (\$18,107 par due 12/2017)	7.25% (Libor + 6.25%/Q)	12/24/2012	18,107	18,107(2)(18)(25)	
		First lien senior secured loan (\$45,267 par due 12/2017)	7.25% (Libor + 6.25%/Q)	12/24/2012	45,267	45,267(3)(18)(25)	
		Class A membership units (2,500,000 units)		12/24/2012	2,500	4,021(2)	
		Class B membership units (2,500,000 units)		12/24/2012	2,500	4,021(2)	
				68,374	71,416		



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CIBT Investment Holdings, LLC	Expedited travel document processing services	Class A shares (2,500 shares)		12/15/2011	2,500	3,658(2)
CitiPostal Inc.(7)	Document storage and management services	First lien senior secured revolving loan (\$3,500 par due 12/2014)	6.50% (Libor + 4.50%/M)	4/1/2010	3,500	3,500(2)(25)
		First lien senior secured loan (\$53,731 par due 12/2014)		4/1/2010	53,731	41,501(2)(24)
		Senior subordinated loan (\$20,193 par due 12/2015)		4/1/2010	13,038	(2)(24)
		Common stock (37,024 shares)		4/1/2010		
					70,269	45,001

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As of December 31, 2013

(dollar amounts in thousands)

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Command Alkon, Inc.	Software solutions provider to the ready-mix concrete industry	Second lien senior secured loan (\$10,000 par due 3/2018)	8.75% (Libor + 7.50%/M)	9/28/2012	10,000	10,000(2)(25)	
		Second lien senior secured loan (\$34,000 par due 5/2019)	8.75% (Libor + 7.50%/Q)	9/28/2012	34,000	34,000(2)(25)	
					44,000	44,000	
Coverall North America, Inc.	Commercial janitorial services provider	Letter of credit facility		1/17/2013		(2)(29)	
eCommerce Industries, Inc.	Business critical enterprise resource planning software provider	First lien senior secured loan (\$19,936 par due 10/2016)	8.00% (Libor + 6.75%/Q)	12/13/2013	19,936	20,217(22)(25)	
GHS Interactive Security, LLC and LG Security Holdings, LLC	Originates residential security alarm contracts	First lien senior secured loan (\$2,091 par due 5/2018)	7.50% (Libor + 6.00%/Q)	12/13/2013	2,153	2,153(25)	
		Class A membership units (1,560,000 units)		12/13/2013	1,607	1,607	
					3,760	3,760	
HCP Pro, Inc. and HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Senior subordinated loan (\$9,004 par due 8/2014)		3/5/2013	2,692	(2)(24)	
		Class A units (14,293,110 units)		6/26/2008	12,793	(2)	
					15,485		
IfByPhone Inc.	Voice-based marketing automation software provider	First lien senior secured loan (\$1,533 par due 11/2015)	11.00%	10/15/2012	1,490	1,533(2)	
		First lien senior secured loan (\$833 par due 1/2016)	11.00%	10/15/2012	833	833(2)	
		Warrant to purchase up to 124,300 shares of Series C preferred stock		10/15/2012	88	64(2)	
					2,411	2,430	
Investor Group Services, LLC(6)	Business consulting for private equity and corporate clients	Limited liability company membership interest (8.5% interest)		6/22/2006		633	

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IronPlanet, Inc.	Online auction platform provider for used heavy equipment	First lien senior secured revolving loan (\$5,000 par due 9/2015)	8.00%	9/24/2013	5,000	5,000(2)
		First lien senior secured loan (\$7,500 par due 7/2017)	9.25%	9/24/2013	7,155	7,275(2)
		Warrant to purchase to up to 133,333 shares of Series C preferred stock		9/24/2013	214	246(2)
					12,369	12,521

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As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Intel Laboratories, Inc.	Data services provider for building materials to property insurance industry	Preferred units (1,798,391 units)		6/29/2012	1,000	995(2)	
Keynote Systems, Inc. and Hawaii Ultimate Parent Corp., Inc.	Web and mobile cloud performance testing and monitoring services provider	First lien senior secured loan (\$164,587 par due 2/2020)	9.50% (Libor + 8.50%/Q)	8/22/2013	164,587	164,587(2)(25)	
		Class A common stock (2,970 shares)		8/22/2013	2,970	3,429(2)	
		Class B common stock (1,956,522 shares)		8/22/2013	30	35(2)	
					167,587	168,051	
Market Track Holdings, LLC	Business media consulting services company	Preferred stock (1,500 shares)		12/13/2013	1,982	1,982	
		Common stock (15,000 shares)		12/13/2013	1,982	1,982	
					3,964	3,964	
MSC Software Corporation and Maximus Holdings, LLC	Provider of software simulation tools and related services	First lien senior secured loan (\$42,750 par due 11/2017)	8.50% (Libor + 7.25%/Q)	12/13/2013	44,015	44,033(21)(25)	
		Warrants to purchase up to 1,050,013 shares of common stock		12/13/2013	424	424	
					44,439	44,457	
Multi-Ad Services, Inc.(6)	Marketing services and software provider	Preferred units (1,725,280 units)		4/1/2010	788	1,754	
		Common units (1,725,280 units)		4/1/2010			
					788	1,754	
MVL Group, Inc.(7)	Marketing research provider	Junior subordinated loan (\$185 par due 7/2012)		4/1/2010		(2)(24)	
		Senior subordinated loan (\$33,337 par due 7/2012)		4/1/2010	30,265	2,485(2)(24)	
		Common stock (560,716 shares)		4/1/2010		(2)	
					30,265	2,485	

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NComputing, Inc.	Desktop virtualization hardware and software technology service provider	First lien senior secured loan (\$6,500 par due 7/2016)	10.50%	3/20/2013	6,500	6,695(2)
		Warrant to purchase up to 462,726 shares of Series C preferred stock		3/20/2013		56(2)
					6,500	6,751

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Pillar Processing LLC, PHL Investors, Inc., and PHL Holding Co.(6)	Mortgage services	First lien senior secured loan (\$4,658 par due 11/2018)		7/31/2008	3,982	3,321(2)(24)	
		First lien senior secured loan (\$7,375 par due 5/2019)		11/20/2007	5,862	(2)(24)	
		Class A common stock (576 shares)		7/31/2012	3,768	(2)	
					13,612	3,321	
Platform Acquisition, Inc.	Data center and managed cloud services provider	Common stock (48,604 shares)		12/13/2013	7,536	7,536	
Powersport Auctioneer Holdings, LLC	Powersport vehicle auction operator	Common units (1,972 units)		3/2/2012	1,000	879(2)	
PSSI Holdings, LLC	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	First lien senior secured loan (\$1,000 par due 6/2018)	6.00% (Libor + 5.00%/Q)	8/7/2013	1,000	1,000(2)(25)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	154(2)	
Rainstor, Inc.	Database solutions provider	First lien senior secured loan (\$2,800 par due 4/2016)	11.25%	3/28/2013	2,735	2,800(2)	
		Warrant to purchase up to 142,210 shares of Series C preferred stock		3/28/2013	88	70(2)	
					2,823	2,870	
Summit Business Media Parent Holding Company LLC	Business media consulting services	Limited liability company membership interest (45.98% interest)		5/20/2011		1,458(2)	
TOA Technologies, Inc.	Cloud based, mobile workforce management applications provider	First lien senior secured loan (\$12,567 par due 11/2016)	10.25%	10/31/2012	12,124	12,567(2)	
		Warrant to purchase up to 2,509,770 shares of Series D preferred stock		10/31/2012	605	1,201(2)	

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(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Tripwire, Inc.	IT security software provider	First lien senior secured loan (\$74,684 par due 5/2018)	7.50% (Libor + 6.25%/Q)	5/23/2011	74,684	74,684(2)(25)	
		First lien senior secured loan (\$10,266 par due 5/2018)	7.50% (Libor + 6.25%/Q)	5/23/2011	10,266	10,266(2)(25)	
		First lien senior secured loan (\$49,875 par due 5/2018)	7.50% (Libor + 6.25%/Q)	5/23/2011	49,875	49,875(3)(25)	
		First lien senior secured loan (\$9,975 par due 5/2018)	7.50% (Libor + 6.25%/Q)	5/23/2011	9,975	9,975(4)(25)	
		Class B common stock (2,655,638 shares)		5/23/2011	30	84(2)	
		Class A common stock (2,970 shares)		5/23/2011	2,970	8,315(2)	
						147,800	153,199
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010		(2)	
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (5.98% interest)		10/26/2007	10,204	5,236	
VTE Holdings Corp.	Hosted enterprise resource planning application management services provider	Common units (1,500,000 units)		12/13/2013	3,862	3,862	
Worldpay (UK) Limited, Worldpay ECommerce Limited, Ship US Bidco, Inc., Ship Investor & Cy S.C.A.(8)	Payment processing company	First lien senior secured loan (\$5,341 par due 10/2017)	6.00% (Libor + 4.75%/Q)	12/13/2013	5,432	5,394(25)	
		Common stock (936,693 shares)		12/13/2013	2,698	2,732	
						8,129	8,126
X Plus Two Solutions, Inc. and X Plus One Solutions, Inc.	Provider of open and integrated software for digital marketing optimization	First lien senior secured revolving loan (\$8,600 par due 9/2014)	8.50%	4/1/2013	8,600	8,600(2)	
		First lien senior secured loan (\$7,000 par due 3/2017)	10.00%	4/1/2013	6,645	6,860(2)	
				4/1/2013	284	299(2)	



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Warrant to purchase  
up to 999,167 shares  
of Series C preferred  
stock

15,529	15,759	
768,665	699,856	14.27%

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(dollar amounts in thousands)

<b>Company(1) Services Other</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Capital Investments and Ventures Corp.	SCUBA diver training and certification provider	First lien senior secured loan (\$24,512 par due 8/2018)	7.00% (Libor + 5.75%/Q)	8/9/2012	24,512	24,512(3)(25)	
		First lien senior secured loan (\$8,719 par due 8/2018)	7.00% (Libor + 5.75%/Q)	8/9/2012	8,719	8,719(4)(25)	
					33,231	33,231	
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	First lien senior secured loan (\$14,286 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	14,286	14,286(2)(15)(25)	
		Second lien senior secured loan (\$35,283 par due 12/2015)	15.24% (Libor + 10.00% Cash, 5.00% PIK/Q)	12/10/2010	35,283	34,225(2)	
		Second lien senior secured loan (\$10,649 par due 12/2015)	15.26% (Libor + 10.00% Cash, 5.00% PIK/Q)	12/10/2010	10,649	10,330(2)	
		Warrants to purchase up to 654,618 shares		12/10/2010		979(2)	
				60,218	59,820		
Competitor Group, Inc. and Calera XVI, LLC	Endurance sports media and event operator	First lien senior secured revolving loan (\$2,850 par due 11/2018)	10.00% (Base Rate + 6.75%/Q)	11/30/2012	2,850	2,508(2)(25)	
		First lien senior secured revolving loan (\$900 par due 11/2018)	9.00% (Libor + 7.75%/Q)	11/30/2012	900	792(2)(25)	
		First lien senior secured loan (\$24,380 par due 11/2018)	10.00% (Libor + 7.75% Cash, 1.00% PIK /Q)	11/30/2012	24,380	21,454(2)(25)	
		First lien senior secured loan (\$29,853 par due 11/2018)	10.00% (Libor + 7.75% Cash, 1.00% PIK /Q)	11/30/2012	29,853	26,271(3)(25)	
		Membership units (2,500,000 units)		11/30/2012	2,513	17(2)(9)	
					60,496	51,042	
Fox Hill Holdings, Inc.	Third party claims administrator on behalf of insurance carriers	First lien senior secured loan (\$7,442 par due 6/2018)	6.75% (Libor + 5.75%/Q)	10/31/2013	7,442	7,442(2)(25)	
				10/31/2013	39	39(2)(25)	

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		First lien senior secured loan (\$39 par due 6/2018)	8.00% (Base Rate + 4.75%/Q)		7,481	7,481
ISS #2, LLC	Provider of repairs, refurbishments and services to the broader industrial end user markets	First lien senior secured loan (\$14,950 par due 6/2018)	6.50% (Libor + 5.50%/Q)	6/5/2013	14,950	14,950(2)(25)
		First lien senior secured loan (\$44,775 par due 6/2018)	6.50% (Libor + 5.50%/Q)	6/5/2013	44,775	44,775(3)(25)
					59,725	59,725

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<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Massage Envy, LLC	Franchisor in the massage industry	First lien senior secured loan (\$29,177 par due 9/2018)	8.50% (Libor + 7.25%/Q)	9/27/2012	29,177	29,177(2)(25)	
		First lien senior secured loan (\$49,291 par due 9/2018)	8.50% (Libor + 7.25%/Q)	9/27/2012	49,291	49,291(3)(25)	
		Common stock (3,000,000 shares)		9/27/2012	3,000	3,532(2)	
					81,468	82,000	
McKenzie Sports Products, LLC	Designer, manufacturer, and distributor of hunting-related supplies and supplies	First lien senior secured loan (\$8,140 par due 3/2017)	5.75% (Libor + 4.75%/M)	3/30/2012	8,140	8,140(2)(25)	
		First lien senior secured loan (\$9,302 par due 3/2017)	5.75% (Libor + 4.75%/M)	3/30/2012	9,302	9,302(4)(25)	
					17,442	17,442	
Spin HoldCo Inc.	Laundry service and equipment provider	Second lien senior secured loan (\$140,000 par due 5/2020)	9.00% (Libor + 7.75%/Q)	5/14/2013	140,000	140,000(2)(25)	
The Dwyer Group(6)	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$25,686 par due 6/2018)	12.00% Cash, 1.50% PIK	12/22/2010	25,686	25,686(2)	
		Series A preferred units (13,292,377 units)	8.00% PIK	12/22/2010	6,859	18,650(2)	
					32,545	44,336	
Wash Multifamily Laundry Systems, LLC	Laundry service and equipment provider	Second lien senior secured loan (\$78,000 par due 2/2020)	9.75% (Libor + 8.50%/Q)	6/26/2012	78,000	78,000(2)(25)	
					570,606	573,077	11.69%
<b>Education</b>							
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders	First lien senior secured revolving loan (\$2,250 par due 3/2019)	6.00% (Libor + 5.00%/Q)	3/18/2011	2,250	2,250(2)(25)	

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and other healthcare professionals		First lien senior secured loan (\$56,236 par due 3/2019)	6.00% (Libor + 5.00%/Q)	3/18/2011	56,236	56,236(3)(25)
		First lien senior secured loan (\$4,651 par due 3/2019)	6.00% (Libor + 5.00%/Q)	3/18/2011	4,651	4,651(4)(25)
					63,137	63,137
Campus Management Corp. and Campus Management Acquisition Corp.(6)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	3,337(2)

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation(6)	Developer, manufacturer and retailer of educational products	Preferred stock (99,492 shares)	12.00% PIK	8/1/2011	10,286	10,286(2)	
		Common stock (50,800 shares)		8/1/2011		1,345(2)	
					10,286	11,631	
Infilaw Holding, LLC	Operator of for-profit law schools	First lien senior secured revolving loan		8/25/2011		(2)(27)	
		First lien senior secured loan (\$1 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	1	1(2)(25)	
		First lien senior secured loan (\$14,362 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	14,362	14,362(3)(25)	
		Series A preferred units (124,890 units)	9.50% (Libor + 8.50%/Q)	8/25/2011	124,890	124,890(2)(25)	
		Series B preferred units (3.91 units)		10/19/2012	9,245	11,060(2)	
					148,498	150,313	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	First lien senior secured loan (\$39,459 par due 6/2015)		4/24/2013	39,385	35,514(3)(24)	
		First lien senior secured loan (\$14,774 par due 6/2015)		4/24/2013	14,746	13,297(4)(24)	
		Series B preferred stock (1,750,000 shares)		8/5/2010	5,000	(2)	
		Series C preferred stock (2,512,586 shares)		6/7/2010	689	(2)	
		Common stock (20 shares)		6/7/2010		(2)	
					59,820	48,811	
Lakeland Tours, LLC	Educational travel provider	First lien senior secured revolving loan		10/4/2011		(2)(27)	
		First lien senior secured loan (\$83,140 par due 12/2016)	8.50% (Libor + 7.50%/Q)	10/4/2011	83,067	83,131(2)(14)(25)	
		First lien senior secured loan (\$1,585 par due 12/2016)	5.25% (Libor + 4.25%/Q)	10/4/2011	1,585	1,585(2)(25)	
				10/4/2011	40,277	40,362(3)(14)(25)	

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First lien senior secured loan (\$40,362 par due 12/2016)	8.50% (Libor + 7.50%/Q)			
First lien senior secured loan (\$8,297 par due 12/2016)	5.25% (Libor + 4.25%/Q)	10/4/2011	8,280	8,297(3)(25)
Common stock (5,000 shares)		10/4/2011	5,000	5,117(2)
			138,209	138,492

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PIH Corporation	Franchisor of education-based early childhood centers	First lien senior secured revolving loan (\$621 par due 6/2016)	7.25% (Libor + 6.25%/M)	12/13/2013	621	621(25)	
		First lien senior secured loan (\$39,062 par due 6/2016)	7.25% (Libor + 6.25%/M)	12/13/2013	39,570	39,594(25)	
					40,191	40,215	
R3 Education, Inc. and EIC Acquisitions Corp.	Medical school operator	Preferred stock (8,800 shares)		7/30/2008	2,200	1,936(2)	
		Common membership interest (26.27% interest)		9/21/2007	15,800	29,584(2)	
		Warrants to purchase up to 27,890 shares		12/8/2009			(2)
					18,000	31,520	
RuffaloCODY, LLC	Provider of student fundraising and enrollment management services	First lien senior secured loan (\$634 par due 5/2019)	6.50% (Base Rate + 3.25%/Q)	5/29/2013	634	634(2)(25)	
		First lien senior secured loan (\$24,996 par due 5/2019)	5.50% (Libor + 4.25%/Q)	5/29/2013	24,996	24,996(2)(25)	
					25,630	25,630	
					514,291	513,086	10.46%
<b>Energy</b>							
Alphabet Energy, Inc.	Technology developer to convert waste-heat into electricity	First lien senior secured loan (\$3,000 par due 7/2017)	9.62%	12/16/2013	2,721	2,850(2)	
		Warrants to purchase up to 59,524 units of Series B preferred stock		12/16/2013	146	146(2)	
					2,867	2,996	
Brush Power, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$89,892 par due 8/2020)	6.25% (Libor + 5.25%/Q)	8/1/2013	89,892	89,892(2)(25)	
Centinela Funding, LLC	Solar power generation facility	Senior subordinated loan (\$56,000 par due	10.00% (Libor + 8.75%/Q)	11/14/2012	56,000	56,000(2)(25)	



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	developer and operator	11/2020)					
Joule Unlimited Technologies, Inc. and Stichting Joule Global Foundation	Renewable fuel and chemical production developer	First lien senior secured loan (\$7,500 par due 2/2017)	10.00%	7/25/2013	7,433	7,500(2)	
		Warrant to purchase up to 32,051 shares of Series C-2 preferred stock		7/25/2013		34(2)(8)	
					7,433	7,534	
La Paloma Generating Company, LLC	Natural gas fired, combined cycle plant operator	Second lien senior secured loan (\$68,000 par due 8/2018)	10.25% (Libor + 8.75%/M)	8/9/2011	67,060	67,320(2)(25)	

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Panda Sherman Power, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$32,500 par due 9/2018)	9.00% (Libor + 7.50%/Q)	9/14/2012	32,500	32,500(2)(25)	
Panda Temple Power II, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$20,000 par due 4/2019)	7.25% (Libor + 6.00%/Q)	4/3/2013	19,820	20,000(2)(25)	
Panda Temple Power, LLC	Gas turbine power generation facilities operator	First lien senior secured loan (\$60,000 par due 7/2018)	11.50% (Libor + 10.00%/Q)	7/17/2012	58,402	60,000(2)(25)	
Sunrun Solar Owner Holdco X, LLC	Residential solar energy provider	First lien senior secured loan (\$59,749 par due 6/2019)	9.50% (Libor + 8.25%/Q)	6/7/2013	59,749	59,749(2)(25)	
Sunrun Solar Owner Holdco XIII, LLC	Residential solar energy provider	First lien senior secured loan (\$19,300 par due 12/2019)	9.50% (Libor + 7.25% Cash, 1.00% PIK /Q)	11/27/2013	19,079	19,300(2)(25)	
					412,802	415,291	8.47%
<b>Restaurants and Food Services</b>							
ADF Capital, Inc., ADF Restaurant Group, LLC, and ARG Restaurant Holdings, Inc.	Restaurant owner and operator	First lien senior secured loan (\$33,581 par due 12/2018)	10.50% (Base Rate + 7.25%/Q)	11/27/2006	33,581	33,581(2)(20)(25)	
		First lien senior secured loan (\$10,919 par due 12/2018)	10.50% (Base Rate + 7.25%/Q)	11/27/2006	10,922	10,919(3)(20)(25)	
		Promissory note (\$16,558 par due 12/2018)	13.00% PIK	11/27/2006	13,273	15,997(2)	
		Warrants to purchase up to 23,750 units of Series D common stock		12/18/2013	24	(2)	
					57,800	60,497	
Benihana, Inc.	Restaurant owner and operator	First lien senior secured loan (\$4,925 par due 2/2018)	6.75% (Libor + 5.50%/Q)	8/21/2012	4,925	4,925(4)(25)	
Garden Fresh Restaurant Corp.	Restaurant owner and operator	First lien senior secured revolving loan		10/3/2013		(2)(27)	
		First lien senior secured loan (\$43,750 par due 7/2018)	10.00% (Libor + 8.50%/M)	10/3/2013	43,750	43,750(2)(25)	

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(dollar amounts in thousands)

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Hojiej Branded Foods, Inc.	Airport restaurant operator	First lien senior secured revolving loan (\$450 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	450	450(2)(25)(28)	
		First lien senior secured loan (\$12,500 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	12,500	12,500(2)(25)	
		First lien senior secured loan (\$15,000 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	14,543	15,000(2)(25)	
		Warrants to purchase up to 7.5% of membership interest		2/15/2012		299(2)	
		Warrants to purchase up to 324 shares of Class A common stock		2/15/2012	669	4,307(2)	
						28,162	32,556
Orion Foods, LLC (fka Hot Stuff Foods, LLC)(7)	Convenience food service retailer	First lien senior secured revolving loan (\$9,500 par due 9/2014)	10.75% (Base Rate + 7.50%/M)	4/1/2010	9,500	9,500(2)(25)	
		First lien senior secured loan (\$33,037 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	33,037	33,037(3)(25)	
		Second lien senior secured loan (\$37,552 par due 9/2014)		4/1/2010	18,423	20,205(2)(24)	
		Preferred units (10,000 units)		10/28/2010		(2)	
		Class A common units (25,001 units)		4/1/2010		(2)	
		Class B common units (1,122,452 units)		4/1/2010		(2)	
					60,960	62,742	
OTG Management, LLC	Airport restaurant operator	First lien senior secured loan (\$25,000 par due 12/2017)	8.75% (Libor + 7.25%/Q)	12/11/2012	25,000	25,000(2)(25)	
		First lien senior secured loan (\$7,075 par due 12/2017)	8.75% (Libor + 7.25%/Q)	12/11/2012	7,075	7,075(2)(25)	
		Common units (3,000,000 units)		1/5/2011	3,000	3,638(2)	
		Warrants to purchase up to 7.73% of common units		6/19/2008	100	7,257(2)	
						35,175	42,970
				5/14/2013	74,282	74,850(2)(25)	

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Performance Food Group, Inc. and Wellspring Distribution Corp	Food service distributor	Second lien senior secured loan (\$74,625 par due 11/2019)	6.25% (Libor + 5.25%/Q)			
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	6,303	6,529(2)
					80,585	81,379

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PMI Holdings, Inc.	Restaurant owner and operator	Preferred stock (46,025 shares)		12/13/2013	687	687	
		Common stock (22,401 shares)		12/13/2013	379	379	
					1,066	1,066	
Restaurant Holding Company, LLC	Fast food restaurant operator	First lien senior secured loan (\$60,125 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/17/2012	59,303	58,922(3)(25)	
		First lien senior secured loan (\$9,250 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/17/2012	9,122	9,065(4)(25)	
					68,425	67,987	
S.B. Restaurant Company	Restaurant owner and operator	Preferred stock (46,690 shares)		4/1/2010		(2)	
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010		(2)	
					380,848	397,872	8.11%
<b>Financial Services</b>							
AllBridge Financial, LLC(7)	Asset management services	Equity interests		4/1/2010	5,077	9,718	
Callidus Capital Corporation(7)	Asset management services	Common stock (100 shares)		4/1/2010	3,000	1,713	
Ciena Capital LLC(7)	Real estate and small business loan servicer	First lien senior secured revolving loan (\$14,000 par due 12/2014)	6.00%	11/29/2010	14,000	14,000(2)	
		First lien senior secured loan (\$26,000 par due 12/2016)	12.00%	11/29/2010	26,000	26,000(2)	
		Equity interests		11/29/2010	53,374	10,926(2)	
					93,374	50,926	
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$28,000 par due 5/2018)	12.75%	5/10/2012	28,000	28,000(2)	
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated loan (\$1,750 par due	9.00%	9/30/2011	1,750	1,750(2)	

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9/2015)

Gordian Acquisition Corp.	Financial services firm	Common stock (526 shares)	11/30/2012		(2)	
Imperial Capital Group LLC	Investment services	2006 Class B common units (2,526 units)	5/10/2007	3	5(2)	
		2007 Class B common units (315 units)	5/10/2007		1(2)	
		Class A common units (7,710 units)	5/10/2007	14,997	19,672(2)	
				15,000	19,678	
Ivy Hill Asset Management, L.P.(7)(9)	Asset management services	Member interest (100.00% interest)	6/15/2009	170,961	280,353	
				317,162	392,138	8.00%

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Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Gilchrist & Soames, Inc.	Personal care manufacturer	First lien senior secured revolving loan (\$8,700 par due 12/2014)	6.25% (Libor + 5.00%/M)	4/1/2010	8,700	8,700(2)(25)	
		First lien senior secured loan (\$22,508 par due 12/2014)	13.44% Cash, 2.00% PIK	4/1/2010	22,504	21,833(2)	
					31,204	30,533	
Implus Footcare, LLC	Provider of footwear and other accessories	Preferred stock (455 shares)	6.00% PIK	10/31/2011	5,172	5,172(2)	
		Common stock (455 shares)		10/31/2011	455	170(2)	
					5,627	5,342	
Insight Pharmaceuticals Corporation(6)	OTC drug products manufacturer	Second lien senior secured loan (\$19,310 par due 8/2017)	13.25% (Libor + 11.75%/Q)	8/26/2011	19,165	19,310(2)(25)	
		Class A common stock (155,000 shares)		8/26/2011	6,035	7,234(2)	
		Class B common stock (155,000 shares)		8/26/2011	6,035	7,234(2)	
					31,235	33,778	
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of over-the-counter healthcare products	Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		1,219(2)	
		Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		1,144(2)	
						2,363	
Oak Parent, Inc.	Manufacturer of athletic apparel	First lien senior secured loan (\$31,295 par due 4/2018)	7.50% (Libor + 7.00%/Q)	4/2/2012	31,184	31,294(3)(25)	
		First lien senior secured loan (\$86 par due 4/2018)	9.25% (Base Rate + 6.00%/S)	4/2/2012	85	86(3)(25)	
		First lien senior secured loan (\$8,844 par due 4/2018)	7.50% (Libor + 7.00%/Q)	4/2/2012	8,813	8,844(4)(25)	
		First lien senior secured loan (\$24 par due 4/2018)	9.25% (Base Rate + 6.00%/S)	4/2/2012	24	24(4)(25)	
					40,106	40,248	





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PG-ACP Co-Invest, LLC	Supplier of medical uniforms, specialized medical footwear and accessories	Class A membership units (1,000,0000 units)		8/29/2012	1,000	1,526(2)	
The Step2 Company, LLC	Toy manufacturer	Second lien senior secured loan (\$25,600 par due 4/2015)	10.00%	4/1/2010	25,089	25,088(2)	
		Second lien senior secured loan (\$32,865 par due 4/2015)	10.00%	4/1/2010	30,802	26,292(2)	
		Common units (1,116,879 units)		4/1/2010	24		
		Warrants to purchase up to 3,157,895 units		4/1/2010			
					55,915	51,380	
The Thymes, LLC(7)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	4,696	4,221	
		Common units (5,400 units)		6/21/2007		6,687	
					4,696	10,908	
Woodstream Corporation	Pet products manufacturer	First lien senior secured loan (\$8,465 par due 8/2016)	6.00% (Libor + 5.00%/Q)	4/18/2012	8,465	8,465(4)(25)	
		Senior subordinated loan (\$80,000 par due 2/2017)	11.50%	4/18/2012	77,412	80,000(2)	
		Common stock (4,254 shares)		1/22/2010	1,222	2,685(2)	
					87,099	91,150	
					256,882	267,228	5.45%
<b>Containers Packaging ICSH, Inc.</b>	Industrial container manufacturer, reconditioner and servicer	First lien senior secured revolving loan		8/31/2011		(2)(27)	
		First lien senior secured loan (\$27,740 par due 8/2016)	7.00% (Libor + 6.00%/Q)	8/31/2011	27,777	27,740(2)(25)	
		First lien senior secured loan (\$61,518 par due 8/2016)	7.00% (Libor + 6.00%/Q)	8/31/2011	61,518	61,518(3)(25)	
		First lien senior secured loan (\$14,718 par due 8/2016)	7.00% (Libor + 6.00%/Q)	8/31/2011	14,718	14,718(4)(25)	

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					104,013	103,976
Microstar Logistics LLC, Microstar Global Asset Management LLC, and MStar Holding Corporation	Keg management solutions provider	Second lien senior secured loan (\$142,500 par due 12/2018)	8.50% (Libor + 7.50%/Q)	12/14/2012	142,500	142,500(2)(25)
		Common stock (50,000 shares)		12/14/2012	5,000	7,223(2)
					147,500	149,723

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Pregis Corporation, Pregis Intellipack Corp., and Pregis Innovative Packaging Inc.	Provider of highly-customized, tailored protective packaging solutions	First lien senior secured loan (\$975 par due 3/2017)	7.75% (Libor + 6.25%/M)	4/25/2012	975	975(2)(25)	
		First lien senior secured loan (\$5 par due 3/2017)	8.50% (Base Rate + 5.25%/Q)	4/25/2012	5	5(2)(25)	
					980	980	
					252,493	254,679	5.19%
<b>Manufacturing</b>							
Cambrios Technologies Corporation	Nanotechnology-based solutions for electronic devices and computers	First lien senior secured loan (\$3,030 par due 8/2015)	12.00%	8/7/2012	3,030	3,030(2)	
		Warrants to purchase up to 400,000 shares of Series D-4 convertible preferred stock		8/7/2012		6(2)	
					3,030	3,036	
Component Hardware Group, Inc.	Commercial equipment	First lien senior secured loan (\$23,701 par due 7/2019)	5.50% (Libor + 4.50%/M)	7/1/2013	23,701	23,701(2)(25)	
Lighting Science Group Corporation	Advanced lighting products	Letter of credit facility		9/20/2011		(2)(29)	
Mac Lean-Fogg Company	Provider of intelligent transportation systems products in the traffic and rail industries	Senior subordinated loan (\$100,251 par due 10/2023)	9.50% Cash, 1.50% PIK	10/31/2013	100,251	100,251(2)	
MWI Holdings, Inc.	Provider of engineered springs, fasteners, and other precision components	First lien senior secured loan (\$38,274 par due 3/2019)	9.38% (Libor + 8.13%/Q)	6/15/2011	38,274	38,274(2)(25)	
		First lien senior secured loan (\$10,000 par due 3/2019)	9.38% (Libor + 8.13%/Q)	6/15/2011	10,000	10,000(4)(25)	
					48,274	48,274	
NetShape Technologies, Inc.	Metal precision engineered components	First lien senior secured revolving loan (\$538 par due 12/2014)	7.50% (Libor + 6.50%/Q)	4/1/2010	538	538(2)(25)	
Pelican Products, Inc.	Flashlights	First lien senior secured loan (\$2,317 par due 7/2018)	6.25% (Libor + 5.00%/Q)	7/13/2012	2,317	2,317(4)(25)	
		Second lien senior secured loan (\$32,000)	11.50% (Libor + 10.00%/Q)	7/13/2012	32,000	32,000(2)(25)	

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par due 6/2019)

					34,317	34,317
Protective Industries, Inc. dba Caplugs	Plastic protection products	First lien senior secured loan (\$997 par due 10/2019)	6.75% (Libor + 5.75%/Q)	11/30/2012	997	997(2)(25)
		Preferred stock (2,379,361 shares)		5/23/2011	1,298	4,837(2)
					2,295	5,834

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Saw Mill PCG Partners LLC	Metal precision engineered components	Common units (1,000 units)		1/30/2007	1,000	(2)	
SSH Environmental Industries, Inc. and SSH Non-Destructive Testing, Inc.	Magnetic sensors and supporting sensor products	First lien senior secured loan (\$11,140 par due 12/2016)	9.00% (Libor + 7.50%/Q)	3/23/2012	10,990	11,140(2)(25)	
TPTM Merger Corp.	Time temperature indicator products	First lien senior secured revolving loan (\$950 par due 9/2018)	6.25% (Libor + 5.25%/Q)	9/12/2013	950	950(2)(25)	
		First lien senior secured revolving loan (\$540 par due 9/2018)	7.50% (Base Rate + 4.25%/Q)	9/12/2013	540	540(2)(25)	
		First lien senior secured loan (\$25,935 par due 9/2018)	6.25% (Libor + 5.25%/Q)	9/12/2013	25,935	25,935(2)(25)	
					27,425	27,425	
					251,821	254,516	5.19%
<b>Automotive Services</b>							
Driven Holdings, LLC	Automotive aftermarket car care franchisor	Preferred stock (247,500 units)		12/16/2011	2,475	2,852(2)	
		Common stock (25,000 units)		12/16/2011	25	808(2)	
					2,500	3,660	
Eckler Industries, Inc.	Restoration parts and accessories provider for classic automobiles	First lien senior secured revolving loan (\$2,000 par due 7/2017)	8.25% (Base Rate + 5.00%/Q)	7/12/2012	2,000	2,000(2)(25)	
		First lien senior secured loan (\$8,172 par due 7/2017)	7.25% (Libor + 6.00%/M)	7/12/2012	8,172	8,172(2)(25)	
		First lien senior secured loan (\$30,609 par due 7/2017)	7.25% (Libor + 6.00%/M)	7/12/2012	30,609	30,609(3)(25)	
		Series A preferred stock (1,800 shares)		7/12/2012	1,800	2,031(2)	
		Common stock (20,000 shares)		7/12/2012	200	116(2)	
					42,781	42,928	
EcoMotors, Inc.	Engine developer	First lien senior secured loan (\$5,000 par due 10/2016)	10.83%	12/28/2012	4,869	5,000(2)	
			10.83%	12/28/2012	4,853	5,000(2)	

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First lien senior secured loan (\$5,000 par due 6/2017)				
First lien senior secured loan (\$4,833 par due 7/2016)	10.13%	12/28/2012	4,724	4,833(2)
Warrant to purchase up to 321,888 shares of Series C preferred stock		12/28/2012		43(2)
			14,446	14,876

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Service King Paint & Body, LLC	Collision repair site operators	First lien senior secured loan (\$7,617 par due 8/2017)	4.00% (Libor + 3.00%/Q)	8/20/2012	7,617	7,617(2)(25)		
		First lien senior secured loan (\$46,898 par due 8/2017)	6.00% (Libor + 5.00%/Q)	8/20/2012	46,898	46,898(2)(16)(25)		
		First lien senior secured loan (\$6,398 par due 8/2017)	4.00% (Libor + 3.00%/Q)	8/20/2012	6,398	6,398(2)(25)		
		First lien senior secured loan (\$72,135 par due 8/2017)	6.00% (Libor + 5.00%/Q)	8/20/2012	72,135	72,135(2)(16)(25)		
		First lien senior secured loan (\$9,646 par due 8/2017)	4.00% (Libor + 3.00%/Q)	8/20/2012	9,646	9,646(4)(25)		
		First lien senior secured loan (\$10,000 par due 8/2017)	6.00% (Libor + 5.00%/Q)	8/20/2012	10,000	10,000(3)(16)(25)		
		Membership interest		8/20/2012	5,000	6,948(2)		
						157,694	159,642	
						217,421	221,106	4.51%
<b>Retail</b> Fulton Holdings Corp.(12)	Airport restaurant operator	First lien senior secured loan (\$43,000 par due 5/2018)	8.50%	5/10/2013	43,000	43,000(2)(12)		
		First lien senior secured loan (\$40,000 par due 5/2018)	8.50%	5/28/2010	40,000	40,000(3)(12)		
		Common stock (19,672 shares)		5/28/2010	1,461	2,086(2)		
					84,461	85,086		
Paper Source, Inc. and Pine Holdings, Inc.	Retailer of fine and artisanal papers, gifts, gift wrap, greeting cards and envelopes	First lien senior secured loan (\$18,952 par due 9/2018)	7.25% (Libor + 6.25%/Q)	9/23/2013	18,952	18,952(2)(25)		
		Class A common stock (36,364 shares)		9/23/2013	6,000	6,660(2)		
					24,952	25,612		
Things Remembered Inc. and TRM Holdings Corporation	Personalized gifts retailer	First lien senior secured loan (\$14,813 par due 5/2018)	8.00% (Libor + 6.50%/Q)	5/24/2012	14,813	14,813(4)(25)		
					124,226	125,511	2.56%	



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**Chemicals**

Argotec, LLC

Thermoplastic polyurethane films	First lien senior secured revolving loan (\$625 par due 5/2018)	7.00% (Base Rate + 3.75%/M)	5/31/2013	625	625(2)(25)
	First lien senior secured loan (\$5,788 par due 5/2019)	5.75% (Libor + 4.75%/M)	5/31/2013	5,788	5,788(2)(25)
	First lien senior secured loan (\$74 par due 5/2019)	7.00% (Base Rate + 3.75%/Q)	5/31/2013	74	74(2)(25)
				6,487	6,487

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Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	First lien senior secured loan (\$17,730 par due 5/2018)	6.75% (Libor + 5.50%/Q)	12/13/2013	18,256	18,262(25)	
K2 Pure Solutions Nocal, L.P.	Chemical producer	First lien senior secured revolving loan (\$2,256 par due 8/2019)	8.13% (Libor + 7.13%/M)	8/19/2013	2,256	2,211(2)(25)	
		First lien senior secured loan (\$41,500 par due 8/2019)	7.00% (Libor + 6.00%/M)	8/19/2013	41,500	40,670(2)(25)	
		First lien senior secured loan (\$40,000 par due 8/2019)	7.00% (Libor + 6.00%/M)	8/19/2013	40,000	39,200(3)(25)	
					83,756	82,081	
					108,499	106,830	2.18%
<b>Aerospace and Defense</b>							
Cadence Aerospace, LLC (fka PRV Aerospace, LLC)	Aerospace precision components manufacturer	First lien senior secured loan (\$4,459 par due 5/2018)	6.50% (Libor + 5.25%/Q)	5/15/2012	4,425	4,459(4)(25)	
		First lien senior secured loan (\$65 par due 5/2018)	7.50% (Base Rate + 4.25%/Q)	5/15/2012	65	65(4)(25)	
		Second lien senior secured loan (\$79,657 par due 5/2019)	10.50% (Libor + 9.25%/Q)	5/10/2012	79,657	77,267(2)(25)	
					84,147	81,791	
ILC Industries, LLC	Designer and manufacturer of protective cases and technically advanced lighting systems	First lien senior secured loan (\$19,192 par due 7/2018)	8.00% (Libor + 6.50%/Q)	7/13/2012	18,885	19,192(4)(25)	
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Senior preferred stock (775 shares)	8.00% PIK	1/17/2008	111	111(2)	
		Common stock (1,885,195 shares)		1/17/2008	2,291	1,722(2)	
					2,402	1,833	
					105,434	102,816	2.10%
<b>Transportation</b>							
Eberle Design, Inc.	Provider of intelligent transportation systems products in the traffic and rail industries	First lien senior secured loan (\$30,500 par due 8/2018)	7.50% (Libor + 6.25%/Q)	8/26/2013	30,359	30,500(2)(25)	

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PODS Funding Corp. II	Storage and warehousing	First lien senior secured loan (\$35,897 par due 12/2018)	7.00% (Libor + 6.00%/Q)	12/19/2013	35,897	35,897(25)	
United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
					66,256	66,397	1.35%

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As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Printing, Publishing and Media</b>							
Batanga, Inc.	Independent digital media company	First lien senior secured revolving loan (\$3,000 par due 4/2014)	8.50%	10/31/2012	3,000	3,000(2)(23)	
		First lien senior secured loan (\$4,936 par due 11/2016)	9.60%	10/31/2012	4,936	5,030(2)(23)	
		First lien senior secured loan (\$4,500 par due 9/2017)	9.60%	10/31/2012	4,500	4,500(2)(23)	
					12,436	12,530	
Earthcolor Group, LLC	Printing management services	Limited liability company interests (9.30%)		5/18/2012			
Encompass Digital Media, Inc.	Provider of outsourced network origination and transmission services for media companies	First lien senior secured loan (\$19,651 par due 8/2017)	6.75% (Libor + 5.50%/Q)	12/13/2013	20,233	20,241(25)	
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	First lien senior secured loan (\$20,886 par due 3/2017)	9.00% (Libor + 7.50%/Q)	9/29/2006	20,886	20,469(2)(25)	
		First lien senior secured loan (\$9,701 par due 3/2017)	9.00% (Libor + 7.50%/Q)	9/29/2006	9,701	9,507(4)(25)	
		Preferred stock (10,663 shares)		9/29/2006	1,066	2,282(2)	
		Common stock (15,393 shares)		9/29/2006	3	5(2)	
					31,656	32,263	
					64,325	65,034	1.33%
<b>Commercial Real Estate Finance</b>							
10th Street, LLC(6)	Real estate holding company	Senior subordinated loan (\$26,250 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	26,250	26,250(2)	
		Member interest (10.00% interest)		4/1/2010	594	7,257	
		Option (25,000 units)		4/1/2010	25	25	
					26,869	33,532	
American Commercial Coatings, Inc.	Real estate property  Hotel operator	Commercial mortgage loan (\$2,275 par due 12/2025)	8.75% (Libor + 7.50%/Q)	4/1/2010	664	1,500	

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Cleveland East Equity, LLC		Real estate equity interests	4/1/2010	1,026	5,305
Commons R-3, LLC	Real estate developer	Real estate equity interests	4/1/2010		
Crescent Hotels & Resorts, LLC and affiliates(7)	Hotel operator	Senior subordinated loan (\$2,236 par due 9/2011)	4/1/2010		(2)(24)
		Senior subordinated loan (\$2,092 par due 6/2017)	4/1/2010		(2)(24)
		Common equity interest	4/1/2010		
				1,026	5,305

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

As of December 31, 2013

(dollar amounts in thousands)

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Hot Light Brands, Inc.(7)	Real estate holding company	First lien senior secured loan (\$31,384 par due 2/2011)		4/1/2010	90	253(2)(24)	
		Common stock (93,500 shares)		4/1/2010		(2)	
					90	253	
NPH, Inc.	Hotel property	Real estate equity interests		4/1/2010	5,291	5,532	
					33,940	46,122	0.94%
<b>Oil and Gas</b> Geotrace Technologies, Inc.	Reservoir processing and development	Warrants to purchase up to 69,978 shares of common stock		4/1/2010	88	(2)	
		Warrants to purchase up to 210,453 shares of preferred stock		4/1/2010	2,805	638(2)	
					2,893	638	
UL Holding Co., LLC and Universal Lubricants, LLC(6)	Petroleum product manufacturer	Second lien senior secured loan (\$10,093 par due 12/2014)		4/30/2012	9,519	7,260(2)(24)	
		Second lien senior secured loan (\$42,812 par due 12/2014)		4/30/2012	40,097	30,795(2)(24)	
		Second lien senior secured loan (\$4,994 par due 12/2014)		4/30/2012	4,668	3,592(2)(24)	
		Class A common units (151,236 units)		6/17/2011	1,512	(2)	
		Class B-5 common units (599,200 units)		4/25/2008	5,472	(2)	
		Class B-4 common units (50,000 units)		6/17/2011	500	(2)	
		Class C common units (758,546 units)		4/25/2008		(2)	
					61,768	41,647	
			64,661	42,285	0.86%		
<b>Health Clubs</b> Athletic Club Holdings, Inc.	Premier health club operator	First lien senior secured loan (\$34,000 par due 3/2019)	7.25% (Libor + 6.00%/M)	10/11/2007	34,000	34,000(2)(13)(25)	
	Health club franchisor			7/31/2012	4,152	2,913(2)	

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CFW Co-Invest, L.P. and NCP Curves, L.P.		Limited partnership interest (4,152,165 shares) Limited partnership interest (2,218,235 shares)	7/31/2012	2,218	1,556(2)	
				6,370	4,469	
				40,370	38,469	0.78%
<b>Telecommunications</b> American Broadband Communications, LLC, American Broadband Holding Company, and Cameron Holdings of NC, Inc.	Broadband communication services	Warrants to purchase up to 378 shares	11/7/2007		6,833(2)	
		Warrants to purchase up to 200 shares	9/1/2010		3,615(2)	
					10,448	

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

As of December 31, 2013

(dollar amounts in thousands)

<b>Company(1)</b>	<b>Business Description</b>	<b>Investment</b>	<b>Interest(5)(11)</b>	<b>Acquisition Date</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
EUNetworks Group Limited(8)	Broadband bandwidth infrastructure provider	First lien senior secured loan (\$20,567 par due 5/2019)	7.50% (Libor + 6.50%/Q)	12/13/2013	21,192	21,185(25)	
Quantance, Inc.	Designer of semiconductor products to the mobile wireless market	First lien senior secured loan (\$3,500 par due 9/2016)	10.25%	8/23/2013	3,402	3,465(2)	
		Warrant to purchase up to 130,432 shares of Series D preferred stock		8/23/2013	74	74(2)	
					3,476	3,539	
Startec Equity, LLC(7)	Communication services	Member interest		4/1/2010			
Wilcon Holdings LLC	Communications infrastructure provider	Class A common stock (2,000,000 shares)		12/13/2013	1,829	1,829	
					26,497	37,001	0.75%
<b>Environmental Services</b>							
Genomatica, Inc.	Developer of a biotechnology platform for the production of chemical products	First lien senior secured loan (\$1,500 par due 10/2016)	9.26%	3/28/2013	1,439	1,500(2)	
		Warrant to purchase 322,422 shares of Series D preferred stock		3/28/2013		6(2)	
					1,439	1,506	
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC.	Operator of municipal recycling facilities	Preferred stock (1,000 shares)		3/1/2011	8,839	532(2)	
Waste Pro USA, Inc.	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	27,898(2)	
					22,541	29,936	0.61%



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**Food and Beverage**

Apple & Eve, LLC and US Juice Partners, LLC(6)	Juice manufacturer	Senior units (50,000 units)		10/5/2007	5,000	5,205
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated loan (\$2,750 par due 6/2015)	17.50% PIK	2/6/2008	2,750	2,750(2)
		Preferred stock (6,258 shares)		9/1/2006	2,567	2,260(2)
					5,317	5,010

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of December 31, 2013

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	(2)	
		Class A-1 common stock (2,157 shares)		4/1/2010		(2)	
					980		
					11,297	10,215	0.21%
<b>Wholesale Distribution</b>							
BECO Holding Company, Inc.	Wholesale distributor of first response fire protection equipment and related parts	Common stock (25,000 shares)		7/30/2010	2,500	3,103(2)	
					2,500	3,103	0.06%
					\$ 7,537,403	\$ 7,632,897	155.63%

- (1) Other than the Company's investments listed in footnote 7 below (subject to the limitations set forth therein), the Company does not "Control" any of its portfolio companies, for the purposes of the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). In general, under the Investment Company Act, the Company would "Control" a portfolio company if the Company owned more than 25% of its outstanding voting securities (i.e., securities with the right to elect directors) and/or had the power to exercise control over the management or policies of such portfolio company. All of the Company's portfolio company investments, which as of December 31, 2013 represented 156% of the Company's net assets or 94% of the Company's total assets, are subject to legal restrictions on sales.
- (2) These assets are pledged as collateral for the Revolving Credit Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company's obligations under the Revolving Credit Facility (see Note 5 to the consolidated financial statements).
- (3) These assets are owned by the Company's consolidated subsidiary Ares Capital CP, are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).
- (4) These assets are owned by the Company's consolidated subsidiary Ares Capital JB Funding LLC ("ACJB"), are pledged as collateral for the SMBC Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than ACJB's obligations under the SMBC Funding Facility (see Note 5 to the consolidated financial statements).
- (5)

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Investments without an interest rate are non income producing.

(6)

As defined in the Investment Company Act, the Company is deemed to be an "Affiliated Person" of a portfolio company because it owns 5% or more of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company

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As of December 31, 2013

(dollar amounts in thousands)

(including through a management agreement). Transactions during the year ended December 31, 2013 in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to Control) are as follows:

Company	Purchases (cost)	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
10th Street, LLC	\$	\$	\$	\$ 3,361	\$	\$	\$	\$	\$ 6,781
Apple & Eve, LLC and US Juice Partners, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 3,807
Campus Management Corp. and Campus Management Acquisition Corp.	\$	\$	\$	\$	\$	\$	\$	\$	\$ (3,252)
Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.	\$	\$ 6,626	\$ 30,000	\$ 6,177	\$	\$ 128	\$ 154	\$	\$ 3,042
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$ 16,195	\$	\$ 875	\$ 395	\$ 1,047	\$ 10	\$	\$ 615
The Dwyer Group	\$	\$	\$	\$ 3,458	\$	\$ 522	\$	\$	\$ 4,166
ELC Acquisition Corp. and ELC Holdings Corporation	\$	\$ 1,682	\$	\$	\$	\$ 6,121	\$	\$	\$ (2,667)
Insight Pharmaceuticals Corporation	\$	\$	\$	\$ 2,623	\$	\$	\$	\$	\$ (2,114)
Investor Group Services, LLC	\$	\$	\$	\$	\$	\$ 176	\$	\$ 142	\$ (78)
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ (283)
Pillar Processing LLC and PHL Holding Co.	\$	\$ 3,527	\$	\$	\$	\$	\$	\$ 46	\$ (707)
Soteria Imaging Services, LLC	\$	\$ 2,049	\$	\$	\$	\$	\$	\$ (1,448)	\$ 1,208
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,584
UL Holding Co., LLC	\$	\$ 295	\$	\$ 3,037	\$	\$	\$ 49	\$ 15	\$ (13,225)

(7)

As defined in the Investment Company Act, the Company is deemed to be both an "Affiliated Person" and "Control" this portfolio company because it owns more than 25% of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the year ended December 31, 2013 in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are as follows:

Company	Purchases (cost)	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
AllBridge Financial, LLC	\$	\$ 598	\$	\$	\$	\$ 864	\$	\$	\$ 2,503
AWTP, LLC	\$	\$	\$ 10,333	\$ 1,237	\$	\$	\$ 269	\$ 8,740	\$ (4,580)
Callidus Capital Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$ (6)
Ciena Capital LLC	\$	\$ 6,000	\$	\$ 4,495	\$	\$	\$	\$	\$ (7,691)
Citipostal, Inc.	\$ 4,000	\$ 4,738	\$	\$ 5,473	\$	\$	\$ (321)	\$	\$ (13,787)
Crescent Hotels & Resorts, LLC and affiliates	\$	\$	\$	\$	\$	\$	\$	\$ 194	\$
HCI Equity, LLC	\$	\$ 340	\$	\$	\$	\$	\$	\$	\$ 227
HCP Acquisition Holdings, LLC	\$ 6,696	\$	\$ 3,559	\$	\$	\$	\$	\$ (809)	\$ (3,137)
Hot Light Brands, Inc.	\$	\$ 1,573	\$	\$	\$	\$	\$	\$	\$ 698
	\$	\$	\$	\$	\$	\$ 72,407	\$	\$	\$ (13,904)

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Ivy Hill Asset

Management, L.P.

MVL Group, Inc.	\$	\$	5,176	\$	\$	11	\$	\$	\$	\$	1,525		
Orion Foods, LLC	\$	2,700	\$	6,712	\$	4,285	\$	808	\$		7,669		
Senior Secured Loan													
Fund LLC*	\$	652,458	\$	145,153	\$	224,867	\$	43,119	\$	23,491	7,082	\$	421
The Thymes, LLC	\$		\$		\$		\$	410	\$			\$	3,460

\*

Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), the Company co invests through the Senior Secured Loan Fund LLC d/b/a the "Senior Secured Loan Program" (the "SSLP"). The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise) because, among other things, these "voting securities" do not afford the Company the right to elect directors of the SSLP or any other special rights (see Note 4 to the consolidated financial statements).

(8)

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

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**As of December 31, 2013**

**(dollar amounts in thousands)**

- (9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.
- (10) In the first quarter of 2011, the staff of the Securities and Exchange Commission (the "Staff") informally communicated to certain business development companies the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) under the Investment Company Act) (i.e., not eligible to be included in a BDC's 70% "qualifying assets" basket). Subsequently, in August 2011 the Securities and Exchange Commission issued a concept release (the "Concept Release") which stated that "[a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company". The Company provided a comment letter in respect of the Concept Release and continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as "eligible portfolio companies" entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent discussions with the Staff, the Company has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non qualifying assets" should the Staff ultimately disagree with the Company's position.
- (11) Variable rate loans to the Company's portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi annually (S), quarterly (Q), bi monthly (B), monthly (M) or daily (D). For each such loan, the Company has provided the interest rate in effect on the date presented.
- (12) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 6.00% on \$12 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (13) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$17 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (14) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.25% on \$60 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (15) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 1.13% on \$18 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (16) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$97 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (17)

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In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.13% on \$55 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(18)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$27 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(19)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.75% on \$25 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(20)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 5.00% on \$23 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**As of December 31, 2013**

**(dollar amounts in thousands)**

- (21) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 0.75% on \$45 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (22) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.75% on \$36 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (23) The Company is entitled to receive a fixed fee upon the occurrence of certain events as defined in the credit agreement governing the Company's debt investment in the portfolio company. The fair value of such fee is included in the fair value of the debt investment.
- (24) Loan was on non accrual status as of December 31, 2013.
- (25) Loan includes interest rate floor feature.
- (26) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates entitle the holders thereof to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.
- (27) As of December 31, 2013, no amounts were funded by the Company under this first lien senior secured revolving loan; however, there were letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.
- (28) As of December 31, 2013, in addition to the amounts funded by the Company under this first lien senior secured revolving loan, there were also letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.
- (29) As of December 31, 2013, no amounts were funded by the Company under this letter of credit facility; however, there were letters of credit issued and outstanding through a financial intermediary under the letter of credit facility. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.



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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

**For the Nine Months Ended September 30, 2014**

**(in thousands, except per share data)**

**(unaudited)**

	Common Stock			Accumulated Overdistributed Net Investment Income	Accumulated Net Realized Loss on Investments, Foreign Currency Transactions, Extinguishment of Debt and Other Assets	Net Unrealized Gain on Investments and Foreign Currency Transactions	Total Stockholders' Equity
	Shares	Amount	Capital in Excess of Par Value				
Balance at December 31, 2013	297,971	\$ 298	\$ 4,982,477	\$ (8,785)	\$ (165,040)	\$ 95,494	\$ 4,904,444
Issuances of common stock in add-on offerings (net of offering and underwriting costs)	15,525	15	257,611				257,626
Shares issued in connection with dividend reinvestment plan	612	1	10,846				10,847
Net increase in stockholders' equity resulting from operations				309,617	40,060	87,885	437,562
Dividends declared and payable (\$1.19 per share)				(360,831)			(360,831)
Balance at September 30, 2014	314,108	\$ 314	\$ 5,250,934	\$ (59,999)	\$ (124,980)	\$ 183,379	\$ 5,249,648

See accompanying notes to consolidated financial statements.

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(in thousands)

	For the nine months ended September 30,	
	2014 (unaudited)	2013 (unaudited)
<b>OPERATING ACTIVITIES:</b>		
Net increase in stockholders' equity resulting from operations	\$ 437,562	\$ 354,637
Adjustments to reconcile net increase in stockholders' equity resulting from operations:		
Realized losses on extinguishment of debt	72	
Net realized gains on investments and foreign currency transactions	(40,132)	(29,272)
Net unrealized gains on investments and foreign currency transactions	(87,885)	(6,469)
Net accretion of discount on investments	(2,094)	(3,953)
Increase in payment-in-kind interest and dividends	(8,137)	(15,189)
Collections of payment-in-kind interest and dividends	8,575	19,388
Amortization of debt issuance costs	12,115	10,444
Accretion of discount on notes payable	11,225	10,103
Depreciation	623	593
Proceeds from sales and repayments of investments	2,155,700	988,329
Purchases of investments	(3,085,126)	(2,429,441)
Changes in operating assets and liabilities:		
Interest receivable	(44,003)	(11,505)
Other assets	(9,440)	(1,327)
Base management fees payable	3,415	4,352
Income based fees payable	2,344	4,634
Capital gains incentive fees payable	6,765	(4,375)
Accounts payable and other liabilities	12,856	5,024
Interest and facility fees payable	(2,161)	(1,743)
Net cash used in operating activities	(627,726)	(1,105,770)
<b>FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	257,626	333,160
Borrowings on debt	2,777,052	4,294,491
Repayments and repurchases of debt	(2,095,423)	(3,362,000)
Debt issuance costs	(8,268)	(9,068)
Dividends paid	(345,012)	(284,369)
Net cash provided by financing activities	585,975	972,214
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,751)</b>	<b>(133,556)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	149,629	269,043
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 107,878	\$ 135,487
<b>Supplemental Information:</b>		
Interest paid during the period	\$ 129,392	\$ 99,411

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Taxes, including excise tax, paid during the period	\$	20,310	\$	13,012
Dividends declared and payable during the period	\$	360,831	\$	298,303

See accompanying notes to consolidated financial statements.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of September 30, 2014**

**(unaudited)**

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

**1. ORGANIZATION**

Ares Capital Corporation (the "Company" or "ARCC") is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. The Company has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). The Company has elected to be treated as a regulated investment company, or a "RIC", under the Internal Revenue Code of 1986, as amended (the "Code") and operates in a manner so as to qualify for the tax treatment applicable to RICs.

The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company invests primarily in first lien senior secured loans (including "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. To a lesser extent, the Company also makes equity investments.

The Company is externally managed by Ares Capital Management LLC ("Ares Capital Management" or the Company's "investment adviser"), a subsidiary of Ares Management, L.P. ("Ares Management"), a publicly traded, leading global alternative asset manager, pursuant to an investment advisory and management agreement. Ares Operations LLC ("Ares Operations" or the Company's "administrator"), a subsidiary of Ares Management, provides certain administrative and other services necessary for the Company to operate.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP"), and include the accounts of the Company and its consolidated subsidiaries. The Company is an investment company following accounting and reporting guidance in Accounting Standards Codification ("ASC") 946. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2014.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

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

***Concentration of Credit Risk***

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

***Investments***

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, the Company looks 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 the Company's investments) are valued at fair value as determined in good faith by the Company's board of directors, based on, among other things, the input of the Company's investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of the Company's board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 55% of the Company's portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, the Company's independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, the Company's investment valuation process within the context of performing the integrated audit.

As part of the valuation process, the Company may take into account the following types of factors, if relevant, in determining the fair value of the Company's investments: the enterprise value of a portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Company considers the pricing indicated by the external event to corroborate its valuation.

Because there is not a readily available market value for most of the investments in its portfolio, the Company values substantially all of its portfolio investments at fair value as determined in good faith by its board of directors, as described herein. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's 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 the Company 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 the Company was required to liquidate a portfolio investment in a forced or liquidation sale, the Company could realize significantly less than the value at which the Company has recorded it.

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

The Company's board of directors undertakes a multi-step valuation process each quarter, as described below:

The Company's 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 the Company's portfolio management team.

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

The audit committee of the Company's board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, who review a minimum of 50% of the Company's portfolio at fair value.

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

See Note 8 for more information on the Company's valuation process.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interest and Dividend Income Recognition***

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

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

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

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

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

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

The Company's investment adviser seeks to provide assistance to its portfolio companies and in return the Company may receive fees for capital structuring services. These fees are generally only available to the Company as a result of the Company's underlying investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Company's investment adviser provides vary by investment, but generally include reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to the Company. In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, a portion of loan fees paid to the Company in such

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

situations will be deferred and amortized over the estimated life of the loan. The Company 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 management and consulting services, loan guarantees, commitments, amendments and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

***Foreign Currency Translation***

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

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

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

***Accounting for Derivative Instruments***

The Company does not utilize hedge accounting and instead marks its derivatives to market in the consolidated statement of operations.

***Equity Offering Expenses***

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

***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related debt instrument using the straight line method or the effective yield method, depending on the type of debt instrument.

***Income Taxes***

The Company has elected to be treated as a RIC under the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must, among





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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

other things, meet certain source-of-income and asset diversification requirements and timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each year. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal corporate-level income taxes.

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

Certain of the Company's consolidated subsidiaries are subject to U.S. federal and state corporate-level income taxes.

***Dividends to Common Stockholders***

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the Company's board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed, although the Company may decide to retain such capital gains for investment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions the Company declares in cash on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Company's board of directors authorizes, and the Company declares, a cash dividend, then the Company's stockholders who have not "opted out" of the Company's dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash dividend. The Company intends to use primarily newly issued shares to implement the dividend reinvestment plan (so long as the Company is trading at a premium to net asset value). If the Company's shares are trading at a significant enough discount to net asset value and the Company is otherwise permitted under applicable law to purchase such shares, the Company intends to purchase shares in the open market in connection with the Company's obligations under the dividend reinvestment plan. However, the Company reserves the right to issue new shares of the Company's common stock in connection with the Company's obligations under the dividend reinvestment plan even if the Company's shares are trading below net asset value.

***Use of Estimates in the Preparation of Financial Statements***

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*New Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition." Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

**3. AGREEMENTS**

*Investment Advisory and Management Agreement*

The Company is party to an investment advisory and management agreement (the "investment advisory and management agreement") with Ares Capital Management. Subject to the overall supervision of the Company's board of directors, Ares Capital Management provides investment advisory and management services to the Company. For providing these services, Ares Capital Management receives fees from the Company consisting of a base management fee, a fee based on the Company's net investment income ("income based fee") and a fee based on the Company's net capital gains ("capital gains incentive fee").

The base management fee is calculated at an annual rate of 1.5% based on the average value of the Company's 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 income based fee is calculated and payable quarterly in arrears based on the Company's net investment income excluding income based fees and capital gains incentive fees ("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 the Company receives 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 income based fee and capital gains incentive fee accrued under GAAP). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities, accrued income that the Company has not yet received in cash. The Company's investment adviser is not under any obligation to reimburse the Company for any part of the income based fees it received that was based on accrued interest that the Company never actually received.

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**3. AGREEMENTS (Continued)**

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses, unrealized capital appreciation, unrealized capital depreciation or income tax expense related to realized gains and losses. Because of the structure of the income based fee, it is possible that the Company may pay such fees in a quarter where the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, the Company will pay the applicable income based fee even if the Company has incurred a loss in that quarter due to realized and/or unrealized capital losses.

Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company's net assets (defined as total assets less indebtedness and before taking into account any income based fees and capital gains incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 1.75% per quarter. If market credit spreads rise, the Company may be able to invest its funds in debt instruments that provide for a higher return, which may increase the Company's pre-incentive fee net investment income and make it easier for the Company's investment adviser to surpass the fixed hurdle rate and receive an income based fee based on such net investment income. To the extent the Company has retained pre-incentive fee net investment income that has been used to calculate the income based fee, it is also included in the amount of the Company's total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

The Company pays its investment adviser an income based fee with respect to the Company's pre-incentive fee net investment income in each calendar quarter as follows:

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

100% of the Company's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter. The Company refers to this portion of its pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.1875%) as the "catch-up" provision. The "catch-up" is meant to provide the Company's investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeded 2.1875% in any calendar quarter; and

20% of the amount of the Company's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

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

The capital gains 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 the Company's cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) the Company's cumulative aggregate realized capital gains, in



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**3. AGREEMENTS (Continued)**

each case calculated from October 8, 2004 (the date the Company completed its initial public offering). Realized capital gains and losses include gains and losses on investments and foreign currencies, gains and losses on extinguishment of debt and other assets, as well as any income tax expense related to realized gains and losses. 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 the Company's 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 the Company's portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

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

Notwithstanding the foregoing, as a result of an amendment to the capital gains incentive fee under the investment advisory and management agreement that was adopted on June 6, 2011, if the Company is required by GAAP to record an investment at its fair value as of the time of acquisition instead of at the actual amount paid for such investment by the Company (including, for example, as a result of the application of the acquisition method of accounting), then solely for the purposes of calculating the Capital Gains Fee, the "accreted or amortized cost basis" of an investment shall be an amount (the "Contractual Cost Basis") equal to (1) (x) the actual amount paid by the Company for such investment plus (y) any amounts recorded in the Company's financial statements as required by GAAP that are attributable to the accretion of such investment plus (z) any other adjustments made to the cost basis included in the Company's financial statements, including PIK interest or additional amounts funded (net of repayments) minus (2) any amounts recorded in the Company's financial statements as required by GAAP that are attributable to the amortization of such investment, whether such calculated Contractual Cost Basis is higher or lower than the fair value of such investment (as determined in accordance with GAAP) at the time of acquisition.

The Company defers cash payment of any income based fees and capital gains incentive fees otherwise earned by the Company's 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 the Company's stockholders and (b) the change in net assets (defined as total assets less indebtedness and before taking into account any income based fees and capital gains incentive fees payable during the period) is less than 7.0% of the Company's net assets (defined as total assets less indebtedness) at the beginning of such period. Any deferred income based fees and capital gains incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the investment advisory and management agreement.

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**3. AGREEMENTS (Continued)**

The Capital Gains Fee payable to the Company's investment adviser as calculated under the investment advisory and management agreement (as described above) for the three and nine months ended September 30, 2014 was \$0. However, in accordance with GAAP, the Company had cumulatively accrued a capital gains incentive fee of \$87,702 as of September 30, 2014 that is not currently due under the investment advisory and management agreement. GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the Capital Gains Fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires the Company to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual Capital Gains Fees paid or capital gains incentive fees accrued under GAAP in all prior periods. As of September 30, 2014, the Company has paid Capital Gains Fees since inception totaling \$33,411, of which \$17,425 was paid in the first quarter of 2014. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future.

For the three and nine months ended September 30, 2014, base management fees were \$32,685 and \$93,500, respectively, income based fees were \$31,345 and \$85,203, respectively, and capital gains incentive fees calculated in accordance with GAAP were \$13,087 and \$24,190, respectively.

For the three and nine months ended September 30, 2013, base management fees were \$27,467 and \$75,587, respectively, income based fees were \$32,284 and \$81,510, respectively, and the capital gains incentive fees calculated in accordance with GAAP were \$2,915 and \$7,148, respectively.

***Administration Agreement***

The Company is party to an administration agreement, referred to herein as the "administration agreement", with its administrator, Ares Operations. Pursuant to the administration agreement, Ares Operations furnishes the Company with office equipment and clerical, bookkeeping and record keeping services at the Company's office facilities. Under the administration agreement, Ares Operations also performs, or oversees the performance of, the Company's required administrative services, which include, among other things, providing assistance in accounting, legal, compliance, operations, investor relations and technology, being responsible for the financial records that the Company is required to maintain and preparing reports to its stockholders and reports filed with the SEC. In addition, Ares Operations assists the Company in determining and publishing its net asset value, assists the Company in providing managerial assistance to its portfolio companies, oversees the preparation and filing of the Company's tax returns and the printing and dissemination of reports to its

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for example, with the words "million," "billion" or otherwise)****3. AGREEMENTS (Continued)**

stockholders, and generally oversees the payment of its expenses and the performance of administrative and professional services rendered to the Company by others. Payments under the Company's administration agreement are equal to an amount based upon its allocable portion of Ares Operations' overhead and other expenses (including travel expenses) incurred by Ares Operations in performing its obligations under the administration agreement, including the Company's allocable portion of the compensation of certain of its officers (including the Company's chief compliance officer, chief financial officer, chief accounting officer, general counsel, treasurer and assistant treasurer) and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three and nine months ended September 30, 2014, the Company incurred \$3,105 and \$9,661, respectively, in administrative fees. For the three and nine months ended September 30, 2013, the Company incurred \$3,346 and \$8,544, respectively, in administrative fees. As of September 30, 2014, \$3,105 of these fees were unpaid and included in "accounts payable and other liabilities" in the accompanying consolidated balance sheet.

**4. INVESTMENTS**

As of September 30, 2014 and December 31, 2013, investments consisted of the following:

	As of			
	September 30, 2014		December 31, 2013	
	Amortized Cost(1)	Fair Value	Amortized Cost(1)	Fair Value
First lien senior secured loans	\$ 4,030,159	\$ 4,012,480	\$ 3,405,597	\$ 3,377,608
Second lien senior secured loans	1,487,954	1,451,583	1,335,761	1,319,191
Subordinated certificates of the SSLP(2)	1,954,145	1,983,457	1,745,192	1,771,369
Senior subordinated debt	470,235	469,377	364,094	323,171
Preferred equity securities	224,522	214,063	226,044	229,006
Other equity securities	430,893	645,557	453,732	600,214
Commercial real estate	2,886	7,063	6,983	12,338
<b>Total</b>	<b>\$ 8,600,794</b>	<b>\$ 8,783,580</b>	<b>\$ 7,537,403</b>	<b>\$ 7,632,897</b>

(1) The amortized cost represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

(2) The proceeds from these certificates were applied to co-investments with GE Global Sponsor Finance LLC and General Electric Capital Corporation to fund first lien senior secured loans to 49 and 47 different borrowers as of September 30, 2014 and December 31, 2013, respectively.





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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2014

(unaudited)

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

## 4. INVESTMENTS (Continued)

The industrial and geographic compositions of the Company's portfolio at fair value as of September 30, 2014 and December 31, 2013 were as follows:

Industry	As of	
	September 30, 2014	December 31, 2013
Investment Funds and Vehicles(1)	22.9%	23.6%
Healthcare Services	13.9	15.4
Other Services	10.7	7.5
Energy	7.4	5.4
Business Services	6.9	9.2
Education	6.6	6.7
Consumer Products	5.1	3.5
Financial Services	4.7	5.1
Manufacturing	3.3	3.3
Restaurants and Food Services	3.2	5.2
Containers and Packaging	2.9	3.3
Hotel Services	1.8	
Aerospace and Defense	1.7	1.4
Retail	1.4	1.6
Oil and Gas	1.4	0.6
Other	6.1	8.2
Total	100.0%	100.0%

(1)

Includes the Company's investment in the SSLP, which had made first lien senior secured loans to 49 and 47 different borrowers as of September 30, 2014 and December 31, 2013, respectively. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

Geographic Region	As of	
	September 30, 2014	December 31, 2013
West(1)	48.4%	50.0%
Midwest	19.8	15.8
Mid Atlantic	14.1	15.9

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Southeast	13.9	13.6
Northeast	2.1	1.0
International	1.7	3.7
<b>Total</b>	100.0%	100.0%

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- (1) Includes the Company's investment in the SSLP, which represented 22.6% and 23.2% of the total investment portfolio at fair value as of September 30, 2014 and December 31, 2013, respectively.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of September 30, 2014**

**(unaudited)**

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

**4. INVESTMENTS (Continued)**

As of September 30, 2014, 2.2% of total investments at amortized cost (or 1.6% of total investments at fair value) were on non-accrual status. As of December 31, 2013, 3.1% of total investments at amortized cost (or 2.1% of total investments at fair value) were on non-accrual status.

***Senior Secured Loan Program***

The Company co-invests in first lien senior secured loans of middle market companies with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE") through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a the "Senior Secured Loan Program") or the "SSLP." The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The Company provides capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

As of September 30, 2014 and December 31, 2013, GE and the Company had agreed to make \$11.0 billion of capital available to the SSLP, of which approximately \$9.5 billion and \$8.7 billion in aggregate principal amount, respectively, was funded. As of September 30, 2014 and December 31, 2013, the Company had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$2.0 billion and \$1.7 billion in aggregate principal amount, respectively, was funded. Investment of any unfunded amount must be approved by the investment committee of the SSLP described above.

As of September 30, 2014 and December 31, 2013, the SSLP had total assets of \$9.5 billion and \$8.7 billion, respectively. As of September 30, 2014 and December 31, 2013, GE's investment in the SSLP consisted of senior notes of \$7.2 billion and \$6.7 billion, respectively, and SSLP Certificates of \$279.2 million and \$249.3 million, respectively. The SSLP Certificates are junior in right of payment to the senior notes held by GE. As of September 30, 2014 and December 31, 2013, the Company and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

The SSLP's portfolio consisted of first lien senior secured loans to 49 and 47 different borrowers as of September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014 and December 31, 2013, the portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies. As of September 30, 2014 and December 31, 2013, one loan was on non-accrual status, representing 0.9% and 1.0%, respectively, of the total loans at principal amount in the SSLP. As of September 30, 2014 and December 31, 2013, the largest loan to a single borrower in the SSLP's portfolio in aggregate principal amount was \$332.9 million and \$321.7 million, respectively, and the five largest loans to borrowers in the SSLP totaled \$1.5 billion as of the end of both such periods. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio. Additionally, as of September 30, 2014 and December 31, 2013, the SSLP had commitments to fund various delayed draw investments to certain of its portfolio companies of \$501.7 million and \$510.4 million, respectively, which had been approved by the SSLP investment committee. As of September 30, 2014 and December 31, 2013, the Company had commitments to

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**4. INVESTMENTS (Continued)**

co-invest in the SSLP for its portion of the SSLP's commitments to fund such delayed draw investments of up to \$92.8 million and \$85.1 million, respectively.

The amortized cost and fair value of the SSLP Certificates held by the Company were \$2.0 billion and \$2.0 billion, respectively, as of September 30, 2014 and \$1.7 billion and \$1.8 billion, respectively, as of December 31, 2013. The SSLP Certificates pay a weighted average coupon of approximately LIBOR plus 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than the contractual coupon. The Company's yield on its investment in the SSLP at fair value was 13.5% and 14.8% as of September 30, 2014 and December 31, 2013, respectively. For the three and nine months ended September 30, 2014, the Company earned interest income of \$69.8 million and \$205.4 million, respectively, from its investment in the SSLP Certificates. For the three and nine months ended September 30, 2013, the Company earned interest income of \$59.2 million and \$161.2 million, respectively, from its investment in the SSLP Certificates. The Company is also entitled to certain fees in connection with the SSLP. For the three and nine months ended September 30, 2014, in connection with the SSLP, the Company earned capital structuring service, sourcing and other fees totaling \$17.1 million and \$46.1 million, respectively. For the three and nine months ended September 30, 2013, in connection with the SSLP, the Company earned capital structuring service, sourcing and other fees totaling \$19.9 million and \$42.4 million, respectively.

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

Ivy Hill Asset Management, L.P. ("IHAM") is an asset management services company and an SEC-registered investment adviser. The Company has made investments in IHAM, its wholly owned portfolio company and previously made investments in certain vehicles managed by IHAM. As of September 30, 2014, IHAM had assets under management ("IHAM AUM")(1) of approximately \$2.6 billion and managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles (these vehicles managed or sub-managed/sub-serviced by IHAM are collectively referred to as the "IHAM Vehicles"). IHAM earns fee income from managing the IHAM Vehicles and has also invested in certain of these vehicles as part of its business strategy. As of September 30, 2014 and December 31, 2013, IHAM had total investments of \$229 million and \$170 million, respectively. For the three and nine months ended September 30, 2014, IHAM had management and incentive fee income of \$4 million and \$15 million, respectively, and other investment-related income of \$6 million and \$19 million, respectively. For the three and nine months ended September 30, 2013, IHAM had

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(1)

IHAM AUM refers to the assets of the vehicles managed, sub-managed and sub-serviced by IHAM. It includes drawn and undrawn amounts, including certain amounts that are subject to regulatory leverage restrictions and/or borrowing base restrictions. IHAM AUM amounts are as of September 30, 2014 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.

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**As of September 30, 2014**

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**4. INVESTMENTS (Continued)**

management and incentive fee income of \$6 million and \$16 million, respectively, and other investment-related income of \$7 million and \$44 million, respectively.

The amortized cost and fair value of the Company's investment in IHAM was \$171.0 million and \$258.9 million, respectively, as of September 30, 2014, and \$171.0 million and \$280.4 million, respectively, as of December 31, 2013. For the three and nine months ended September 30, 2014, the Company received distributions consisting entirely of dividend income from IHAM of \$10.0 million and \$40.0 million, respectively. The dividend income for the nine months ended September 30, 2014 included an additional dividend of \$10.0 million that was received in the first quarter of 2014, in addition to the quarterly dividends generally paid by IHAM. For the three and nine months ended September 30, 2013, the Company received distributions consisting entirely of dividend income from IHAM of \$25.0 million and \$62.4 million, respectively. The dividend income for the nine months ended September 30, 2013 included an additional dividend of \$17.4 million and \$15.0 million that was paid in the first quarter and third quarter of 2013, respectively, in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM.

From time to time, IHAM or certain IHAM Vehicles may purchase investments from, or sell investments to, the Company. For any such sales or purchases by the IHAM Vehicles to or from the Company, the IHAM Vehicles must obtain approval from third parties unaffiliated with the Company or IHAM, as applicable. During the nine months ended September 30, 2014, IHAM or certain of the IHAM Vehicles purchased \$64.5 million of investments from the Company. No realized gains or losses were recognized on these transactions for the nine months ended September 30, 2014. During the nine months ended September 30, 2013, IHAM or certain of the IHAM Vehicles purchased \$139.8 million of investments from the Company. A net realized loss of \$0.1 million was recorded on these transactions for the nine months ended September 30, 2013. During the nine months ended September 30, 2014 and 2013, the Company purchased \$20.2 million and \$131.7 million of investments, respectively, from certain of the IHAM Vehicles.

IHAM is party to an administration agreement, referred to herein as the "IHAM administration agreement," with Ares Operations. Pursuant to the IHAM administration agreement, Ares Operations provides IHAM with, among other things, office facilities, equipment, clerical, bookkeeping and record keeping services, services relating to the marketing and sale of interests in vehicles managed by IHAM, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Under the IHAM administration agreement, IHAM reimburses Ares Operations for all of the actual costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers, employees and respective staff in performing its obligations under the IHAM administration agreement.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2014

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## 5. DEBT

In accordance with the Investment Company Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowing. As of September 30, 2014 the Company's asset coverage was 243%.

The Company's outstanding debt as of September 30, 2014 and December 31, 2013 were as follows:

	September 30, 2014			December 31, 2013		
	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	\$ 1,250,000(2)	\$ 335,000	\$ 335,000	\$ 1,060,000	\$	\$
Revolving Funding Facility	540,000(3)	324,000	324,000	620,000	185,000	185,000
SMBC Funding Facility	400,000	54,000	54,000	400,000		
February 2016 Convertible Notes	575,000	575,000	562,805(4)	575,000	575,000	556,456(4)
June 2016 Convertible Notes	230,000	230,000	224,196(4)	230,000	230,000	221,788(4)
2017 Convertible Notes	162,500	162,500	159,936(4)	162,500	162,500	159,220(4)
2018 Convertible Notes	270,000	270,000	265,091(4)	270,000	270,000	264,097(4)
2019 Convertible Notes	300,000	300,000	295,913(4)	300,000	300,000	295,279(4)
2018 Notes	750,000	750,000	750,745(5)	600,000	600,000	596,756(5)
February 2022 Notes	143,750	143,750	143,750	143,750	143,750	143,750
October 2022 Notes	182,500	182,500	182,500	182,500	182,500	182,500
2040 Notes	200,000	200,000	200,000	200,000	200,000	200,000
2047 Notes	229,557	229,557	181,265(6)	230,000	230,000	181,429(6)
Total	\$ 5,233,307	\$ 3,756,307	\$ 3,679,201	\$ 4,973,750	\$ 3,078,750	\$ 2,986,275

(1)

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Subject to borrowing base and leverage restrictions. Represents the total aggregate amount committed or outstanding, as applicable, under such instrument.

- (2) Provides for a feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,755,000.
- (3) Provides for a feature that allows the Company and Ares Capital CP, under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865,000.
- (4) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below) less the unaccreted discount initially recorded upon issuance of the Convertible Unsecured Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**5. DEBT (Continued)**

Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$12,195, \$5,804, \$2,564, \$4,909 and \$4,087, respectively, as of September 30, 2014. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$18,544, \$8,212, \$3,280, \$5,903 and \$4,721 respectively, as of December 31, 2013.

(5) As of September 30, 2014, represents the aggregate principal amount outstanding plus the net unamortized premium of \$745 that was initially recorded upon the issuances of the 2018 Notes. As of December 31, 2013, represents the aggregate principal amount less the unaccreted discount of \$3,244 initially recognized on the first issuance of the 2018 Notes.

(6) Represents the aggregate principal amount outstanding less the unaccreted purchased discount initially recorded as a part of the Allied Acquisition (as defined below). The total unaccreted purchased discount for the 2047 Notes was \$48,292 and \$48,571 as of September 30, 2014 and December 31, 2013, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all the Company's outstanding debt as of September 30, 2014 were 4.9% and 6.8 years, respectively, and as of December 31, 2013 were 5.3% and 7.9 years, respectively.

***Revolving Credit Facility***

The Company is party to a senior secured revolving credit facility (as amended and restated, the "Revolving Credit Facility"), which allows the Company to borrow up to \$1,250,000 at any one time outstanding. The end of the revolving period and the stated maturity date for the Revolving Credit Facility are May 4, 2018 and May 4, 2019, respectively. The Revolving Credit Facility also includes a feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$1,755,000. The Revolving Credit Facility generally requires payments of interest at the end of each LIBOR interest period, but no less frequently than quarterly, on LIBOR based loans, and monthly payments of interest on other loans. From the end of the revolving period to the stated maturity date, the Company is required to repay outstanding principal amounts under the Revolving Credit Facility on a monthly basis in an amount equal to 1/12th of the outstanding principal amount at the end of the revolving period.

Under the Revolving Credit Facility, the Company is required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of the Company and its consolidated subsidiaries of not less than 2.0:1.0, (f) limitations on pledging certain unencumbered assets, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the documents governing the Revolving Credit Facility. Borrowings under the Revolving Credit Facility (and the incurrence of certain other permitted debt)

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**5. DEBT (Continued)**

are also subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio that are pledged as collateral. As of September 30, 2014, the Company was in compliance in all material respects with the terms of the Revolving Credit Facility.

As of September 30, 2014 there was \$335,000 outstanding under the Revolving Credit Facility. As of December 31, 2013, there were no amounts outstanding under the Revolving Credit Facility. The Revolving Credit Facility also provides for a sub-limit for the issuance of letters of credit for up to an aggregate amount of \$200,000. As of September 30, 2014 and December 31, 2013, the Company had \$30,369 and \$47,898, respectively, in letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued. As of September 30, 2014, there was \$884,631 available for borrowing (net of letters of credit issued) under the Revolving Credit Facility.

Since May 2, 2013, subject to certain exceptions, the interest rate charged on the Revolving Credit Facility is based on LIBOR plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. From May 5, 2012 through May 1, 2013, the interest rate charged on the Revolving Credit Facility was based on LIBOR plus an applicable spread of 2.25% or a "base rate" plus an applicable spread of 1.25%. As of September 30, 2014, the one, two, three and six month LIBOR was 0.16%, 0.20%, 0.24% and 0.33%, respectively. As of December 31, 2013, the one, two, three and six month LIBOR was 0.17%, 0.21%, 0.25% and 0.35%, respectively. In addition to the stated interest expense on the Revolving Credit Facility, the Company is required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. Since May 2, 2013, the Company is also required to pay a letter of credit fee of 2.25% per annum on letters of credit issued. From May 5, 2012 through May 1, 2013, the letter of credit fee was 2.50%.

The Revolving Credit Facility is secured by certain assets in the Company's portfolio and excludes investments held by Ares Capital CP under the Revolving Funding Facility and those held by ACJB under the SMBC Funding Facility, each as discussed below, and certain other investments.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)**5. DEBT (Continued)**

For the three and nine months ended September 30, 2014 and 2013, the components of interest and credit facility fees expense for the Revolving Credit Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	\$ 137	\$ 1,700	\$ 137	\$ 2,353
Facility fees	1,320	855	3,786	2,933
Amortization of debt issuance costs	641	622	1,914	2,105
Total interest and credit facility fees expense	\$ 2,098	\$ 3,177	\$ 5,837	\$ 7,391
Cash paid for interest expense	\$ 43	\$ 1,736	\$ 43	\$ 2,097
Average stated interest rate	2.05%	2.19%	2.05%	2.19%
Average outstanding balance	\$ 26,141	\$ 304,163	\$ 8,810	\$ 141,751

***Revolving Funding Facility***

The Company's consolidated subsidiary, Ares Capital CP Funding LLC ("Ares Capital CP"), is party to a revolving funding facility (as amended, the "Revolving Funding Facility"), which allows Ares Capital CP to borrow up to \$540,000 at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are May 14, 2017 and May 14, 2019, respectively. The Revolving Funding Facility also includes a feature that allows, under certain circumstances, for an increase in the Revolving Funding Facility to a maximum of \$865,000.

Amounts available to borrow under the Revolving Funding Facility are subject to a borrowing base that applies different advance rates to different types of assets held by Ares Capital CP. Ares Capital CP is also subject to limitations with respect to the loans securing the Revolving Funding Facility, including restrictions on sector concentrations, loan size, payment frequency and status, collateral interests, loans with fixed rates and loans with certain investment ratings, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow. The Company and Ares Capital CP are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the agreements governing the Revolving Funding Facility. As of September 30, 2014, the Company and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

As of September 30, 2014 and December 31, 2013, there was \$324,000 and \$185,000 outstanding, respectively, under the Revolving Funding Facility. Since January 25, 2013, the interest

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for example, with the words "million," "billion" or otherwise)****5. DEBT (Continued)**

charged on the Revolving Funding Facility is based on applicable spreads ranging from 2.25% to 2.50% over LIBOR and ranging from 1.25% to 1.50% over "base rate" (as defined in the agreements governing the Revolving Funding Facility) in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the Revolving Funding Facility. From January 18, 2012 through January 24, 2013, the interest rate charged on the Revolving Funding Facility was based on LIBOR plus an applicable spread of 2.50% or on a "base rate" plus an applicable spread of 1.50%. As of September 30, 2014 and December 31, 2013, the interest rate in effect was based on one month LIBOR, which was 0.16% and 0.17%, respectively. Through May 13, 2014, Ares Capital CP was required to pay a commitment fee between 0.50% and 1.75% per annum depending on the size of the unused portion of the Revolving Funding Facility. Since May 14, 2014, Ares Capital CP is required to pay a commitment fee between 0.50% and 1.50% per annum depending on the size of the unused portion of the Revolving Funding Facility.

For the three and nine months ended September 30, 2014 and 2013, the components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Funding Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	\$ 1,811	\$ 2,244	\$ 2,354	\$ 4,445
Facility fees	435	438	3,731	2,791
Amortization of debt issuance costs	578	504	1,638	1,510
Total interest and credit facility fees expense	\$ 2,824	\$ 3,186	\$ 7,723	\$ 8,746
Cash paid for interest expense	\$ 324	\$ 1,727	\$ 2,066	\$ 4,231
Average stated interest rate	2.40%	2.43%	2.40%	2.45%
Average outstanding balance	\$ 294,739	\$ 360,641	\$ 129,088	\$ 239,546

***SMBC Funding Facility***

The Company's consolidated subsidiary, Ares Capital JB Funding LLC ("ACJB"), is party to a revolving funding facility (as amended, the "SMBC Funding Facility") with ACJB, as the borrower, and Sumitomo Mitsui Banking Corporation ("SMBC"), as the administrative agent, collateral agent, and lender, which allows ACJB to borrow up to \$400,000 at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 14, 2016 and September 14, 2021, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement.

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for example, with the words "million," "billion" or otherwise)****5. DEBT (Continued)**

Amounts available to borrow under the SMBC Funding Facility are subject to a borrowing base that applies an advance rate to assets held by ACJB. The Company and ACJB are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the SMBC Funding Facility. As of September 30, 2014, the Company and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

As of September 30, 2014, there was \$54,000 outstanding under the SMBC Funding Facility. As of December 31, 2013, there were no amounts outstanding under the SMBC Funding Facility. Since December 19, 2013, subject to certain exceptions, the interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.00%. Prior to and including December 19, 2013, subject to certain exceptions, the interest rate charged on the SMBC Funding Facility was based on one month LIBOR plus an applicable spread of 2.125% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.125%. As of September 30, 2014 and December 31, 2013, one-month LIBOR was 0.16% and 0.17%, respectively. ACJB was not required to pay a commitment fee until September 15, 2013 and through December 19, 2013, at which time ACJB was required to pay a commitment fee of up to 0.50% per annum depending on the size of the unused portion of the SMBC Funding Facility. From December 20, 2013 through March 14, 2014, ACJB was required to pay a commitment fee of up to 0.75% per annum depending on the size of the unused portion of the SMBC Funding Facility. After March 14, 2014, ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility.

For the three and nine months ended September 30, 2014 and 2013, the components of interest and credit facility fees expense for the SMBC Funding Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	\$ 237	\$	\$ 237	\$
Facility fees	383	67	1,188	67
Amortization of debt issuance costs	281	269	843	773
Total interest and credit facility fees expense	\$ 901	\$ 336	\$ 2,268	\$ 840
Cash paid for interest expense	\$ 191	\$	\$ 191	\$ 16
Average stated interest rate	2.13%	%	2.13%	%
Average outstanding balance	\$ 43,467	\$	\$ 14,648	\$

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**(in thousands, except per share data, percentages and as otherwise indicated;  
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**5. DEBT (Continued)**

*Convertible Unsecured Notes*

In January 2011, the Company issued \$575,000 aggregate principal amount of unsecured convertible notes that mature on February 1, 2016 (the "February 2016 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In March 2011, the Company issued \$230,000 aggregate principal amount of unsecured convertible notes that mature on June 1, 2016 (the "June 2016 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In March 2012, the Company issued \$162,500 aggregate principal amount of unsecured convertible notes that mature on March 15, 2017 (the "2017 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In the fourth quarter of 2012, the Company issued \$270,000 aggregate principal amount of unsecured convertible notes that mature on January 15, 2018 (the "2018 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. In July 2013, the Company issued \$300,000 aggregate principal amount of unsecured convertible notes that mature on January 15, 2019 (the "2019 Convertible Notes" and together with the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes and the 2018 Convertible Notes, the "Convertible Unsecured Notes"), unless previously converted or repurchased in accordance with their terms. The Company does not have the right to redeem the Convertible Unsecured Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes bear interest at a rate of 5.750%, 5.125%, 4.875%, 4.750% and 4.375%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Unsecured Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of its common stock, at the Company's election, at their respective conversion rates (listed below as of September 30, 2014) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the "Convertible Unsecured Notes Indentures"). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the Convertible Unsecured Notes Indentures. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if the Company engages in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require the Company to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

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for example, with the words "million," "billion" or otherwise)****5. DEBT (Continued)**

Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of September 30, 2014 are listed below.

	<b>February 2016 Convertible Notes</b>	<b>June 2016 Convertible Notes</b>	<b>2017 Convertible Notes</b>	<b>2018 Convertible Notes</b>	<b>2019 Convertible Notes</b>
Conversion premium	17.5%	17.5%	17.5%	17.5%	15.0%
Closing stock price at issuance	\$ 16.28	\$ 16.20	\$ 16.46	\$ 16.91	\$ 17.53
Closing stock price date	January 19, 2011	March 22, 2011	March 8, 2012	October 3, 2012	July 15, 2013
Conversion price(1)	\$ 18.56	\$ 18.47	\$ 19.02	\$ 19.70	\$ 20.05
Conversion rate (shares per one thousand dollar principal amount)(1)	53.8839	54.1501	52.5696	50.7591	49.8854
Conversion dates	August 15, 2015	December 15, 2015	September 15, 2016	July 15, 2017	July 15, 2018

(1) Represents conversion price and conversion rate, as applicable, as of September 30, 2014, taking into account certain de minimis adjustments that will be made on the conversion date.

As of September 30, 2014, the principal amounts of each series of the Convertible Unsecured Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company's common stock.

The Convertible Unsecured Notes Indentures contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of the Convertible Unsecured Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Unsecured Notes Indentures. As of September 30, 2014, the Company was in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures.

The Convertible Unsecured Notes are accounted for in accordance with ASC 470-20. Upon conversion of any of the Convertible Unsecured Notes, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, the Company has the option to pay in cash or shares of the Company's common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Convertible Unsecured Notes Indentures. The Company has determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under GAAP. In accounting for the Convertible Unsecured Notes, the Company estimated at the time of issuance separate debt and equity components for each of the Convertible Unsecured Notes. An original issue discount equal to the equity components of the Convertible Unsecured Notes was recorded in "capital in excess of par value" in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Unsecured Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

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for example, with the words "million," "billion" or otherwise)

## 5. DEBT (Continued)

The debt and equity component percentages, the issuance costs and the equity component amounts for each of the Convertible Unsecured Notes are listed below.

	February 2016 Convertible Notes	June 2016 Convertible Notes	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Debt and equity component percentages, respectively(1)	93.0% and 7.0%	93.0% and 7.0%	97.0% and 3.0%	98.0% and 2.0%	99.8% and 0.2%
Debt issuance costs(1)	\$ 15,778	\$ 5,913	\$ 4,813	\$ 5,712	\$ 4,475
Equity issuance costs(1)	\$ 1,188	\$ 445	\$ 149	\$ 116	\$ 9
Equity component, net of issuance costs(2)	\$ 39,062	\$ 15,654	\$ 4,724	\$ 5,243	\$ 582

(1) At time of issuance.

(2) At time of issuance and as of September 30, 2014.

In addition to the original issue discount equal to the equity components of the Convertible Unsecured Notes, the 2018 Convertible Notes and the 2019 Convertible Notes were each issued at a discount. The Company records interest expense comprised of both stated interest expense as well as accretion of any original issue discount.

As of September 30, 2014, the components of the carrying value of the Convertible Unsecured Notes, the stated interest rate and the effective interest rate were as follows:

	February 2016 Convertible Notes	June 2016 Convertible Notes	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Principal amount of debt	\$ 575,000	\$ 230,000	\$ 162,500	\$ 270,000	\$ 300,000
Original issue discount, net of accretion	(12,195)	(5,804)	(2,564)	(4,909)	(4,087)
Carrying value of debt	\$ 562,805	\$ 224,196	\$ 159,936	\$ 265,091	\$ 295,913
Stated interest rate	5.750%	5.125%	4.875%	4.750%	4.375%
Effective interest rate(1)	7.2%	6.5%	5.5%	5.2%	4.7%

(1)



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The effective interest rate of the debt component of the Convertible Unsecured Notes is equal to the stated interest rate plus the accretion of original issue discount.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)**5. DEBT (Continued)**

For the three and nine months ended September 30, 2014 and 2013, the components of interest expense and cash paid for interest expense for the Convertible Notes were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	\$ 19,680	\$ 19,024	\$ 59,042	\$ 51,822
Amortization of debt issuance costs	1,851	1,794	5,415	5,009
Accretion of original issue discount	3,763	3,476	11,100	9,933
Total interest expense	\$ 25,294	\$ 24,294	\$ 75,557	\$ 66,764
Cash paid for interest expense	\$ 33,467	\$ 30,289	\$ 72,718	\$ 56,675

***Unsecured Notes****2018 Notes*

In November 2013, the Company issued \$600,000 aggregate principal amount of unsecured notes that mature on November 30, 2018 (the "2018 Notes"). The 2018 Notes bear interest at a rate of 4.875% per year, payable semi-annually and all principal is due upon maturity. The 2018 Notes may be redeemed in whole or in part at any time at the Company's option at a redemption price equal to par plus a "make whole" premium, as determined pursuant to the indenture governing the 2018 Notes, and any accrued and unpaid interest. The 2018 Notes were issued at a discount at the time of issuance totaling \$3,312. The Company records interest expense comprised of both stated interest expense as well as any accretion of any original issue discount. Total proceeds from the issuance of the 2018 Notes, net of the original issue discount, underwriting discounts and offering costs, were \$586,014.

In January 2014, the Company issued an additional \$150,000 aggregate principal amount of the 2018 Notes at a premium of 102.7% of their principal amount (the "Additional 2018 Notes"). The original issue premium recognized upon issuance of the Additional 2018 Notes totaled \$4,050. Total proceeds from the issuance of the Additional 2018 Notes, net of underwriting discounts and offering costs, were approximately \$151,900.

*February 2022 Notes*

In February 2012, the Company issued \$143,750 aggregate principal amount of unsecured notes that mature on February 15, 2022 (the "February 2022 Notes"). The February 2022 Notes bear interest at a rate of 7.00% per year, payable quarterly and all principal is due upon maturity. The February 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after February 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the February 2022 Notes, net of underwriting discounts and offering costs, were \$138,338.



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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

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**5. DEBT (Continued)**

*October 2022 Notes*

In September 2012 and October 2012, the Company issued \$182,500 aggregate principal amount of unsecured notes that mature on October 1, 2022 (the "October 2022 Notes"). The October 2022 Notes bear interest at a rate of 5.875% per year, payable quarterly and all principal is due upon maturity. The October 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after October 1, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the October 2022 Notes, net of underwriting discounts and offering costs, were \$176,054.

*2040 Notes*

In October 2010, the Company issued \$200,000 aggregate principal amount of unsecured notes that mature on October 15, 2040 (the "2040 Notes"). The 2040 Notes bear interest at a rate of 7.75% per year, payable quarterly and all principal is due upon maturity. The 2040 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after October 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the 2040 Notes, net of underwriting discounts and offering costs, were \$192,664.

*2047 Notes*

As part of the acquisition of Allied Capital Corporation ("Allied Capital") in April 2010 (the "Allied Acquisition"), the Company assumed \$230,000 aggregate principal amount of unsecured notes due on April 15, 2047 (the "2047 Notes" and together with the 2018 Notes, the February 2022 Notes, the October 2022 Notes and the 2040 Notes, the "Unsecured Notes"). The 2047 Notes bear interest at a rate of 6.875%, payable quarterly and all principal is due upon maturity. The 2047 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. During the nine months ended September 30, 2014, the Company purchased \$443 aggregate principal amount of the 2047 Notes and as a result of these transactions, the Company recognized a realized loss of \$72. As of September 30, 2014 and December 31, 2013, the outstanding principal was \$229,557 and \$230,000, respectively, and the carrying value was \$181,265 and \$181,429, respectively. The carrying value represents the outstanding principal amount of the 2047 Notes less the unaccreted purchased discount initially recorded as a part of the Allied Acquisition.

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for example, with the words "million," "billion" or otherwise)****5. DEBT (Continued)**

For the three and nine months ended September 30, 2014 and 2013, the components of interest expense and cash paid for interest expense for the Unsecured Notes were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	\$ 22,157	\$ 13,024	\$ 65,925	\$ 39,074
Amortization of debt issuance costs	799	349	2,305	1,047
Accretion of purchase discount	23	58	125	170
Total interest expense	\$ 22,979	\$ 13,431	\$ 68,355	\$ 40,291

Cash paid for interest expense	\$ 13,017	\$ 13,024	\$ 54,374	\$ 36,392
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The Unsecured Notes contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of such notes under certain circumstances. These covenants are subject to important limitations and exceptions set forth in the indentures governing such notes. As of September 30, 2014, the Company was in compliance in all material respects with the terms of the respective indentures governing each of the Unsecured Notes.

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

**6. DERIVATIVE INSTRUMENTS**

The Company may enter into forward currency contracts from time to time to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. Forward contracts are considered undesignated derivative instruments.

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for example, with the words "million," "billion" or otherwise)****6. DERIVATIVE INSTRUMENTS (Continued)**

Certain information related to the Company's derivative financial instruments is presented below as of September 30, 2014:

Description	Notional Amount	Maturity Date	As of September 30, 2014			Balance Sheet Location
			Gross Amount of Recognized Assets	Gross Amount Offset in the Balance Sheet	Net Amount of Assets in the Balance Sheet	
Foreign currency forward contract	CAD45,000	1/8/2015	\$ 40,247	\$ (40,064)	183	Other assets
Foreign currency forward contract	€ 5,000	11/21/2014	6,660	(6,317)	343	Other assets
<b>Total</b>			<b>\$ 46,907</b>	<b>\$ (46,381)</b>	<b>526</b>	

**7. COMMITMENTS AND CONTINGENCIES**

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

As of September 30, 2014 and December 31, 2013, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) the Company's discretion:

	As of	
	September 30, 2014	December 31, 2013
Total revolving and delayed draw commitments	\$ 769,214	\$ 834,444
Less: funded commitments	(139,373)	(87,073)
<b>Total unfunded commitments</b>	<b>629,841</b>	<b>747,371</b>
Less: commitments substantially at discretion of the Company	(6,000)	(16,000)
Less: unavailable commitments due to borrowing base or other covenant restrictions		(1,660)
<b>Total net adjusted unfunded revolving and delayed draw commitments</b>	<b>\$ 623,841</b>	<b>\$ 729,711</b>

Included within the total revolving and delayed draw commitments as of September 30, 2014 were commitments to issue up to \$79,750 in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of September 30, 2014, the Company had \$20,399 in letters of credit issued and outstanding under these commitments on behalf of portfolio companies. In addition to these letters of credit included as a part of the total revolving and delayed draw commitments to portfolio companies, as of September 30, 2014 the Company also had \$5,284 of letters of credit issued and



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for example, with the words "million," "billion" or otherwise)****7. COMMITMENTS AND CONTINGENCIES (Continued)**

outstanding on behalf of other portfolio companies. For all these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of these letters of credit issued and outstanding are recorded as a liability on the Company's balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit \$75 expire in 2014, \$24,961 expire in 2015 and \$647 expire in 2016.

The Company also has commitments to co-invest in the SSLP for the Company's portion of the SSLP's commitments to fund delayed draw investments to certain portfolio companies of the SSLP. See Note 4 for more information.

As of September 30, 2014 and December 31, 2013, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

	September 30, 2014	As of December 31, 2013
Total private equity commitments	\$ 109,500	\$ 59,500
Less: funded private equity commitments	(15,197)	(11,891)
Total unfunded private equity commitments	94,303	47,609
Less: private equity commitments substantially at discretion of the Company	(91,163)	(43,206)
Total net adjusted unfunded private equity commitments	\$ 3,140	\$ 4,403

In the ordinary course of business, the Company may sell certain of its investments to third party purchasers. In particular, in connection with the sale of certain controlled portfolio company equity investments (as well as certain other sales) the Company has, and may continue to do so in the future, agreed to indemnify such purchasers for future liabilities arising from the investments and the related sale transaction. Such indemnification provisions have given rise to liabilities in the past and may do so in the future.

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company follows ASC 825-10, which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "other assets" and "debt," which are reported at amortized cost, all



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**8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled "interest receivable," "receivable for open trades," "payable for open trades," "accounts payable and other liabilities," "base management fees payable," "income based fees payable," "capital gains incentive fees payable" and "interest and facility fees payable" approximate fair value due to their short maturity.

The Company also follows ASC 820-10, which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Company to assume that the portfolio investment is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

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

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

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

In addition to using the above inputs in investment valuations, the Company continues to employ the net asset valuation policy approved by the Company's board of directors that is consistent with ASC 820-10 (see Note 2). Consistent with the Company's valuation policy, it evaluates the source of inputs, including any markets in which the Company's investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. The Company's valuation policy considers the fact that because there is not a readily available market value for most of the investments in the Company's portfolio, the fair value of the investments must typically be determined using unobservable inputs.

The Company's portfolio investments (other than as discussed below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value ("EV") of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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for example, with the words "million," "billion" or otherwise)**

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company's EBITDA (net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. The Company may also employ other valuation multiples to determine EV, such as revenues or, in the case of certain portfolio companies in the energy industry, kilowatt capacity. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where the Company has control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where the Company does not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the Company considers the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the Company are substantially illiquid with no active transaction market, the Company depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

For other portfolio investments such as investments in collateralized loan obligations and the SSLP Certificates, discounted cash flow analysis is the primary technique utilized to determine fair value. Expected future cash flows associated with the investment are discounted to determine a present value using a discount rate that reflects estimated market return requirements.

The following tables summarize the significant unobservable inputs the Company used to value the majority of its investments categorized within Level 3 as of September 30, 2014 and December 31,

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## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

2013. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

As of September 30, 2014

Asset Category	Fair Value	Primary Valuation Techniques	Unobservable Input	Estimated	Weighted
				Range	Average
First lien senior secured loans	\$ 4,012,480	Yield analysis	Market yield	4.0% - 19.9%	8.3%
Second lien senior secured loans	1,451,583	Yield analysis	Market yield	6.3% - 20.8%	9.1%
Subordinated certificates of the SSLP	1,983,457	Discounted cash flow	Discount rate	10.0% - 13.0%	11.5%
Senior subordinated debt	469,377	Yield analysis	Market yield	8.3% - 14.0%	10.7%
Preferred equity securities	214,063	EV market multiple analysis	EBITDA multiple	4.5x - 15.7x	9.1x
Other equity securities and other	649,661	EV market multiple analysis	EBITDA multiple	4.5x - 14.5x	9.1x
<b>Total</b>	<b>\$ 8,780,621</b>				

As of December 31, 2013

Asset Category	Fair Value	Primary Valuation Techniques	Unobservable Input	Estimated	Weighted
				Range	Average
First lien senior secured loans	\$ 3,377,608	Yield analysis	Market yield	4.0% - 19.0%	8.4%
Second lien senior secured loans	1,319,191	Yield analysis	Market yield	6.1% - 25.3%	10.3%
Subordinated certificates of the SSLP	1,771,369	Discounted cash flow	Discount rate	10.5% - 13.5%	12.3%
Senior subordinated debt	323,171	Yield analysis	Market yield	9.0% - 17.5%	11.4%
Preferred equity securities	229,006	EV market multiple analysis	EBITDA multiple	4.5x - 11.6x	8.3x
Other equity securities and other	612,552	EV market multiple analysis	EBITDA multiple	4.5x - 14.8x	8.6x
<b>Total</b>	<b>\$ 7,632,897</b>				

Changes in market yields, discount rates or EBITDA multiples, each in isolation, may change the fair value of certain of the Company's investments. Generally, an increase in market yields or discount rates or decrease in EBITDA multiples may result in a decrease in the fair value of certain of the Company's investments.

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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 the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's 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 the Company 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 the Company was required to liquidate a portfolio investment in a forced or liquidation sale, it could realize significantly less than the value at which the Company has recorded it.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2014

(unaudited)

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

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The following table presents fair value measurements of cash and cash equivalents, investments and derivatives as of September 30, 2014:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 107,878	\$ 107,878	\$	\$
Investments	\$ 8,783,580	\$ 2,959	\$	\$ 8,780,621
Derivatives	\$ 526	\$	\$ 526	\$

The following table presents fair value measurements of cash and cash equivalents and investments as of December 31, 2013:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 149,629	\$ 149,629	\$	\$
Investments	\$ 7,632,897	\$	\$	\$ 7,632,897

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2014:

	As of and for the three months ended September 30, 2014
Balance as of June 30, 2014	\$ 8,065,826
Net realized gains	73,690
Net unrealized losses	(5,498)
Purchases	1,350,079
Sales	(226,293)
Redemptions	(480,582)
Payment-in-kind interest and dividends	2,431
Net accretion of discount on securities	1,266
Net transfers in and/or out of Level 3	(298)
Balance as of September 30, 2014	\$ 8,780,621

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****As of September 30, 2014****(unaudited)****(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)****8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	<b>As of and for the nine months ended September 30, 2014</b>
Balance as of December 31, 2013	\$ 7,632,897
Net realized gains	38,207
Net unrealized gains	86,124
Purchases	3,085,331
Sales	(606,222)
Redemptions	(1,464,155)
Payment-in-kind interest and dividends	8,137
Net accretion of discount on securities	2,094
Net transfers in and/or out of Level 3	(1,792)
Balance as of September 30, 2014	\$ 8,780,621

As of September 30, 2014, the net unrealized appreciation on the investments that use Level 3 inputs was \$181,170.

For the three and nine months ended September 30, 2014, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company's Level 3 assets still held as of September 30, 2014, and reported within the net unrealized gains (losses) from investments in the Company's consolidated statement of operations was \$47,286 and \$73,318, respectively.

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2013:

	<b>As of and for the three months ended September 30, 2013</b>
Balance as of June 30, 2013	\$ 6,814,960
Net realized gains	8,946
Net unrealized gains	5,629
Purchases	931,814
Sales	(218,033)
Redemptions	(163,620)
Payment-in-kind interest and dividends	4,606
Accretion of discount on securities	983
Net transfers in and/or out of Level 3	
Balance as of September 30, 2013	\$ 7,385,285



Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****As of September 30, 2014****(unaudited)****(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)****8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	<b>As of and for the nine months ended September 30, 2013</b>
Balance as of December 31, 2012	\$ 5,914,657
Net realized gains	20,710
Net unrealized gains	14,935
Purchases	2,428,449
Sales	(393,351)
Redemptions	(619,257)
Payment-in-kind interest and dividends	15,189
Accretion of discount on securities	3,953
Net transfers in and/or out of Level 3	
Balance as of September 30, 2013	\$ 7,385,285

As of September 30, 2013, the net unrealized appreciation on the investments that use Level 3 inputs was \$107,573.

For the three and nine months ended September 30, 2013, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company's Level 3 assets still held as of September 30, 2013 and reported within the net unrealized gains (losses) from investments in the Company's consolidated statement of operations was \$9,442 and \$1,530, respectively.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

Following are the carrying and fair values of the Company's debt obligations as of September 30, 2014 and December 31, 2013. Fair value is estimated by discounting remaining payments



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for example, with the words "million," "billion" or otherwise)****8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

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

	As of			
	September 30, 2014		December 31, 2013	
	Carrying value(1)	Fair value	Carrying value(1)	Fair value
Revolving Credit Facility	\$ 335,000	\$ 335,000		
Revolving Funding Facility	324,000	324,000	185,000	185,000
SMBC Funding Facility	54,000	54,000		
February 2016 Convertible Notes (principal amount outstanding of \$575,000)	562,805(2)	605,636	556,456(2)	620,960
June 2016 Convertible Notes (principal amount outstanding of \$230,000)	224,196(2)	240,667	221,788(2)	246,810
2017 Convertible Notes (principal amount outstanding of \$162,500)	159,936(2)	169,741	159,220(2)	172,289
2018 Convertible Notes (principal amount outstanding of \$270,000)	265,091(2)	280,106	264,096(2)	284,702
2019 Convertible Notes (principal amount outstanding of \$300,000)	295,913(2)	310,560	295,279(2)	311,169
2018 Notes (principal amount outstanding of \$750,000 and \$600,000, respectively)	750,745(3)	793,658	596,757(3)	619,782
February 2022 Notes (principal amount outstanding of \$143,750)	143,750	145,569	143,750	149,364
October 2022 Notes (principal amount outstanding of \$182,500)	182,500	181,937	182,500	181,770
2040 Notes (principal amount outstanding of \$200,000)	200,000	206,888	200,000	199,208
2047 Notes (principal amount outstanding of \$229,557 and \$230,000, respectively)	181,265(4)	229,071	181,429(4)	206,606
	\$ 3,679,201(5)	\$ 3,876,833	\$ 2,986,275(5)	\$ 3,177,660

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- (1) Except for the Convertible Unsecured Notes, the 2018 Notes and the 2047 Notes, all carrying values are the same as the principal amounts outstanding.
- (2) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less the unaccreted discount initially recorded upon issuance of each respective series of the Convertible Unsecured Notes.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****As of September 30, 2014****(unaudited)****(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)****8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

- (3) As of September 30, 2014, represents the aggregate principal amount outstanding plus the net unamortized premium that was initially recorded upon the issuances of the 2018 Notes. As of December 31, 2013, represents the aggregate principal amount outstanding of the 2018 Notes less the unaccreted discount initially recognized on the first issuance of the 2018 Notes.
- (4) Represents the aggregate principal amount outstanding of the 2047 Notes less the unaccreted purchased discount.
- (5) Total principal amount of debt outstanding totaled \$3,756,307 and \$3,078,750 as of September 30, 2014 and December 31, 2013, respectively.

The following table presents fair value measurements of the Company's debt obligations as of September 30, 2014 and December 31, 2013:

Fair Value Measurements Using	As of	
	September 30, 2014	December 31, 2013
Level 1	\$ 763,465	\$ 736,948
Level 2	3,113,368	2,440,712
Total	\$ 3,876,833	\$ 3,177,660

**9. STOCKHOLDERS' EQUITY**

The following table summarizes the total shares issued and proceeds received in public offerings of the Company's common stock net of underwriting discounts and offering costs for the nine months ended September 30, 2014 and 2013:

	Shares issued	Offering price per share	Proceeds net of underwriting and operating costs
<b>2014</b>			
July 2014 public offering	15,525	\$ 16.63(1)	257,626
Total for the nine months ended September 30, 2014	15,525		257,626
<b>2013</b>			
April 2013 public offering	19,147	\$ 17.43(2)	333,174
Total for the nine months ended September 30, 2013	19,147		\$ 333,174

(1)

The shares were sold to the underwriters for a price of \$16.63 per share, which the underwriters were then permitted to sell at variable prices to the public.

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****As of September 30, 2014****(unaudited)****(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)****9. STOCKHOLDERS' EQUITY (Continued)**

(2)

The shares were sold to the underwriters for a price of \$17.43 per share, which the underwriters were then permitted to sell at variable prices to the public.

The Company used the net proceeds from the above public equity offerings to repay outstanding indebtedness and for general corporate purposes, which included funding investments in accordance with its investment objective.

**10. EARNINGS PER SHARE**

The following information sets forth the computations of basic and diluted net increase in stockholders' equity resulting from operations per share for the three and nine months ended September 30, 2014 and 2013:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Net increase in stockholders' equity resulting from operations available to common stockholders:	\$ 177,739	\$ 140,797	\$ 437,562	\$ 354,637
Weighted average shares of common stock outstanding basic and diluted:	310,564	268,312	302,315	261,120
Basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 0.57	\$ 0.52	\$ 1.45	\$ 1.36

For the purpose of calculating diluted net increase in stockholders' equity resulting from operations per share, the average closing price of the Company's common stock for the three and nine months ended September 30, 2014 and 2013 was each less than the conversion price for each of the Convertible Unsecured Notes outstanding as of September 30, 2014 and 2013, respectively. Therefore, for all periods presented in the financial statements, the underlying shares for the intrinsic value of the embedded options in the Convertible Unsecured Notes have no impact on the computation of diluted net increase in stockholders' equity resulting from operations per share.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2014

(unaudited)

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

## 11. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company's dividends declared and payable during the nine months ended September 30, 2014 and 2013:

Date Declared	Record Date	Payment Date	Per Share Amount	Total Amount
August 5, 2014	September 15, 2014	September 30, 2014	\$ 0.38	\$ 119,361
May 6, 2014	June 16, 2014	June 30, 2014	0.38	113,343
February 26, 2014	March 14, 2014	March 31, 2014	0.38	113,228
November 5, 2013	March 14, 2014	March 28, 2014	0.05(1)	14,899
Total declared and payable for the nine months ended September 30, 2014			\$ 1.19	\$ 360,831

August 6, 2013	September 16, 2013	September 30, 2013	\$ 0.38	\$ 101,959
May 7, 2013	June 14, 2013	June 28, 2013	0.38	101,856
February 27, 2013	March 15, 2013	March 29, 2013	0.38	94,488
Total declared and payable for the nine months ended September 30, 2013			\$ 1.14	\$ 298,303

(1) Represents an additional dividend.

The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. When the Company issues new shares in connection with the dividend reinvestment plan, the issue price is equal to the closing price of its common stock on the dividend payment date. Dividend reinvestment plan activity for the nine months ended September 30, 2014 and 2013 was as follows:

	For the nine months ended September 30,	
	2014	2013
Shares issued	612	796
Average price per share	\$ 17.74	\$ 17.51
Shares purchased by plan agent for stockholders	336	
Average price per share	\$ 16.19	\$

## 12. RELATED PARTY TRANSACTIONS

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In accordance with the investment advisory and management agreement, the Company bears all costs and expenses of the operation of the Company and reimburses its investment adviser or its

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of September 30, 2014**

**(unaudited)**

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

**12. RELATED PARTY TRANSACTIONS (Continued)**

affiliates for certain of such costs and expenses incurred in the operation of the Company. For the three and nine months ended September 30, 2014, the Company's investment adviser or its affiliates incurred such expenses totaling \$1,446 and \$4,504, respectively. For the three and nine months ended September 30, 2013, the Company's investment adviser or its affiliates incurred such expenses totaling \$1,969 and \$4,146, respectively. As of September 30, 2014, \$1,517 was unpaid and such payable is included in "accounts payable and other liabilities" in the accompanying consolidated balance sheet.

The Company is party to office leases pursuant to which it is leasing office facilities from third parties. For certain of these office leases, the Company has also entered into separate subleases with Ares Management LLC, the sole member of Ares Capital Management, and IHAM, pursuant to which Ares Management LLC and IHAM sublease a portion of these leases. For the three and nine months ended September 30, 2014, amounts payable to the Company under these subleases totaled \$1,269 and \$3,015, respectively. For the three and nine months ended September 30, 2013, amounts payable to the Company under these subleases totaled \$628 and \$1,450, respectively.

Ares Management LLC has also entered into separate subleases with the Company, pursuant to which the Company subleases certain office leases from Ares Management LLC. For the three and nine months ended September 30, 2014, amounts payable to Ares Management LLC under these subleases totaled \$186 and \$371, respectively. For the three and nine months ended September 30, 2013, amounts payable to Ares Management LLC under these subleases totaled \$104.

See Note 3 for descriptions of other related party transactions.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2014

(unaudited)

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

## 13. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights as of and for the nine months ended September 30, 2014 and 2013:

Per Share Data:	For the nine months ended September 30,	
	2014	2013
Net asset value, beginning of period(1)	\$ 16.46	\$ 16.04
Issuances of common stock		0.10
Net investment income for period(2)	1.02	1.22
Net realized and unrealized gains for period(2)	0.42	0.13
Net increase in stockholders' equity	1.44	1.45
Total distributions to stockholders	(1.19)	(1.14)
Net asset value at end of period(1)	\$ 16.71	\$ 16.35
Per share market value at end of period	\$ 16.16	\$ 17.29
Total return based on market value(3)	(2.36)%	5.31%
Total return based on net asset value(4)	8.81%	8.48%
Shares outstanding at end of period	314,108	268,596
Ratio/Supplemental Data:		
Net assets at end of period	\$ 5,249,648	\$ 4,392,356
Ratio of operating expenses to average net assets(5)(6)	10.44%	10.03%
Ratio of net investment income to average net assets(5)(7)	8.23%	10.08%
Portfolio turnover rate(5)	34%	20%

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

(2) Weighted average basic per share data.

(3) For the nine months ended September 30, 2014, the total return based on market value equaled the decrease of the ending market value at September 30, 2014 of \$16.16 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the declared and payable dividends of \$1.19 per share for the nine months ended September 30, 2014, divided by the market value at December 31, 2013. For the nine months ended September 30, 2013, the total return based on market value equaled the decrease of the ending market value at September 30, 2013 of \$17.29 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the declared dividends of \$1.14 per share for the nine months ended September 30, 2013, divided by the market value at December 31, 2012. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance



changes over time and

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of September 30, 2014**

**(unaudited)**

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

**13. FINANCIAL HIGHLIGHTS (Continued)**

currently may be different than that shown. Past performance is no guarantee of future results.

- (4) For the nine months ended September 30, 2014, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.19 per share for the nine months ended September 30, 2014, divided by the beginning net asset value at December 31, 2013. For the nine months ended September 30, 2013, the total return based on net asset value equaled the change in net asset value during the period plus the declared dividends of \$1.14 per share for the nine months ended September 30, 2013, divided by the beginning net asset value at December 31, 2012. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan, the issuance of common stock in connection with any equity offerings and the equity components of any convertible notes issued during the period. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (5) The ratios reflect an annualized amount.
- (6) For the nine months ended September 30, 2014, the ratio of operating expenses to average net assets consisted of 2.48% of base management fees, 2.91% of income based fees and capital gains incentive fees, 4.25% of the cost of borrowing and 0.80% of other operating expenses. For the nine months ended September 30, 2013, the ratio of operating expenses to average net assets consisted of 2.39% of base management fees, 2.80% of income based fees and capital gains incentive fees, 3.92% of the cost of borrowing and 0.92% of other operating expenses. These ratios reflect annualized amounts.
- (7) The ratio of net investment income to average net assets excludes income taxes related to realized gains and losses.

**14. LITIGATION**

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

On May 20, 2013, the Company was named as one of several defendants in an action (the "Action") filed in the United States District Court for the Eastern District of Pennsylvania (the "Pennsylvania Court") by the bankruptcy trustee of DSI Renal Holdings LLC and two related companies. On March 17, 2014 the Action was transferred to the United States District Court for the

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of September 30, 2014**

**(unaudited)**

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

**14. LITIGATION (Continued)**

District of Delaware (the "Delaware Court") pursuant to a motion filed by the defendants and granted by the Pennsylvania Court. On May 6, 2014, the Delaware Court referred the Action to the United States Bankruptcy Court for the District of Delaware. The complaint in the Action alleges, among other things, that each of the named defendants participated in a purported "fraudulent transfer" involving the restructuring of a subsidiary of DSI Renal Holdings LLC. Among other things, the complaint seeks, jointly and severally from all defendants, (1) damages of approximately \$425 million, of which the complaint states the Company's individual share is approximately \$117 million, and (2) punitive damages. The Company is currently unable to assess with any certainty whether it may have any exposure in the Action. The Company believes the plaintiff's claims are without merit and intends to vigorously defend itself in the Action.

**15. SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the nine months ended September 30, 2014, except as disclosed below.

The Company has applied to the Small Business Administration ("SBA") for a license to allow a new wholly owned subsidiary to operate as a Small Business Investment Company ("SBIC") under the Small Business Investment Act of 1958. In May 2014, the Company received a "green light" or "go forth letter" from the SBA inviting the Company to continue its application process to obtain a license to form and operate an SBIC subsidiary, and the Company submitted its license application in October 2014. If approved, the license would provide the Company with an incremental source of long-term debt capital. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license, and the Company has received no assurance or indication from the SBA that the Company will receive an SBIC license or of the timeframe in which the Company would receive a license should one ultimately be granted.

In November 2014, the Company declared a fourth quarter 2014 dividend of \$0.38 per share payable on December 31, 2014 to stockholders of record as of December 15, 2014.

In November 2014, the Company issued \$400 million aggregate principal amount of 3.875% notes due 2020 (the "existing 2020 Notes"). The Company used the net proceeds of the issuance of the existing 2020 Notes to repay certain outstanding indebtedness under its debt facilities and for general corporate purposes, which included investing in portfolio companies in accordance with its investment objective.

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**PROSPECTUS**

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

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

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

We are externally managed by our investment adviser, Ares Capital Management LLC, a subsidiary of Ares Management, L.P., a publicly traded, leading global asset manager with approximately \$77 billion of assets under management as of March 31, 2014. Ares Operations LLC, a subsidiary of Ares Management, L.P., provides certain administrative and other services necessary for us to operate.

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." On June 24, 2014 the last reported sales price of our common stock on The NASDAQ Global Select Market was \$17.10 per share. The net asset value per share of our common stock at March 31, 2014 (the last date prior to the date of this prospectus on which we determined net asset value) was \$16.42.

**Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 22 of this prospectus, including the risk of leverage.**

We may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, which we refer to, collectively, as the "securities." The preferred stock, debt securities, subscription rights and warrants (including as part of a unit) offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such circumstances as the SEC may permit. This prospectus and the accompanying prospectus supplement concisely provide important information about us that you should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

**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 June 27, 2014.

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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 U.S. Securities and Exchange Commission (the "SEC"), using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and the prospectus supplement together with any exhibits and the additional information described under the headings "Available Information" and "Risk Factors" before you make an investment decision.

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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 and the accompanying prospectus supplement. Except where the context suggests otherwise, the terms "we," "us," "our," "the Company" and "Ares Capital" refer to Ares Capital Corporation and its consolidated subsidiaries; "Ares Capital Management" and "our investment adviser" refer to Ares Capital Management LLC; "Ares Operations" and "our administrator" refer to Ares Operations LLC; and "Ares" and "Ares Management" refer to Ares Management, L.P. and its affiliated companies (other than portfolio companies of its affiliated funds).*

**THE COMPANY**

**Overview**

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately \$8.2 billion of total assets as of March 31, 2014.

We are externally managed by our investment adviser, Ares Capital Management, a subsidiary of Ares Management, a publicly traded, leading global asset manager with approximately \$77 billion of assets under management ("AUM")<sup>(1)</sup> as of March 31, 2014. Our administrator, Ares Operations, a subsidiary of Ares Management, provides certain administrative and other services necessary for us to operate.

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

We invest primarily in first lien senior secured loans (including "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior secured loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments in corporate borrowers generally range between \$30 million and \$400 million each, investments in project finance/power generation projects generally range between

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(1) AUM refers to the assets of the funds, alternative asset companies and other entities and accounts that are managed or co-managed by Ares (including funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital, and a registered investment adviser). It includes drawn and undrawn amounts, including certain amounts that are subject to regulatory leverage restrictions and/or borrowing base restrictions. AUM amounts are as of March 31, 2014 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.





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

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments.

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment in which we are operating. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate or sell a portion of such amount (including, without limitation, to vehicles managed by our portfolio company, Ivy Hill Asset Management, L.P. ("IHAM")), such that we are left with a smaller investment than what was reflected in our original commitment. In addition to originating investments, we may also acquire investments in the secondary market (including purchases of a portfolio of investments).

The first and second lien senior secured loans in which we invest generally have stated terms of three to 10 years and the mezzanine debt investments in which we invest generally have stated terms of up to 10 years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, we may invest in loans and securities with any maturity or duration. The instruments in which we invest typically are not rated by any rating agency, but we believe that if such instruments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB " by Fitch Ratings or lower than "BBB " by Standard & Poor's Ratings Services), which, under the guidelines established by these entities, is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." We may invest without limit in debt or other securities of any rating, as well as debt or other securities that have not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships of Ares with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investment opportunities. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 16 years and its senior partners have an average of over 26 years of experience in leveraged finance, private equity, distressed debt, commercial real estate finance, investment banking and capital markets. The Company has access to Ares' investment professionals and administrative professionals, who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations. As of March 31, 2014, Ares had 304 investment professionals and 397 administrative professionals.

We and General Electric Capital Corporation and GE Global Sponsor Finance LLC (collectively, "GE") also co-invest in first lien senior secured loans of middle-market companies through an unconsolidated vehicle, the Senior Secured Loan Fund LLC, which operates using the name "Senior Secured Loan Program" (the "SSLP"). As of March 31, 2014, the SSLP had available capital of \$11.0 billion of which approximately \$8.8 billion in aggregate principal amount was funded. As of March 31, 2014, we had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$1.8 billion was funded. The SSLP is capitalized as transactions are completed and all

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portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). As of March 31, 2014, our investment in the SSLP was approximately \$1.8 billion at fair value (including unrealized appreciation of \$27.2 million), which represented approximately 24% of our total portfolio at fair value. As of March 31, 2014, the SSLP had 46 underlying borrowers. For more information on the SSLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Secured Loan Program."

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation." Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

In the first quarter of 2011, the staff of the SEC (the "Staff") informally communicated to certain BDCs the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as "eligible portfolio companies" (as defined in Section 2(a)(46) under the Investment Company Act) (i.e., not eligible to be included in a BDC's 70% "qualifying assets" basket). Subsequently, in August 2011 the SEC issued a concept release (the "Concept Release") which stated that "[a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company." We provided a comment letter in respect of the Concept Release and continue to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as "eligible portfolio companies" entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent discussions with the Staff, we have, solely for purposes of calculating the composition of our portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non-qualifying assets" should the Staff ultimately disagree with our position.

As of March 31, 2014, our portfolio company, IHAM, which became an SEC-registered investment adviser effective March 30, 2012, managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles (these vehicles managed or sub-managed/sub-serviced by IHAM are collectively referred to as the "IHAM Vehicles"). As of March 31, 2014, IHAM had assets under management ("IHAM AUM")<sup>(2)</sup> of approximately \$2.8 billion. As of March 31, 2014, Ares Capital had invested approximately \$171 million (at amortized cost) in IHAM. In connection with IHAM's registration as a registered investment adviser, on March 30, 2012, we received exemptive relief from the SEC allowing us to, subject to certain conditions, own directly or indirectly up to 100% of IHAM's outstanding equity interests and make additional investments in IHAM once IHAM became an

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(2)

IHAM AUM refers to the assets of the vehicles managed, sub-managed and sub-serviced by IHAM. It includes drawn and undrawn amounts, including amounts that are subject to certain restrictions. IHAM AUM amounts are as of March 31, 2014 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.

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

**Ares Capital Management**

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of 76 U.S.-based investment professionals as of March 31, 2014 and led by the senior partners of the Ares Direct Lending Group: Michael Arougheti, Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares Capital Management's investment committee has 12 members, including the senior partners and U.S.-based partners of the Ares Direct Lending Group, senior partners in the Ares Private Equity Group and a senior partner in the Ares Tradable Credit Group.

**MARKET OPPORTUNITY**

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

We believe that the disruption and volatility in the credit markets between 2008 and 2009 reduced capital available to certain specialty finance companies and other capital providers, causing a reduction in competition. These market conditions may continue to create opportunities to achieve attractive risk-adjusted returns.

We believe that many commercial and investment banks have, in recent years, de-emphasized their service and product offerings to middle-market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, these lenders may be constrained in their ability to underwrite and hold bank loans and high yield securities for middle-market issuers as they seek to meet existing and future regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle-market companies and therefore more new-issue market opportunities for us.

We believe that there is a lack of bank market participants that are willing to hold meaningful amounts of certain middle-market loans. As a result, we believe our ability to minimize syndication risk for a company seeking financing by being able to hold our loans without having to syndicate them is a competitive advantage.

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

**COMPETITIVE ADVANTAGES**

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

**The Ares Platform**

As of March 31, 2014, Ares had approximately \$77 billion of total AUM in the related asset classes of non-syndicated first and second lien senior secured corporate and commercial real estate loans, syndicated corporate and commercial real estate loans, high yield bonds, corporate and commercial real estate mezzanine debt and private equity. We believe Ares' current investment

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platform provides a competitive advantage in terms of access to origination and marketing activities and diligence for us. In particular, we believe that the Ares platform provides us with an advantage through its deal flow generation and investment evaluation process. Ares' asset management platform also provides additional market information, company knowledge and industry insight that benefit our investment and due diligence process. Ares' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

**Seasoned Management Team**

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

**Broad Origination Strategy**

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

**Scale and Flexible Transaction Structuring**

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

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

Ares has historically focused on investments in middle-market companies and we benefit from this experience. In sourcing and analyzing deals, our investment adviser benefits from Ares' extensive network of relationships focused on middle-market companies, including management teams, members of the investment banking community, private equity groups and other investment firms with whom Ares has had long-term relationships. We believe this network enables us to identify well-positioned prospective portfolio company investments. The Ares Direct Lending Group works closely with Ares' other investment professionals. As of March 31, 2014, Ares oversaw a portfolio of investments in over 1,000 companies, 300 structured assets and approximately 275 properties across over 30 industries, which provides access to an extensive network of relationships and insights into industry trends and the state of the capital markets.

**Disciplined Investment Philosophy**

In making its investment decisions, our investment adviser has adopted Ares' long-standing, consistent, credit-based investment approach that was developed over 16 years ago by its founders. Specifically, our investment adviser's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment and financial markets and company-specific research and analysis. Its investment approach emphasizes capital preservation, low volatility and minimization of downside risk. In addition to engaging in extensive due diligence from the perspective of a long-term investor, our investment adviser's approach seeks to reduce risk in investments by focusing on:

businesses with strong franchises and sustainable competitive advantages;

industries with positive long-term dynamics;

businesses and industries with cash flows that are dependable and predictable;

management teams with demonstrated track records and appropriate economic incentives;

rates of return commensurate with the perceived risks;

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

businesses backed by experienced private equity sponsors.

**Extensive Industry Focus**

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

**OPERATING AND REGULATORY STRUCTURE**

Our investment activities are managed by our investment adviser, Ares Capital Management, which is a subsidiary of Ares, and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Ares Capital Management is registered under the Investment Advisers Act of 1940, or the "Advisers Act." Under our Amended and Restated Investment Advisory and Management Agreement with Ares Capital Management, referred to herein as our "investment advisory and management agreement," we have agreed to pay Ares Capital Management base management fees based on our total assets, as defined under the Investment Company Act (other than



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cash and cash equivalents, but including assets purchased with borrowed funds) ("base management fees"), fees based on our net investment income ("income based fees") and fees based on our net capital gains ("capital gains incentive fees"). See "Management Investment Advisory and Management Agreement." Ares Operations provides us with certain administrative and other services necessary for us to operate pursuant to an Amended and Restated Administration Agreement, referred to herein as our "administration agreement." See "Management Administration Agreement."

As a BDC, we are required to comply with certain regulatory requirements. For example, we are not generally permitted to invest in any portfolio company in which a fund managed by Ares or any of its downstream affiliates (other than us and our downstream affiliates) currently has an investment. However, we may co-invest on a concurrent basis with funds managed by Ares or any of its downstream affiliates, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures. Certain types of co-investment transactions would only be permitted pursuant to an exemptive order from the SEC, for which we have applied. Any such order will be subject to certain terms and conditions. Further there is no assurance that this application for exemptive relief will be granted by the SEC.

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant aspects. See "Business Operating and Regulatory Structure" and "Regulation." In particular, BDC's must have at least 200% asset coverage calculated pursuant to the Investment Company Act in order to incur debt or issue preferred stock (which we refer to collectively as "senior securities"), which requires us to finance our investments with at least as much equity as senior securities in the aggregate. Certain of our credit facilities also require that we maintain asset coverage of at least 200%.

In addition, as a consequence of our being a regulated investment company ("RIC") for U.S. federal income tax purposes, as well as our status as a BDC, our asset growth is dependent on our ability to raise equity capital through the issuance of common stock. RICs generally must distribute substantially all of their earnings to stockholders as dividends in order to preserve their status as a RIC and not be subject to additional corporate-level income taxes. This requirement, in turn, generally prevents us from using earnings to support our operations including making new investments. See "Certain Material U.S. Federal Income Tax Considerations."

**MARKET CONDITIONS**

From time to time, capital markets may experience periods of disruption and instability. For example, between 2008 and 2009, the global financial markets experienced stress, volatility, instability, illiquidity and disruption, and as a result, during this time the availability of capital and access to capital markets was limited. While market conditions have experienced relative stability in recent years, there have been continuing periods of volatility and there can be no assurances that adverse market conditions will not repeat themselves in the future. If they do, we could face difficulty raising new capital on attractive terms. Consequently, our operating strategy could be materially and adversely affected. As the global liquidity situation and market conditions evolve, we will continue to monitor and adjust our approach to funding accordingly. See "Risk Factors Risks Relating to Our Business The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States, which may have a negative impact on our business and operations."

In connection with the prior depressed market conditions of the general economy during the period between 2008 and 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. In some cases, certain BDCs became "forced sellers" of assets, defaulted on their indebtedness, decreased their distributions to stockholders or announced share repurchase programs. Although we believe that



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we currently have sufficient capital to fund our investments and operations, if such adverse market conditions repeat themselves, we cannot assure you that the market pressures we may face in the future will not have a material adverse effect on our business, financial condition and results of operations.

**ACQUISITION OPPORTUNITIES**

We believe the volatility in the credit markets over the past several years has increased the likelihood of further consolidation in our industry. To that end, we are evaluating (and expect to continue to evaluate in the future) a number of potential strategic acquisition opportunities, including acquisitions of:

asset portfolios;

contracts to manage CLO vehicles and other investment vehicles;

other private and public finance companies and asset managers; and

selected secondary market assets.

We have been in, and from time to time may engage in, discussions with counterparties in respect of various potential strategic acquisition and investment transactions, including potential acquisitions of other finance companies and asset managers. 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 at which the consummation of any such transaction could be deemed to be probable or reasonably certain as of the date of this prospectus. Consummation of any such transaction would be subject to completion of due diligence, finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our board of directors, any required third party consents and, in certain cases, the approval of our stockholders. We cannot predict how quickly the terms of any such transaction could be finalized, if at all. Accordingly, there can be no assurance that such transaction would be consummated. In connection with evaluating potential strategic acquisition and investment transactions, we have, and may in the future, incur significant expenses for the evaluation and due diligence investigation of these potential transactions.

**LIQUIDITY**

As of March 31, 2014, we had approximately \$3.1 billion in aggregate principal amount of total outstanding indebtedness, approximately \$3.0 billion aggregate principal amount of which was unsecured indebtedness of Ares Capital and approximately \$0.1 billion of which was secured indebtedness of our consolidated subsidiaries.

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

**RECENT DEVELOPMENTS**

In May 2014, we and Ares Capital CP Funding LLC ("Ares Capital CP") entered into an amendment to the revolving funding facility of Ares Capital CP (the "Revolving Funding Facility"). The amendment, among other things, (1) extended the reinvestment period from April 18, 2015 to May 14, 2017, (2) extended the stated maturity date from April 18, 2017 to May 14, 2019 and (3) reduced the range of commitment fees paid depending on the size of the unused portion of the Revolving Funding Facility from between 0.50% and 1.75% per annum to 0.50% and 1.50% per annum. Commitments under the amended Revolving Funding Facility were reduced from the pre-amendment commitments of \$620 million to \$540 million.

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In May 2014, we increased total commitments under our revolving credit facility (the "Revolving Credit Facility") by \$80 million from \$1,170 million to \$1,250 million.

From April 1, 2014 through April 30, 2014, we made new investment commitments of \$303 million, of which \$223 million were funded. Of these new commitments, 71% were in first lien senior secured loans, 18% were in second lien senior secured loans, 10% were investments in subordinated certificates of the SSLP to make co-investments with GE in first lien senior secured loans through the SSLP and 1% were in other equity securities. Of the \$303 million of new investment commitments, 90% were floating rate, 9% were fixed rate and 1% were non-interest bearing. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 8.6%. We may seek to syndicate a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From April 1, 2014 through April 30, 2014, we exited \$401 million of investment commitments. Of these investment commitments, 48% were first lien senior secured loans, 47% were second lien senior secured loans, 3% were investments in subordinated certificates of the SSLP, 1% were senior subordinated loans and 1% were other equity securities. Of the \$401 million of exited investment commitments, 98% were floating rate, 1% were fixed rate and 1% were non-interest bearing. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 8.8%. On the \$401 million of investment commitments exited from April 1, 2014 through April 30, 2014, we recognized total net realized gains of approximately \$3 million.

In addition, as of April 30, 2014, we had an investment backlog and pipeline of approximately \$235 million and \$475 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may syndicate a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

### **RISK FACTORS**

Investing in Ares Capital involves risks. The following is a summary of the principal risks that you should carefully consider before investing in our securities. In addition, see "Risk Factors" beginning on page 22 for a more detailed discussion of the principal risks as well as certain other risks you should carefully consider before deciding to invest in our securities.

The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States, which may have a negative impact on our business and operations.

Uncertainty about the financial stability of the United States and of several countries in the European Union (EU) could have a significant adverse effect on our business, financial condition and results of operations.

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

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

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A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility and a failure to maintain our status as a RIC may subject us to additional corporate-level income taxes.

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

We borrow money, which magnifies the potential for gain or loss on amounts invested, subjects us to certain covenants with which we must comply and may increase the risk of investing with us.

We operate in a highly competitive market for investment opportunities.

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

Most of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable. Additionally, to the extent that we need liquidity and need to sell assets, the lack of liquidity in our investments may adversely affect our business.

Our financial condition and results of operations could be negatively affected if a significant investment fails to perform as expected.

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

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

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

Our investments, which are primarily in middle-market companies, may be risky and we could lose all or part of our investment.

Our portfolio companies may be highly leveraged.

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

**OUR CORPORATE INFORMATION**

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



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**OFFERINGS**

We may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such other circumstances as the SEC may permit. Any such issuance of shares of our common stock below net asset value may be dilutive to the net asset value of our common stock. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus."

Pursuant to approval granted at our 2014 annual stockholders meeting, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires the earlier of June 2, 2015 and the date of our 2015 annual stockholders meeting.

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

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

Use of proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which include, among other things, (a) investing in portfolio companies in accordance with our investment objective and (b) repaying indebtedness. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See "Use of Proceeds."
Distributions	We currently intend to pay dividends or make other distributions to our stockholders on a quarterly basis out of assets legally available for distribution. We may also pay additional dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, if any, will be determined by our board of directors. For more information, see "Price Range of Common Stock and Distributions."

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Taxation	We have elected to be treated as a RIC for U.S. federal income tax purposes. As a RIC, we generally will not pay U.S. federal corporate-level income taxes on any income and gain that we distribute to our stockholders as dividends on a timely basis. Among other things, in order to maintain our RIC status, we must meet specified source of income and asset diversification requirements and distribute annually generally an amount equal to at least 90% of our investment company taxable income, out of assets legally available for distribution. See "Risk Factors Risks Relating to Our Business We may be subject to additional corporate-level income taxes if we fail to maintain our status as a RIC" and "Price Range of Common Stock and Distributions."
Dividend reinvestment plan	We have a dividend reinvestment plan for our stockholders. This is an "opt out" dividend reinvestment plan. As a result, if we declare a cash dividend, then stockholders' dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash. Stockholders whose cash dividends are reinvested in additional shares of our common stock will be subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."
The NASDAQ Global Select Market symbol	"ARCC"
Anti-takeover provisions	Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures adopted by us. See "Description of Our Capital Stock."
Leverage	We borrow funds to make additional investments. We use this practice, which is known as "leverage," to attempt to increase returns to our 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 calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.

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#### Management arrangements

Ares Capital Management serves as our investment adviser. Ares Operations serves as our administrator. For a description of Ares Capital Management, Ares Operations, Ares and our contractual arrangements with these companies, see "Management Investment Advisory and Management Agreement," and " Administration Agreement."

#### Available information

We are required to file periodic reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). Information contained on our website is not incorporated into this prospectus and you should not consider such information to be part of this prospectus. Such information is also available from the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov).

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 table contains a reference to our fees or expenses, we will pay such fees and expenses out of our net assets and, consequently, stockholders will indirectly bear such fees or expenses as investors in Ares Capital.

<b>Stockholder transaction expenses (as a percentage of offering price):</b>	
Sales load	(1)
Offering expenses	(2)
Dividend reinvestment plan expenses	None (3)
<b>Total stockholder transaction expenses paid</b>	<b>(4)</b>
<b>Annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):</b>	
Base management fees	2.50%(6)
Income based fees and capital gains incentive fees	2.36%(7)
Interest payments on borrowed funds	4.34%(8)
Other expenses	1.29%(9)
Acquired fund fees and expenses	0.01%(10)
Total annual expenses	10.50%(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) The "consolidated net assets attributable to common stock" used to calculate the percentages in this table is our average net assets of \$4.9 billion for the three months ended March 31, 2014.
- (6)



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Our base management fee is currently 1.5% of our total assets (other than cash and cash equivalents, which includes assets purchased with borrowed amounts). Our base management fee has been estimated by multiplying our average total assets (assuming we maintain no cash or cash equivalents) for the three months ended March 31, 2014 by 1.5%. The 2.50% reflected on the table is higher than 1.5% because it is calculated on our average net assets (rather than our average total assets) for the same period. See "Management Investment Advisory and Management Agreement."

(7)

This item represents our investment adviser's income based fees and capital gains incentive fees estimated by annualizing income based fees for the three months ended March 31, 2014 and any expense accrual in accordance with U.S. generally accepted accounting principles ("GAAP") of

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capital gains incentive fees for the three months ended March 31, 2014, even though no capital gains incentive fee was actually payable under the investment advisory and management agreement as of March 31, 2014.

GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Company Act or the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains incentive fee actually payable under the investment advisory and management agreement (the "Capital Gains Fee") plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual Capital Gains Fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future or that the amount accrued for will ultimately be paid.

For purposes of this table, we have assumed that these fees will be payable (in the case of the capital gains incentive fee) and that they will remain constant, although they are based on Ares Capital's performance and will not be paid unless Ares Capital achieves certain goals. We expect to invest or otherwise utilize all of the net proceeds from securities registered under the registration statement of which this prospectus is a part pursuant to a particular prospectus supplement within three months of the date of the offering pursuant to such prospectus supplement and may have capital gains and interest income that could result in the payment of these fees to our investment adviser in the first year after completion of offerings pursuant to this prospectus. Since our initial public offering through March 31, 2014, the average quarterly incentive fee accrued (including capital gains incentive fees accrued under GAAP even though they may not be payable) has been approximately 0.76% of our weighted average net assets (3.05% on an annualized basis). For more detailed information on the calculation of our income based fees and capital gains incentive fees, please see below. For more detailed information about income based fees and capital gains incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the year ended December 31, 2013 and the three months ended March 31, 2014.

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

The Capital Gains Fee is payable annually in arrears in an amount equal to 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid Capital Gains Fees.

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We will defer cash payment of any income based fees and the Capital Gains 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 income based fees or capital gains incentive fees accrued during the period) is less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period.

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

See "Management Investment Advisory and Management Agreement."

- (8) "Interest payments on borrowed funds" represents our interest expenses estimated by annualizing our actual interest and credit facility expenses incurred for the three months ended March 31, 2014. During the three months ended March 31, 2014, our average outstanding borrowings were approximately \$3.0 billion and cash paid for interest expense was \$45.2 million. We had outstanding borrowings of approximately \$3.1 billion (with a carrying value of approximately \$3.1 billion) as of March 31, 2014. This item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."
- (9) Includes our overhead expenses, including payments under our administration agreement, based on our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, and income taxes. Such expenses are estimated by annualizing "Other expenses" for the three months ended March 31, 2014. The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses. See "Management Administration Agreement."
- (10) The Company's stockholders indirectly bear the expenses of underlying funds or other investment vehicles that would be investment companies under section 3(a) of the Investment Company Act but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the Investment Company Act ("Acquired Funds") in which the Company invests. This amount includes the estimated annual fees and expenses of Acquired Funds in which the Company is invested as of March 31, 2014. Certain of these Acquired Funds are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% of net profits. When applicable, fees and expenses estimates are based on historic fees and expenses for the Acquired Funds. For those Acquired Funds with little or no operating history, fees and expenses are estimates based on expected fees and expenses stated in the Acquired Funds' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these Acquired Funds may be substantially higher or lower because certain fees and expenses are based on the performance of the Acquired Funds, which may fluctuate over time.
- (11) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains incentive fees accrued during the period), rather than the total assets, including assets that have been funded with borrowed monies.

Table of Contents**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. Income based fees and the Capital Gains Fee under the investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown below, are not included in the example, except as specifically set forth below. Transaction expenses are not included in the following example. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return (none of which is subject to the capital gains incentive fee)(1)	\$ 83	\$ 242	\$ 390	\$ 719
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return resulting entirely from net realized capital gains (all of which is subject to the capital gains incentive fee)(2)	\$ 93	\$ 270	\$ 433	\$ 790

(1) Assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation.

(2) Assumes no unrealized capital depreciation and a 5% annual return resulting entirely from net realized capital gains and not otherwise deferrable under the terms of the investment advisory and management agreement and therefore subject to the capital gains incentive fee.

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

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

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

The following selected financial and other data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this prospectus. The selected financial and other data for the three months ended March 31, 2014 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities," which are included elsewhere in this prospectus or the accompanying prospectus supplement.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA**

**As of and For the Three Months Ended March 31, 2014 and**  
**As of and For the Years Ended December 31, 2013, 2012, 2011, 2010 and 2009**  
**(dollar amounts in millions, except per share data and as otherwise indicated)**

	As of and For the Three Months Ended March 31, 2014	As of and For the Year Ended December 31, 2013	As of and For the Year Ended December 31, 2012	As of and For the Year Ended December 31, 2011	As of and For the Year Ended December 31, 2010	As of and For the Year Ended December 31, 2009
Total Investment Income	239.7	\$ 881.7	\$ 748.0	\$ 634.5	\$ 483.4	\$ 245.3
Total Expenses	122.0	437.2	387.9	344.6	262.2	111.3
Net Investment Income Before Income Taxes	117.7	444.5	360.1	289.9	221.2	134.0
Income Tax Expense, Including Excise Tax	5.4	14.1	11.2	7.5	5.4	0.6
Net Investment Income	112.3	430.4	348.9	282.4	215.8	133.4
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	4.7	58.1	159.3	37.1	280.1	69.3
Gain on the Allied Acquisition					195.9	
Net Increase in Stockholders' Equity Resulting from Operations	\$ 117.0	\$ 488.5	\$ 508.2	\$ 319.5	\$ 691.8	\$ 202.7
<b>Per Share Data:</b>						
Net Increase in Stockholder's Equity Resulting from Operations:						
Basic	\$ 0.39	\$ 1.83	\$ 2.21	\$ 1.56	\$ 3.91	\$ 1.99
Diluted	\$ 0.39	\$ 1.83	\$ 2.21	\$ 1.56	\$ 3.91	\$ 1.99
Cash Dividends Declared and Payable	\$ 0.43(1)	\$ 1.57(2)	\$ 1.60(3)	\$ 1.41	\$ 1.40	\$ 1.47
Net Asset Value	\$ 16.42	\$ 16.46	\$ 16.04	\$ 15.34	\$ 14.92	\$ 11.44
Total Assets	\$ 8,199.5	\$ 8,141.5	\$ 6,401.2	\$ 5,387.4	\$ 4,562.5	\$ 2,313.5
Total Debt (Carrying Value)	\$ 3,058.7	\$ 2,986.3	\$ 2,195.9	\$ 2,073.6	\$ 1,378.5	\$ 969.5
Total Debt (Principal Amount)	\$ 3,143.3	\$ 3,078.8	\$ 2,293.8	\$ 2,170.5	\$ 1,435.1	\$ 969.5
Total Stockholders' Equity	\$ 4,898.6	\$ 4,904.4	\$ 3,988.3	\$ 3,147.3	\$ 3,050.5	\$ 1,257.9
<b>Other Data:</b>						
Number of Portfolio Companies at Period End(4)	195	193	152	141	170	95
Principal Amount of Investments Purchased	\$ 826.2	\$ 3,493.2	\$ 3,161.6	\$ 3,239.0	\$ 1,583.9	\$ 575.0
Principal Amount of Investments Acquired as part of the Allied Acquisition	\$	\$	\$	\$	\$ 1,833.8	\$
Principal Amount of Investments Sold and Repayments	\$ 657.2	\$ 1,801.4	\$ 2,482.9	\$ 2,468.2	\$ 1,555.9	\$ 515.2
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(5):	10.2%	10.4%	11.3%	12.0%	12.9%	12.7%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(5):	10.2%	10.4%	11.4%	12.1%	13.2%	12.1%
Total Return Based on Market Value(6)	1.6%	10.5%	23.6%	2.3%	43.6%	119.9%
Total Return Based on Net Asset Value(7)	2.4%	11.4%	14.3%	10.5%	31.6%	17.8%

(1)

Includes an additional dividend of \$0.05 per share.

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- (2) Includes an additional dividend of \$0.05 per share.
- (3) Includes additional dividends of \$0.10 per share.
- (4) Includes commitments to portfolio companies for which funding had yet to occur.

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- (5) Weighted average yield of debt and other income producing securities at fair value is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total accruing debt and income producing securities at fair value. Weighted average yield of debt and other income producing securities at amortized cost is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total accruing debt and income producing securities at amortized cost.
- (6) Total return based on market value for the three months ended March 31, 2014 equaled the decrease of the ending market value at March 31, 2014 of \$17.62 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the dividends declared and payable of \$0.43 per share for the three months ended March 31, 2014, divided by the market value at December 31, 2013. Total return based on market value for the year ended December 31, 2013 equaled the increase of the ending market value at December 31, 2013 of \$17.77 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the dividends declared and payable of \$1.57 per share for the year ended December 31, 2013, divided by the market value at December 31, 2012. Total return based on market value for the year ended December 31, 2012 equaled the increase of the ending market value at December 31, 2012 of \$17.50 per share from the ending market value at December 31, 2011 of \$15.45 per share plus the dividends declared and payable of \$1.60 per share for the year ended December 31, 2012, divided by the market value at December 31, 2011. Total return based on market value for the year ended December 31, 2011 equaled the decrease of the ending market value at December 30, 2011 of \$15.45 per share from the ending market value at December 31, 2010 of \$16.48 per share plus the dividends declared and payable of \$1.41 per share for the year ended December 31, 2011, divided by the market value at December 31, 2010. Total return based on market value for the year ended December 31, 2010 equaled the increase of the ending market value at December 31, 2010 of \$16.48 per share over the ending market value at December 31, 2009 of \$12.45 per share plus the dividends declared and payable of \$1.40 per share for the year ended December 31, 2010, divided by the market value at December 31, 2009. Total return based on market value for the year ended December 31, 2009 equaled 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 dividends declared and payable of \$1.47 per share for the year ended December 31, 2009, divided by the market value at December 31, 2008. Total return based on market value is not annualized. Our shares fluctuate in value. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (7) Total return based on net asset value for the three months ended March 31, 2014 equaled the change in net asset value during the period plus the dividends declared and payable of \$0.43 per share for the three months ended March 31, 2014, divided by the beginning net asset value for the period. Total return based on net asset value for the year ended December 31, 2013 equaled the change in net asset value during the period plus the dividends declared and payable of \$1.57 per share for the year ended December 31, 2013, divided by the beginning net asset value for the period. Total return based on net asset value for the year ended December 31, 2012 equaled the change in net asset value during the period (adjusted for share issuances) plus the dividends declared and payable of \$1.60 per share for the year ended December 31, 2012, divided by the beginning net asset value for the period. Total return based on net asset value for the year ended December 31, 2011 equaled the change in net asset value during the period (adjusted for share issuances) plus the dividends declared and payable of \$1.41 per share for the year ended December 31, 2011, divided by the beginning net asset value for the period. Total return based on net asset value for the year ended December 31, 2010 equaled the change in net asset value during the period (adjusted for share issuances) plus the dividends declared and payable of \$1.40 per share for the year ended December 31, 2010, divided by the beginning net asset value for the period. Total return based on net asset value for the year ended December 31, 2009 equaled the change in net asset value during the period (adjusted for share issuances) plus the dividends declared and payable of \$1.47 per share for the year ended December 31, 2009, divided by the beginning net asset value for the period. Total return based on net asset value is not annualized. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.



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

	2014			
	Q4	Q3	Q2	Q1
Total investment income				\$ 239,719
Net investment income before net realized and unrealized gains and incentive compensation				\$ 141,589
Incentive compensation				\$ 29,253
Net investment income before net realized and unrealized gains				\$ 112,336
Net realized and unrealized gains				\$ 4,656
Net increase in stockholders' equity resulting from operations				\$ 116,992
Basic and diluted earnings per common share				\$ 0.39
Net asset value per share as of the end of the quarter				\$ 16.42

	2013			
	Q4	Q3	Q2	Q1
Total investment income	\$ 233,742	\$ 246,801	\$ 206,123	\$ 195,055
Net investment income before net realized and unrealized gains (losses) and incentive compensation	\$ 145,003	\$ 161,421	\$ 126,951	\$ 119,182
Incentive compensation	\$ 33,493	\$ 35,199	\$ 33,374	\$ 20,085
Net investment income before net realized and unrealized gains (losses)	\$ 111,510	\$ 126,222	\$ 93,577	\$ 99,097
Net realized and unrealized gains (losses)	\$ 22,374	\$ 14,575	\$ 39,921	\$ (18,755)
Net increase in stockholders' equity resulting from operations	\$ 133,884	\$ 140,797	\$ 133,498	\$ 80,342
Basic and diluted earnings per common share	\$ 0.47	\$ 0.52	\$ 0.50	\$ 0.32
Net asset value per share as of the end of the quarter	\$ 16.46	\$ 16.35	\$ 16.21	\$ 15.98

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

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**RISK FACTORS**

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

**RISKS RELATING TO OUR BUSINESS**

**The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States, which may have a negative impact on our business and operations.**

From time to time, capital markets may experience periods of disruption and instability. For example, between 2008 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While market conditions have experienced relative stability in recent years, there have been continuing periods of volatility and there can be no assurance that adverse market conditions will not repeat themselves in the future.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. We generally seek approval from our stockholders so that we have the flexibility to issue up to 25% of our then outstanding shares of our common stock at a price below net asset value. Pursuant to approval granted at our 2014 annual stockholders meeting, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires the earlier of June 2, 2015 and the date of our 2015 annual stockholders meeting.

At times, volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The re-appearance of market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience.

If we are unable to raise or refinance debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies. Significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal

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market to market participants (even if we plan on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

**Uncertainty about the financial stability of the United States and of several countries in the European Union (EU) could have a significant adverse effect on our business, financial condition and results of operations.**

Due to federal budget deficit concerns, S&P downgraded the federal government's credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody's and Fitch have warned that they may downgrade the federal government's credit rating. Further downgrades or warnings by S&P or other rating agencies, and the United States government's credit and deficit concerns in general, including issues around the federal debt ceiling, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of such countries has improved significantly, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

On December 18, 2013, the Federal Reserve announced that it would scale back its bond-buying program, or quantitative easing, which is designed to stimulate the economy and expand the Federal Reserve's holdings of long-term securities until key economic indicators, such as the unemployment rate, show signs of improvement. The Federal Reserve signaled it would reduce its purchases of long-term Treasury bonds and would scale back on its purchases of mortgage-backed securities. It is unclear what effect, if any, the incremental reduction in the rate of the Federal Reserve's monthly purchases will have on the value of our investments. However, it is possible that absent continued quantitative easing by the Federal Reserve, these developments, along with the United States government's federal debt ceiling issues and the European sovereign debt crisis, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

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

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

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

We depend on the diligence, skill and network of business contacts of certain key personnel of the Ares Direct Lending Group. We also depend, to a significant extent, on access to the investment professionals of other groups within Ares and the information and deal flow generated by Ares' investment professionals in the course of their investment and portfolio management activities. Our future success depends on the continued service of the key personnel of the Ares Direct Lending Group. The departure of any of these individuals, or of a significant number of the investment professionals or partners of Ares, could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that Ares Capital Management will remain our investment adviser or that we will continue to have access to Ares' investment professionals or its information and deal flow. Further, there can be no assurance that Ares Capital will replicate Ares' historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by other Ares managed funds.

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

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

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

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

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

We will need to periodically access the capital markets to raise cash to fund new investments in excess of our repayments, and, beginning in 2016, we may also need to access the capital markets to refinance existing debt obligations to the extent such maturing obligations are not repaid with cash flows from operations. We have elected to be treated as a RIC and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. Among other things, in order to

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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 or repay maturing debt. 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 or limit our access to the capital markets, or could result in a decision by lenders not to extend credit to us. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any.

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

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

We may issue senior securities or borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of our assets declines, we may be unable to satisfy this test, which may prohibit us from paying dividends and could prevent us from maintaining our status as a RIC or may prohibit us from repurchasing shares of our common stock. In addition, our inability to satisfy this test could cause an event of default under our existing indebtedness. If we cannot satisfy this test, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. Accordingly, any failure to satisfy this test could have a material adverse effect on our business, financial condition or results of operations. As of March 31, 2014, our asset coverage calculated in accordance with the Investment Company Act was 260%. Also, to generate cash for funding new investments, we may in the future seek to issue additional debt or to securitize certain of our loans. The Investment Company Act may impose restrictions on the structure of any such securitization.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value per share of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. Any such sale would be dilutive to the net asset value per share of our common stock. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, 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.

Pursuant to approval granted at our 2014 annual stockholders meeting, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such

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stockholder approval expires the earlier of June 2, 2015 and the date of our 2015 annual stockholders meeting.

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

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We currently borrow under the Facilities (as defined below) and have issued or assumed other senior securities, and in the future may borrow from, or issue additional senior securities to, banks, insurance companies, funds, institutional investors and other lenders and investors. Lenders and holders of such senior securities have fixed dollar claims on our consolidated assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our consolidated assets increases, then leveraging would cause the net asset value per share of our common stock to increase more sharply than it would have had we not incurred leverage.

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

As of March 31, 2014, we had approximately \$100.0 million of outstanding borrowings under the Facilities, approximately \$1,537.5 million in aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below) and approximately \$1,505.8 million in aggregate principal amount outstanding of the Unsecured Notes (as defined below). In order for us to cover our annual interest payments on our outstanding indebtedness at March 31, 2014, we must achieve annual returns on our March 31, 2014 total assets of at least 2.1%. The weighted average stated interest rate charged on our principal amount of outstanding indebtedness as of March 31, 2014 was 5.4%. We intend to continue borrowing under the Facilities in the future and we may increase the size of the Facilities or issue additional debt securities or other evidences of indebtedness (although there can be no assurance that we will be successful in doing so). For more information on the Company's indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources." Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.

The Facilities, the Convertible Unsecured 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 the Facilities or to add new or replacement debt facilities or to issue additional debt securities or other evidences of indebtedness could have a material adverse effect on our business, financial condition and results of operations.

The following table illustrates the effect on return to a holder of our common stock of the leverage created by our use of borrowing at the weighted average stated interest rate of 5.4% as of March 31, 2014, together with (a) our total value of net assets as of March 31, 2014; (b) approximately

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\$3,143.3 million in aggregate principal amount of indebtedness outstanding as of March 31, 2014 and (c) hypothetical annual returns on our portfolio of minus 15% to plus 15%.

Assumed Return on Portfolio (Net of Expenses)(1)	-15%	-10%	-5%	0%	5%	10%	15%
Corresponding Return to Common Stockholders(2)	-28.57%	-20.20%	-11.83%	-3.47%	4.90%	13.27%	21.64%

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of March 31, 2014. As a result, it has not been updated to take into account any changes in assets or leverage since March 31, 2014.

(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of our assets at March 31, 2014 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 5.4% by the approximately \$3,143.3 million of principal debt outstanding) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of March 31, 2014 to determine the "Corresponding Return to Common Stockholders."

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

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

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

restrictions on our ability to incur liens; and

maintenance of a minimum level of stockholders' equity.

As of the date of this prospectus, we are in compliance in all material respects with the covenants of the Facilities, the Convertible Unsecured 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, 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 Convertible Unsecured Notes and the Unsecured Notes. Failure to comply with these covenants could result in a default under the Facilities, the Convertible Unsecured Notes or the Unsecured Notes that, if we were unable to obtain a waiver from the lenders or holders of such indebtedness, as applicable, such lenders or holders could

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accelerate repayment under such indebtedness and thereby have a material adverse impact on our business, financial condition and results of operations.

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

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

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

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

**We may be subject to additional corporate-level income taxes if we fail to maintain our status as a RIC.**

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

To satisfy the Annual Distribution Requirement (as defined below) applicable to RICs, we must distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income for each year. We have the ability to pay a large portion of our dividends in shares of our stock, and as long as a portion of such dividend is paid in cash and other requirements are met, such stock dividends will be taxable as a dividend for U.S. federal income tax purposes. This may result in our U.S. stockholders having to pay tax on such dividends, even if no cash is received, and may result in our non-U.S. stockholders being subject to withholding tax in respect of amounts distributed in our stock. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under our



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indebtedness that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to maintain our status as a RIC and, thus, may be subject to corporate-level income tax on all of our income and/or gains.

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

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

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

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

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

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our investment objective and rate of return on invested capital. Because we borrow money and may issue debt securities or preferred stock to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt

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securities or preferred stock and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

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

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

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

A large percentage of our portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as determined in good faith by our board of directors based on, among other things, the input of our management and audit committee and independent valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions). The valuation process is conducted at the end of each fiscal quarter, with a minimum of 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, we may use these independent valuation firms to review the value of our investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. In addition, our independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, our investment valuation process within the context of performing the integrated audit.

The types of factors that may be considered in valuing our investments include the enterprise value of the portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate our valuation. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that we may ultimately realize. Our

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net asset value per share could be adversely affected if our determinations regarding the fair value of these investments are materially higher than the values that we realize upon disposition of such investments.

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

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

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

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

**Our financial condition and results of operations could be negatively affected if a significant investment fails to perform as expected.**

Our investment portfolio includes investments that may be significant individually or in the aggregate. If a significant investment in one or more companies fails to perform as expected, such a failure could have a material adverse effect on our financial condition and results of operations, and the magnitude of such effect could be more significant than if we had further diversified our portfolio.

Our investment portfolio includes our investment in the SSLP, which as of March 31, 2014, represented approximately 24% of our total portfolio at fair value. In addition, for the three months ended March 31, 2014, approximately 33% of our total investment income was earned from our investment in the SSLP. The income earned from the SSLP is derived from the interest and fee income earned by the SSLP from its investments in first lien senior secured loans of middle market companies. We provide capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates"), which had a 14.3% yield at fair value as of March 31, 2014 and are junior in right of payment to the senior notes held by GE in the SSLP. For more information on the SSLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Secured Loan Program." Our return on and repayment of our investment in the SSLP Certificates depends on the performance of the loans in the SSLP's portfolio in the aggregate. Accordingly, any material degradation in the performance of the loans in the SSLP's portfolio in the aggregate would have a negative effect on the yield on our SSLP Certificates and could ultimately result in the loss of some or all of our investment in the SSLP Certificates.

**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

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

In addition, certain Ares funds may have investment objectives that compete or overlap with, and may from time to time invest in asset classes similar to those targeted by, Ares Capital. Consequently, we, on the one hand, and these other entities, on the other hand, may from time to time pursue the same or similar capital and investment opportunities. Ares and our investment adviser endeavor to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to Ares Capital. Nevertheless, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares. In addition, there may be conflicts in the allocation of investment opportunities among us and the funds managed by investment managers affiliated with Ares or one or more of our controlled affiliates or among the funds they manage.

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

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

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

The income based fees payable by us to our investment adviser that relate 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 such fee will

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become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the income based fees it received that were based on accrued interest that we never actually receive.

Our investment advisory and management agreement renews for successive annual periods if approved by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not "interested persons" of the Company as defined in Section 2(a)(19) of the Investment Company Act. However, both we and our investment adviser have the right to terminate the agreement without penalty upon 60 days' written notice to the other party. Moreover, conflicts of interest may arise if our investment adviser seeks to change the terms of our investment advisory and management agreement, including, for example, the terms for compensation. While any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act, we may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement.

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

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

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

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

**We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect our liquidity, financial condition or results of operations.**

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to

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operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

sudden electrical or telecommunications outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

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

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

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have had extended implementation periods and delayed effective dates and have required extensive rulemaking by regulatory authorities. While many of the rules required to be written have been promulgated, some have not yet been implemented. Although the full impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including the rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose

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additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

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

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

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

Our investment adviser is entitled to income based fees for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter (before deducting incentive compensation and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income for income based fee purposes excludes realized and unrealized capital losses or depreciation and income taxes related to realized gains that we may incur in the fiscal quarter, even if such capital losses or depreciation and income taxes related to realized gains result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our investment adviser income based fees 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 income based fee and the Capital Gains 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 income based fees or capital gains incentive fees accrued during the period) is less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any such deferred fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

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

**RISKS RELATING TO OUR INVESTMENTS**

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

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

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

Many of our portfolio companies may be susceptible to economic downturns or recessions (including the economic downturn that occurred from 2008 through 2009) and may be unable to repay our loans during these periods. Therefore, during these periods our non-performing assets may increase and the value of our portfolio may decrease if we are required to write down the values of our investments. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results. We experienced to some extent such effects as a result of the economic downturn that occurred from 2008 through 2009 and may experience such effects again in any future downturn or recession.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its assets representing collateral for its obligations, which could trigger cross defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the



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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 effect on our portfolio company and, in turn, on us;

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

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

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

changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects; and

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

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

The debt that we invest in is typically not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB " by Fitch Ratings or lower than "BBB " by Standard & Poor's Ratings Services), which under the guidelines established by these entities, is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." Therefore, our investments may result in an above average amount of risk and volatility or loss of principal. While the debt we invest in is often secured, such security does not guarantee that we will receive principal and interest payments according to the terms of the loan, or that the value of any collateral will be sufficient to allow us to recover all or a portion of the outstanding amount of the loan should we be forced to enforce our remedies.

We also may invest in assets other than first and second lien and mezzanine debt investments, including high-yield securities, U.S. government securities, credit derivatives and other structured



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securities and certain direct equity investments. These investments entail additional risks that could adversely affect our investment returns.

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

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

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

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

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

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

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

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

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

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

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

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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 base management fees, income based fees and the Capital Gains Fee 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 base management fees, income based fees and the Capital Gains Fee due to Ares Capital Management as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers.

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

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

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

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

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

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

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

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

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

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

The fees 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 income based fees payable to our investment adviser are determined, which are calculated as a percentage of the return on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock and the holders of securities convertible into our common stock. In addition, our investment adviser will receive the Capital Gains Fee based, in part, upon net capital gains realized on our investments. Unlike income based fees, there is no hurdle rate applicable to the Capital Gains Fee. As a result, our investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The income based fees will be computed and paid on income that has been accrued but not yet received in cash, including as a result of investments with a deferred interest feature such as debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. 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 certain fees will become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the fees it received that were based on such accrued interest that we never actually receive.

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

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

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

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

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

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

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

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

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

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

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

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

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict whether any shares of our common stock will trade at, above, or below net asset value. In the recent past, including during much of 2009, the stocks of BDCs as an industry, including at times shares of our common stock, traded below net asset value and at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. When our common stock is trading below its net asset value per share, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining approval for such issuance from our stockholders and our independent directors. Pursuant to approval granted at our 2014 annual stockholders meeting, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires the earlier of June 2, 2015 and the date of our 2015 annual stockholders meeting.

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

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments.

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

The above-referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of our debt, which may cause a default under the terms of our debt

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agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt agreements.

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

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

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

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

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

The capital and credit markets have experienced periods of extreme volatility and disruption over the past several years. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

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

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



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exclusion of our common stock from certain indices, such as the Russell 1000 Index, which could reduce the ability of certain investment funds to own our common stock and put short-term selling pressure on our common stock;

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

loss of our RIC status;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

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

departure of Ares Capital Management's key personnel;

operating performance of companies comparable to us;

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

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

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

concerns regarding European sovereign debt;

general economic trends and other external factors; and

loss of a major funding source.

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

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

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock we issue must be cumulative. Payment of dividends and repayment of the liquidation preference of preferred stock must take preference over any dividends or other payments to our common stockholders, and holders of preferred stock are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference (other than convertible preferred stock that converts into common stock). In addition, under the Investment Company Act, preferred stock constitutes a "senior security" for purposes of the 200% asset coverage test.

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

At our 2014 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

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of our common stock, in an amount not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period that began on June 2, 2014 and expires on the earlier of June 2, 2015 and the date of our 2015 annual stockholders meeting.

In addition, at our 2009 annual stockholders meeting, our stockholders approved a proposal authorizing us to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of our common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of our then outstanding common stock and that the exercise or conversion price thereof is not, at the date of issuance, less than the greater of the market value per share and the net asset value per share of our common stock). The authorization granted to sell or issue warrants or securities to subscribe for or convertible into shares of our common stock has no expiration.

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

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

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

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

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

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

In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of

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

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

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

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

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

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

The February 2016 Convertible Notes (as defined below) are convertible into shares of our common stock beginning August 15, 2015 or, under certain circumstances, earlier. The June 2016 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on December 15, 2015 or, under certain circumstances, earlier. The 2017 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on September 15, 2016 or, under certain circumstances, earlier. The 2018 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on July 15, 2017 or, under certain circumstances, earlier. The 2019 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on July 15, 2018 or, under certain circumstances, earlier. Upon conversion of the Convertible Unsecured Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. As of March 31, 2014, the conversion price of the February 2016 Convertible Notes was effectively \$18.62 per share of common stock, the conversion price of the June 2016 Convertible Notes was effectively \$18.53 per share, the conversion price of the 2017 Convertible Notes was effectively \$19.05 per share, the conversion price of the 2018 Convertible Notes was effectively \$19.70 per share and the conversion price of the 2019 Convertible Notes was effectively \$20.05 per share, in each case taking into account certain de minimis adjustments that will be made on the conversion date and subject to further adjustment in certain circumstances. If we elect to deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders may incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the Convertible Unsecured Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

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

In order to satisfy the Annual Distribution Requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion could be as low as 20%) and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would be taxed on 100% of the fair market value of the shares received as part of the dividend on the date a stockholder received it in the same manner as a cash dividend, even though most of the dividend was paid in shares of our common stock.

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

Sales of substantial amounts of our common stock, or the availability of such common stock for sale (including as a result of the conversion of our Convertible Unsecured Notes into common stock), could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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

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

the time remaining to the maturity of these debt securities;

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

the ratings assigned by national statistical ratings agencies;

the general economic environment;

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

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

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

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

You should also be aware that there may be a limited number of buyers if and 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



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proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

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

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

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**FORWARD-LOOKING STATEMENTS**

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

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

the return or impact of current and future investments;

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

the impact of fluctuations in interest rates on our business;

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

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

our ability to recover unrealized losses;

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

our contractual arrangements and relationships with third parties;

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

uncertainty surrounding the financial stability of the U.S. and the EU;

Middle East turmoil and the potential for rising energy prices 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 complete and integrate any acquisitions;



the adequacy of our cash resources and working capital;

the timing, form and amount of any dividend distributions;

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

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

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

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised

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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, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

The forward-looking statements in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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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 include investing in portfolio companies in accordance with our investment objective. We also expect to use the net proceeds of an offering to repay or repurchase outstanding indebtedness, which may include indebtedness (approximately \$3.0 billion aggregate principal amount outstanding as of April 30, 2014) under (a) the Revolving Credit Facility (no amounts outstanding as of April 30, 2014), (b) the Revolving Funding Facility (no amounts outstanding as of April 30, 2014), (c) the SMBC Funding Facility (as defined below) (no amounts outstanding as of April 30, 2014), (d) the February 2016 Convertible Notes (approximately \$575.0 million aggregate principal amount outstanding as of April 30, 2014), (e) the June 2016 Convertible Notes (approximately \$230.0 million aggregate principal amount outstanding as of April 30, 2014), (f) the 2017 Convertible Notes (approximately \$162.5 million aggregate principal amount outstanding as of April 30, 2014), (g) the 2018 Convertible Notes (approximately \$270.0 million aggregate principal amount outstanding as of April 30, 2014), (h) the 2019 Convertible Notes (approximately \$300.0 million aggregate principal amount outstanding as of April 30, 2014), (i) the 2018 Notes (as defined below) (approximately \$750.0 million aggregate principal amount outstanding as of April 30, 2014), (j) the February 2022 Notes (as defined below) (approximately \$143.8 million aggregate principal amount outstanding as of April 30, 2014), (k) the October 2022 Notes (as defined below) (approximately \$182.5 million aggregate principal amount outstanding as of April 30, 2014), (l) the 2040 Notes (as defined below) (approximately \$200.0 million aggregate principal amount outstanding as of April 30, 2014) and (m) the 2047 Notes (as defined below) (approximately \$229.6 million aggregate principal amount outstanding as of April 30, 2014).

Subject to certain exceptions, the interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one-, two-, three- or six-month) plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. As of April 30, 2014, one-, two-, three- and six-month LIBOR was 0.15%, 0.19%, 0.22% and 0.32%, respectively. The Revolving Credit Facility matures on May 4, 2019. Subject to certain exceptions, the interest charged on the indebtedness incurred under the Revolving Funding Facility is based on LIBOR plus applicable spreads ranging from 2.25% to 2.50% and ranging from 1.25% to 1.50% over "base rate" (as defined in the agreements governing the Revolving Funding Facility), in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the facility. As of April 30, 2014, the Revolving Funding Facility was scheduled to expire on April 18, 2017 (subject to extension exercisable upon mutual consent). See "Recent Developments" for more information on the Revolving Funding Facility. Subject to certain exceptions, the interest charged on the indebtedness incurred under the SMBC Funding Facility is based on one-month LIBOR plus an applicable spread of 2.00% or a "base rate" (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.00%. The SMBC Funding Facility is scheduled to expire on September 14, 2021 (subject to two one- year extension options exercisable upon mutual consent). The interest charged on the Convertible Unsecured Notes and the Unsecured Notes is as follows: (a) 5.75% in the case of the February 2016 Convertible Notes, (b) 5.125% in the case of the June 2016 Convertible Notes, (c) 4.875% in the case of the 2017 Convertible Notes, (d) 4.75% in the case of the 2018 Convertible Notes, (e) 4.375% in the case of the 2019 Convertible Notes, (f) 4.875% in the case of the 2018 Notes, (g) 7.00% in the case of the February 2022 Notes, (h) 5.875% in the case of the October 2022 Notes, (i) 7.75% in the case of the 2040 Notes and (j) 6.875% in the case of the 2047 Notes. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes mature on February 1, 2016, June 1, 2016, March 15, 2017, January 15, 2018 and January 15, 2019, respectively. The 2018 Notes, February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes mature on November 30, 2018, February 15, 2022, October 1, 2022,

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October 15, 2040 and April 15, 2047, respectively. The supplement to this prospectus relating to an offering may more fully identify the use of the proceeds from such offering.

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

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation." Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities generally earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not, for a time, be able to achieve our investment objective and/or we may need to, for a time, decrease the amount of any dividend that we may pay to our stockholders to a level that is substantially lower than the level that we expect to pay when the net proceeds of offerings are fully invested in accordance with our investment objective. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our common stock and debt securities may decline. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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

The following table sets forth, for each fiscal quarter for the fiscal years ended December 31, 2012, 2013 and 2014, the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock as reported on The NASDAQ Global Select Market, the closing sales price as a premium (discount) to net asset value as reported on The NASDAQ Global Select Market and the dividends or distributions declared by us. On June 24, 2014, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$17.10 per share, which represented a premium of approximately 4.1% to the net asset value per share reported by us as of March 31, 2014.

	Net Asset Value(1)	Price Range		High Sales Price Premium (Discount) to Net Asset Value(2)	Low Sales Price Premium (Discount) to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
<b>Year ended December 31, 2012</b>						
First Quarter	\$ 15.47	\$ 16.70	\$ 15.51	8.0%	0.3%	\$ 0.37
Second Quarter	\$ 15.51	\$ 16.55	\$ 14.67	6.7%	(5.4)%	\$ 0.37
Third Quarter	\$ 15.74	\$ 17.68	\$ 16.04	12.3%	1.9%	\$ 0.43(4)
Fourth Quarter	\$ 16.04	\$ 17.74	\$ 16.08	10.6%	0.2%	\$ 0.43(4)
<b>Year ended December 31, 2013</b>						
First Quarter	\$ 15.98	\$ 18.54	\$ 17.66	16.0%	10.5%	\$ 0.38
Second Quarter	\$ 16.21	\$ 18.27	\$ 16.42	12.7%	1.3%	\$ 0.38
Third Quarter	\$ 16.35	\$ 18.12	\$ 17.03	10.8%	4.2%	\$ 0.38
Fourth Quarter	\$ 16.46	\$ 18.38	\$ 17.06	11.7%	3.6%	\$ 0.43(4)
<b>Year ended December 31, 2014</b>						
First Quarter	\$ 16.42	\$ 18.51	\$ 17.36	12.7%	5.7%	\$ 0.43(4)
Second Quarter (through June 24, 2014)	*	\$ 17.66	\$ 16.50	*	*	\$ 0.38

- (1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.
- (2) Calculated as the respective high or low closing sales price less net asset value, divided by net asset value (in each case, as of the applicable quarter).
- (3) Represents the dividend or distribution declared in the relevant quarter.
- (4) Consists of a quarterly dividend of \$0.38 per share and an additional dividend of \$0.05 per share.
- \* Net asset value has not yet been calculated for this period.

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We currently intend to pay dividends or make other distributions to our stockholders on a quarterly basis out of assets legally available for distribution. We may also pay additional dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, if any, will be determined by our board of directors.

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The following table summarizes our dividends declared and payable for the fiscal years ended December 31, 2012, 2013 and 2014:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
February 28, 2012	March 15, 2012	March 30, 2012	\$ 0.37
May 8, 2012	June 15, 2012	June 29, 2012	\$ 0.37
August 7, 2012	September 14, 2012	September 28, 2012	\$ 0.38
August 7, 2012	September 14, 2012	September 28, 2012	\$ 0.05(1)
November 5, 2012	December 14, 2012	December 28, 2012	\$ 0.38
November 5, 2012	December 14, 2012	December 28, 2012	\$ 0.05(1)
<b>Total declared and payable for 2012</b>			<b>\$ 1.60</b>
February 27, 2013	March 15, 2013	March 29, 2013	\$ 0.38
May 7, 2013	June 14, 2013	June 28, 2013	\$ 0.38
August 6, 2013	September 16, 2013	September 30, 2013	\$ 0.38
November 5, 2013	December 16, 2013	December 31, 2013	\$ 0.38
November 5, 2013	December 16, 2013	December 31, 2013	\$ 0.05(1)
<b>Total declared and payable for 2013</b>			<b>\$ 1.57(2)</b>
November 5, 2013	March 14, 2014	March 28, 2014	\$ 0.05(3)
February 26, 2014	March 14, 2014	March 31, 2014	\$ 0.38
May 6, 2014	June 16, 2014	June 30, 2014	\$ 0.38
<b>Total declared and payable for 2014</b>			<b>\$ 0.81</b>

- 
- (1) Represents an additional dividend.
- (2) Does not include an additional dividend of \$0.05 per share, paid on March 28, 2014 to stockholders of record as of March 14, 2014, which was previously declared on November 5, 2013.
- (3) Represents an additional dividend, paid on March 28, 2014 to stockholders of record as of March 14, 2014, which was previously declared on November 5, 2013.

Of the \$1.57 per share in dividends declared and payable during the year ended December 31, 2013, the entire \$1.57 per share was comprised of ordinary income. Of the \$1.60 per share in dividends declared and payable during the year ended December 31, 2012, the entire \$1.60 per share was comprised of ordinary income.

To maintain our RIC status under the Internal Revenue Code of 1986, as amended (the "Code"), we must timely distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code, which generally includes net ordinary income and net short term capital gains) to our stockholders. In addition, we generally will be required to pay an excise tax equal to 4% on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during a calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31st in that calendar year and (iii) any income recognized, but not distributed, in preceding years. The taxable income on which we pay excise tax is generally distributed to our stockholders in the next tax year. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income for distribution in the following year, and pay any applicable excise tax. For the three months ended March 31, 2014, we recorded an excise tax expense of \$2.5 million. For the years

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ended December 31, 2013 and 2012, we recorded an excise tax expense of \$10.3 million and \$7.9 million, respectively. We cannot assure you that we will achieve results that will permit the payment of any cash distributions. We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend, stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. See "Dividend Reinvestment Plan."



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For the three months ended March 31, 2014 and the years ended December 31, 2013, 2012, 2011, 2010 and 2009, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	<b>For the Three Months Ended March 31, 2014</b>	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>	<b>For the Year Ended December 31, 2011</b>	<b>For the Year Ended December 31, 2010</b>	<b>For the Year Ended December 31, 2009</b>
Earnings to Fixed Charges(1)	3.3	3.9	4.6(2)	3.7(3)	9.8(4)	9.4(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 (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

- (1) Earnings include net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP. Net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP can vary substantially from period to period.

Excluding the net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP, the earnings to fixed charges ratio would be 3.3 for the three months ended March 31, 2014, 3.7 for the year ended December 31, 2013, 3.7 for the year ended December 31, 2012, 3.6 for the year ended December 31, 2011, 4.0 for the year ended December 31, 2010 and 6.5 for the year ended December 31, 2009.

- (2) Earnings for the year ended December 31, 2012 included a net realized loss on the extinguishment of debt of \$2.7 million.
- (3) Earnings for the year ended December 31, 2011 included a net realized loss on the extinguishment of debt of \$19.3 million.
- (4) Earnings for the year ended December 31, 2010 included a one-time gain on the acquisition of Allied Capital Corporation (the "Allied Acquisition") of \$195.9 million, a net realized loss on the extinguishment of debt of \$2.0 million and net realized gain on sale of other assets of \$5.9 million.
- (5) Earnings for the year ended December 31, 2009, included a net realized gain on the extinguishment of debt of \$26.5 million.

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

*The information contained in this section should be read in conjunction with the "Selected Condensed Consolidated Financial Data of Ares Capital" and our financial statements and notes thereto appearing elsewhere in this prospectus or the accompanying prospectus supplement.*

**OVERVIEW**

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a BDC under the Investment Company Act.

We are externally managed by Ares Capital Management, a subsidiary of Ares Management, a publicly traded, leading global asset manager, pursuant to our investment advisory and management agreement. Ares Operations, a subsidiary of Ares Management, provides certain administrative and other services necessary for us to operate.

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

To a lesser extent, we also make preferred and/or common equity investments, which have generally been non-control equity investments, of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments.

Since our initial public offering on October 8, 2004 through March 31, 2014, our exited investments resulted in an aggregate cash flow realized internal rate of return (as discussed in more detail in footnote 1 to the last table in Business Investments") to us of approximately 13% (based on original cash invested, net of syndications, of approximately \$8.2 billion and total proceeds from such exited investments of approximately \$10.0 billion). Approximately 71% of these exited investments resulted in an aggregate cash flow realized internal rate of return to us of 10% or greater.

Additionally, since our initial public offering on October 8, 2004 through March 31, 2014, our realized gains have exceeded our realized losses by approximately \$270 million (excluding a one-time gain on the acquisition of Allied Capital and realized gains/losses from the extinguishment of debt and other assets). For this same time period, our average annualized net realized gain rate was approximately 1.1% (excluding a one-time gain on the acquisition of Allied Capital and realized gains/losses from the extinguishment of debt and other assets). Net realized gain/loss rates for a particular period are the amount of net realized gains/losses during such period divided by the average quarterly investments at amortized cost in such period.

Information included herein regarding internal rates of return, realized gains and losses and annualized net realized gain rates since our initial public offering are historical results relating to our past performance and are not necessarily indicative of future results, the achievement of which cannot be assured.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities and indebtedness of private U.S. companies and certain public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. We also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation." Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

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

**PORTFOLIO AND INVESTMENT ACTIVITY**

The Company's investment activity for the three months ended March 31, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2014	2013	2013	2012	2011
<b>New investment commitments(1):</b>					
New portfolio companies	\$ 442.2	\$ 90.5	\$ 2,148.5	\$ 1,794.7	\$ 1,778.0
Existing portfolio companies(2)	409.9	323.1	1,854.4	1,402.3	1,896.4
Total new investment commitments	852.1	413.6	4,002.9	3,197.0	3,674.4
Less:					
Investment commitments exited	849.2	221.7	1,840.0	2,614.5	2,603.1
Net investment commitments	\$ 2.9	\$ 191.9	\$ 2,162.9	\$ 582.5	\$ 1,071.3
<b>Principal amount of investments funded:</b>					
First lien senior secured loans	\$ 646.2	\$ 180.5	\$ 2,000.1	\$ 1,908.3	\$ 1,973.1
Second lien senior secured loans	14.1	99.0	602.8	733.1	511.1
Subordinated certificates of the SSLP(3)	87.5	21.0	652.5	270.0	496.8
Senior subordinated debt	64.4	51.5	192.0	146.3	51.8
Preferred equity securities	7.7	1.0	1.8		164.1
Other equity securities	6.3	2.1	44.0	103.9	41.2
Commercial real estate					0.9
Total	\$ 826.2	\$ 355.1	\$ 3,493.2	\$ 3,161.6	\$ 3,239.0
<b>Principal amount of investments sold or repaid:</b>					
First lien senior secured loans	\$ 503.9	\$ 110.8	\$ 885.8	\$ 1,455.9	\$ 1,320.9
Second lien senior secured loans	127.2	97.8	526.1	331.0	286.6
Subordinated certificates of the SSLP	17.9	14.1	145.2	66.3	
Senior subordinated debt	0.3	0.3	201.0	409.0	463.2
Collateralized loan obligations				55.5	166.3
Preferred equity securities	2.7		26.3	26.2	43.5
Other equity securities	5.2	2.7	16.8	126.0	166.1
Commercial real estate			0.2	13.0	21.6
Total	\$ 657.2	\$ 225.7	\$ 1,801.4	\$ 2,482.9	\$ 2,468.2
<b>Number of new investment commitments(4)</b>	24	17	95	82	72
<b>Average new investment commitment amount</b>	\$ 35.5	\$ 24.1	\$ 42.1	\$ 39.0	\$ 51.0
<b>Weighted average term for new investment commitments (in months)</b>	66	70	74	66	63
<b>Percentage of new investment commitments at floating rates</b>	92%	77%	89%	88%	94%
<b>Percentage of new investment commitments at fixed rates</b>	6%	21%	10%	8%	5%
<b>Weighted average yield of debt and other income producing securities(5):</b>					
Funded during the period at amortized cost	9.3%	8.9%	9.8%	9.9%	10.9%
Funded during the period at fair value(6)	9.3%	8.9%	9.8%	9.9%	10.9%
Exited or repaid during the period at amortized cost	8.7%	9.8%	9.8%	9.7%	10.2%
Exited or repaid during the period at fair value(6)	8.7%	9.9%	9.7%	9.6%	10.1%

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

(2) Includes investment commitments to the SSLP to make co-investments with GE in first lien senior secured loans of middle market companies of \$60.7 million and \$24.6 million for the three months ended March 31, 2014 and 2013, respectively, and \$736.6 million, \$270.0 million and \$496.8 million for

the years ended December 31, 2013, 2012 and 2011, respectively.

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- (3) See "Senior Secured Loan Program" below and Note 4 to our consolidated financial statements for the three months ended March 31, 2014 for more information on the SSLP.
- (4) Number of new investment commitments represents each commitment to a particular portfolio company or a commitment to multiple companies as part of an individual transaction (e.g., the purchase of a portfolio of investments).
- (5) "Weighted average yield of debt and other income producing securities at amortized cost" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost. "Weighted average yield of debt and other income producing securities at fair value" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.
- (6) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.

As of March 31, 2014 and December 31, 2013, our investments consisted of the following:

(in millions)	As of			
	March 31, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien senior secured loans	\$ 3,548.3	\$ 3,521.7	\$ 3,405.6	\$ 3,377.6
Second lien senior secured loans	1,223.4	1,197.2	1,335.8	1,319.2
Subordinated certificates of the SSLP(1)	1,814.8	1,842.0	1,745.2	1,771.4
Senior subordinated debt	429.3	388.0	364.1	323.2
Preferred equity securities	231.4	236.8	226.0	229.0
Other equity securities	457.3	603.1	453.7	600.2
Commercial real estate	7.0	10.8	7.0	12.3
	\$ 7,711.5	\$ 7,799.6	\$ 7,537.4	\$ 7,632.9

- (1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 46 and 47 different borrowers as of March 31, 2014 and December 31, 2013, respectively.

The weighted average yields at amortized cost and fair value of the following portions of our portfolio as of March 31, 2014 and December 31, 2013 were as follows:

	As of			
	March 31, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities(1)	10.2%	10.2%	10.4%	10.4%
Total portfolio(2)	9.2%	9.1%	9.4%	9.3%
First lien senior secured loans(2)	7.8%	7.8%	7.8%	7.8%
Second lien senior secured loans(2)	9.1%	9.3%	9.4%	9.5%
Subordinated certificates of the SSLP(2)(3)	14.5%	14.3%	15.0%	14.8%
Senior subordinated debt(2)	9.7%	10.8%	10.3%	11.6%
Income producing equity securities(2)	10.1%	9.3%	10.1%	9.1%

(1)

"Weighted average yield of debt and other income producing securities at amortized cost" is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost. "Weighted average yield of debt and other income producing securities at fair value" is computed as the (a) annual stated

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interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.

- (2) "Weighted average yields at amortized cost" are computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on the relevant accruing debt and other income producing securities, divided by (b) the total relevant investments at amortized cost. "Weighted average yields at fair value" are computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on the relevant accruing debt and other income producing securities, divided by (b) the total relevant investments at fair value.
- (3) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans.

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

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Set forth below is the grade distribution of our portfolio companies as of March 31, 2014 and December 31, 2013:

(dollar amounts in millions)	As of							
	March 31, 2014				December 31, 2013			
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 56.1	0.7%	6	3.1%	\$ 54.6	0.7%	7	3.6%
Grade 2	253.3	3.3%	12	6.1%	256.3	3.4%	12	6.2%
Grade 3	6,497.9	83.3%	162	83.1%	6,636.2	86.9%	162	84.0%
Grade 4	992.3	12.7%	15	7.7%	685.8	9.0%	12	6.2%
	\$ 7,799.6	100.0%	195	100.0%	\$ 7,632.9	100.0%	193	100.0%

As of March 31, 2014 and December 31, 2013, the weighted average grade of the investments in our portfolio at fair value was 3.1 and 3.0, respectively.

As of March 31, 2014, loans on non-accrual status represented 3.2% and 1.9% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2013, loans on non-accrual status represented 3.1% and 2.1% of the total investments at amortized cost and at fair value, respectively.

### ***Senior Secured Loan Program***

We co-invest in first lien senior secured loans of middle market companies with GE through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a "the Senior Secured Loan Program") or the SSLP. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of ours and GE (with approval from a representative of each required). We provide capital to the SSLP in the form SSLP Certificates.

As of March 31, 2014 and December 31, 2013, we and GE had agreed to make \$11.0 billion of capital available to the SSLP, of which approximately \$8.8 billion and \$8.7 billion in aggregate principal amount, respectively, was funded. As of March 31, 2014 and December 31, 2013, we had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$1.8 billion and \$1.7 billion in aggregate principal amount, respectively, was funded. Investment of any unfunded amount must be approved by the investment committee of the SSLP as described above.

As of March 31, 2014 and December 31, 2013, the SSLP had total assets of \$8.9 billion and \$8.7 billion, respectively. As of March 31, 2014 and December 31, 2013, GE's investment in the SSLP consisted of senior notes of \$6.8 billion and \$6.7 billion, respectively, and SSLP Certificates of \$259.3 million and \$249.3 million, respectively. The SSLP Certificates are junior in right of payment to the senior notes held by GE. As of March 31, 2014 and December 31, 2013, we and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

As of March 31, 2014 and December 31, 2013, the SSLP portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies. As of March 31, 2014 and December 31, 2013, one loan was on non-accrual status, representing 1.0% and 1.0%, respectively, of the total loans at principal amount in the SSLP. The portfolio companies in the SSLP are in industries similar to the companies in our portfolio. Additionally, as of March 31, 2014 and December 31, 2013, the SSLP had commitments to fund various delayed draw investments to certain of its portfolio companies of \$282.2 and \$510.4 million, respectively, which had been approved by the SSLP investment committee. As of March 31, 2014 and December 31, 2013, we had commitments to co-invest in the SSLP for its portion



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of the SSLP's commitments to fund such delayed draw investments of up to \$49.2 million and \$85.1 million, respectively.

Below is a summary of the SSLP's portfolio, followed by a listing of the individual first lien senior secured loans in the SSLP's portfolio as of March 31, 2014 and December 31, 2013:

(dollar amounts in millions)	As of	
	March 31, 2014	December 31, 2013
Total first lien senior secured loans(1)	\$ 8,753.6	\$ 8,664.4
Weighted average yield on first lien senior secured loans(2)	7.1%	7.1%
Number of borrowers in the SSLP	46	47
Largest loan to a single borrower(1)	\$ 348.8	\$ 321.7
Total of five largest loans to borrowers(1)	\$ 1,544.5	\$ 1,510.7

(1) At principal amount.

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

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<b>(dollar amounts in millions)</b>		<b>Maturity Date</b>	<b>Stated Interest Rate(1)</b>	<b>Principal Amount</b>
<b>Portfolio Company</b>	<b>Business Description</b>			
Access CIG, LLC(2)	Records and information management services provider	10/2017	7.0%	\$ 186.0
ADG, LLC	Dental services	9/2019	8.1%	216.9
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	237.0
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical devices	4/2018	6.5%	238.6
BECO Holding Company, Inc.(4)	Wholesale distributor of first response fire protection equipment and related parts	12/2017	8.3%	143.4
Brewer Holdings Corp.	Provider of software and technology-enabled content and analytical solutions to insurance brokers	11/2019	7.0%	175.0
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	85.4
CCS Group Holdings, LLC(4)	Correctional facility healthcare operator	4/2017	7.3%	217.4
CH Hold Corp.	Collision repair company	11/2019	5.5%	270.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	141.4
CIBT Holdings, Inc.(4)	Expedited travel document processing services	12/2018	6.8%	180.6
CWD, LLC	Supplier of automotive aftermarket brake parts	6/2016	10.0%	129.3
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	136.4
Driven Brands, Inc.(2)(4)	Automotive aftermarket car care franchisor	3/2017	6.0%	202.2
ECI Purchaser Company, LLC	Manufacturer of specialized pressure regulators, valves and other control equipment for use with liquefied and compressed gases	12/2019	6.0%	236.7
Excelligence Learning Corporation(4)	Developer, manufacturer and retailer of educational products	8/2018	7.8%	173.6
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.0%	74.7
Fox Hill Holdings, LLC(2)	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	289.5
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	216.3
Implus Footcare, LLC(4)	Provider of footwear and other accessories	10/2016	9.0%	209.3
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(2)(4)(5)	Private school operator	6/2015		83.7
Intermedix Corporation(3)	Revenue cycle management provider to the emergency healthcare industry	12/2019	5.8%	273.0
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	4/2019	6.5%	163.8
Laborie Medical Technologies Corp(4)	Provider of medical diagnostics products	10/2018	6.8%	113.3
MCH Holdings, Inc.(4)	Healthcare professional provider	1/2020	6.3%	180.0
MWI Holdings, Inc.(2)	Provider of engineered springs, fasteners, and other precision components	3/2019	7.4%	260.9
Noranco Manufacturing (USA) Ltd.	Supplier of complex machined and sheet metal components for the aerospace industry	4/2019	6.8%	160.6
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	8/2019	7.0%	219.4
Oak Parent, Inc.(2)	Manufacturer of athletic apparel	4/2018	7.5%	304.4
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%	59.4
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	158.3
PODS Funding Corp. II(2)	Storage and warehousing	12/2018	7.1%	348.8
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(2)	Provider of highly-customized, tailored protective packaging solutions	3/2017	7.8%	151.2
Protective Industries, Inc. dba Caplugs(2)(4)	Plastic protection products	10/2019	6.8%	277.6

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(dollar amounts in millions) Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount
PSSI Holdings, LLC(2)	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2018	6.0%	214.5
Restaurant Technologies, Inc.	Provider of bulk cooking oil management services to the restaurant and fast food service industries	6/2018	7.0%	201.5
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	10/2019	6.8%	198.5
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	196.5
Strategic Partners, Inc.(4)	Supplier of medical uniforms, specialized medical footwear and accessories	8/2018	7.8%	231.5
Talent Partners G.P. and Print Payroll Services, G.P.	Provider of technology-enabled payroll to the advertising industry	10/2017	8.0%	61.2
TecoStar Acquisition Company	Manufacturer of precision complex components for the medical device market and the aerospace and defense market	12/2019	6.4%	118.0
The Teaching Company, LLC and The Teaching Company Holdings, Inc.(2)(4)	Education publications provider	3/2017	9.0%	110.9
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	12/2019	6.8%	154.0
U.S. Anesthesia Partners, Inc.(2)	Anesthesiology service provider	12/2019	7.3%	324.2
Universal Services of America, LP	Provider of security officer and guard services	7/2019	6.0%	269.5
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	159.2
				\$ 8,753.6

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- (1) Represents the weighted average annual stated interest rate as of March 31, 2014. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.
- (2) We also hold a portion of this company's first lien senior secured loan.
- (3) We also hold a portion of this company's second lien senior secured loan.
- (4) We hold an equity investment in this company.
- (5) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of March 31, 2014.

Table of Contents**SSLP Loan Portfolio as of December 31, 2013**

<b>(dollar amounts in millions)</b>					
<b>Portfolio Company</b>	<b>Business Description</b>	<b>Maturity Date</b>	<b>Stated Interest Rate(1)</b>	<b>Principal Amount</b>	<b>Fair Value(2)</b>
Access CIG, LLC(3)	Records and information management services provider	10/2017	7.0%	\$ 186.9	\$ 186.9
ADG, LLC	Dental services	9/2019	8.1%	217.5	217.5
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	237.6	237.6
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical devices	4/2018	6.5%	239.2	239.2
BECO Holding Company, Inc.(5)	Wholesale distributor of first response fire protection equipment and related parts	12/2017	8.3%	143.4	143.4
Brewer Holdings Corp. and Zywave, Inc.	Provider of software and technology-enabled content and analytical solutions to insurance brokers	11/2019	7.0%	175.5	175.5
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	86.0	86.0
CCS Group Holdings, LLC(5)	Correctional facility healthcare operator	4/2016	8.0%	134.5	134.5
CH Hold Corp.	Collision repair company	11/2019	5.5%	270.0	270.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	142.3	142.3
CIBT Holdings, Inc.(5)	Expedited travel document processing services	12/2018	6.8%	178.9	178.9
CWD, LLC	Supplier of automotive aftermarket brake parts	6/2016	10.0%	130.5	130.5
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	136.7	136.7
Driven Holdings, LLC(5)	Automotive aftermarket car care franchisor	3/2017	7.0%	159.1	159.1
ECI Purchaser Company, LLC	Manufacturer of equipment to safely control pressurized gases	12/2019	6.0%	209.0	209.0
Excelligence Learning Corporation(5)	Developer, manufacturer and retailer of educational products	8/2018	7.8%	174.0	174.0
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar products	5/2016	8.0%	74.7	74.7
Fox Hill Holdings, LLC(3)	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	289.5	289.5
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	194.5	194.5
Implus Footcare, LLC(5)	Provider of footwear and other accessories	10/2016	9.0%	210.3	210.3
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(3)(5)(6)	Private school operator	6/2015		82.4	74.2
Intermedix Corporation(4)	Revenue cycle management provider to the emergency healthcare industry	12/2018	6.3%	321.7	321.7
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	4/2019	6.5%	164.2	164.2
JHP Pharmaceuticals, LLC(5)	Manufacturer of specialty pharmaceutical products	12/2019	6.8%	182.2	182.2
Laborie Medical Technologies Corp(5)	Developer and manufacturer of medical equipment	10/2018	6.8%	113.5	113.5
LJSS Acquisition, Inc.	Fluid power distributor	10/2017	6.8%	159.8	159.8
MWI Holdings, Inc.(3)	Provider of engineered springs, fasteners, and other precision components	3/2019	7.4%	261.6	261.6
Noranco Manufacturing (USA) Ltd.	Supplier of complex machined and sheet metal components for the aerospace industry	4/2019	6.8%	161.1	161.1
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	8/2019	7.0%	224.7	224.7
Oak Parent, Inc.(3)	Manufacturer of athletic apparel	4/2018	7.5%	307.1	307.1
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%	59.5	59.5
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	158.3	158.3
PODS Funding Corp. II(3)	Storage and warehousing	12/2018	7.0%	314.1	314.1
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(3)	Provider of highly-customized, tailored protective packaging solutions	3/2017	7.8%	152.0	152.0
Protective Industries, Inc. dba Caplugs(3)(5)	Plastic protection products	10/2019	6.8%	278.3	278.3

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PSSI Holdings, LLC(3)	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2018	6.0%	224.4	224.4
Restaurant Technologies, Inc.	Provider of bulk cooking oil management services to the restaurant and fast food service industries	6/2018	7.0%	202.7	202.7
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	10/2019	6.8%	209.0	209.0
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	197.0	197.0
Strategic Partners, Inc.(5)	Supplier of medical uniforms, specialized medical footwear and accessories	8/2018	7.8%	232.1	232.1
Talent Partners G.P. and Print Payroll Services, G.P.	Provider of technology-enabled payroll to the advertising industry	10/2017	8.0%	62.0	62.0
TecoStar Acquisition Company	Manufacturer of precision components for orthopedic medical devices	12/2019	6.4%	118.0	118.0
The Teaching Company, LLC and The Teaching Company Holdings, Inc.(3)(5)	Education publications provider	3/2017	9.0%	111.5	109.3

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(dollar amounts in millions)		Maturity	Stated	Principal	Fair
Portfolio Company	Business Description	Date	Interest Rate(1)	Amount	Value(2)
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	12/2019	6.8%	154.0	154.0
U.S. Anesthesia Partners, Inc.(3)	Anesthesiology service provider	12/2019	6.0%	210.0	210.0
Universal Services of America, LP	Provider of security officer and guard services	7/2019	6.0%	253.9	253.9
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	159.2	159.2
				\$ 8,664.4	\$ 8,654.0

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- (1) Represents the weighted average annual stated interest rate as of December 31, 2013. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.
- (2) Represents the fair value in accordance with ASC 820-10. The determination of such fair value is not included in our board of directors valuation process described elsewhere herein.
- (3) We also hold a portion of this company's first lien senior secured loan.
- (4) We also hold a portion of this company's second lien senior secured loan.
- (5) We hold an equity investment in this company.
- (6) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of December 31, 2013.

The amortized cost and fair value of our SSLP Certificates was \$1.8 billion and \$1.8 billion, respectively, as of March 31, 2014, and \$1.7 billion and \$1.8 billion, respectively, as of December 31, 2013. The SSLP Certificates pay a weighted average contractual coupon of three month LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the underlying loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than both the contractual coupon on the SSLP Certificates as well as the weighted average yield on the SSLP's portfolio of 7.1% and 7.1% at March 31, 2014 and December 31, 2013, respectively. Our yield on our investment in the SSLP at amortized cost and fair value was 14.5% and 14.3%, respectively, as of March 31, 2014, and 15.0% and 14.8%, respectively, as of December 31, 2013. For the three months ended March 31, 2014 and 2013, we earned interest income of \$67.7 million and \$48.6 million, respectively, from our investment in the SSLP Certificates.

We are also entitled to certain fees in connection with the SSLP. For the three months ended March 31, 2014 and 2013, in connection with the SSLP, we earned capital structuring service, sourcing and other fees totaling \$12.5 million and \$7.9 million, respectively.

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Selected financial information for the SSLP as of and for the year ended December 31, 2013 is as follows:

(in millions)	<b>As of and for the Year Ended December 31, 2013</b>	
<b>Selected Balance Sheet Information:</b>		
Investments in loans receivable, net of discount for loan origination fees	\$	8,601.6
Cash and other assets	\$	142.3
Total assets	\$	8,743.9
Senior notes	\$	6,699.5
Other liabilities	\$	64.2
Total liabilities	\$	6,763.7
Subordinated certificates and members' capital	\$	1,980.2
Total liabilities and members' capital	\$	8,743.9
<b>Selected Statement of Operations Information:</b>		
Total revenues	\$	554.2
Total expenses	\$	296.7
Net income	\$	257.5

### **RESULTS OF OPERATIONS**

#### *For the three months ended March 31, 2014 and 2013*

Operating results for the three months ended March 31, 2014 and 2013 are as follows:

(in millions)	<b>For the three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Total investment income	\$ 239.7	\$ 195.1
Total expenses	122.0	92.2
Net investment income before income taxes	117.7	102.9
Income tax expense, including excise tax	5.4	3.8
Net investment income	112.3	99.1
Net realized gains	12.1	11.7
Net unrealized losses	(7.4)	(30.4)
Net increase in stockholders' equity resulting from operations	\$ 117.0	\$ 80.4

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

Table of Contents**Investment Income**

(in millions)	For the three months ended March 31,	
	2014	2013
Interest income from investments	\$ 173.5	\$ 144.2
Capital structuring service fees	20.9	6.0
Dividend income	30.7	32.1
Management and other fees	6.0	4.5
Other income	8.6	8.3
Total investment income	\$ 239.7	\$ 195.1

The increase in interest income from investments for the three months ended March 31, 2014 from the comparable period in 2013 was primarily due an increase in the size of our portfolio, which increased from an average of \$5.9 billion at amortized cost for the three months ended March 31, 2013 to an average of \$7.6 billion at amortized cost for the comparable period in 2014. The increase in capital structuring fees for the three months ended March 31, 2014 from the comparable period in 2013 was primarily due to the increase in new investment commitments, which increased from \$410 million for the three months ended March 31, 2013 to \$852 million for the comparable period in 2014, as well as due to the increase in the average capital structuring service fees received on new investments, from 1.5% in 2013 to 2.5% in 2014. The decrease in dividend income for the three months ended March 31, 2014 from the comparable period in 2013 was primarily due to a decrease in additional dividends received from Ivy Hill Asset Management, L.P. ("IHAM"). The dividends received from IHAM for the three months ended March 31, 2014 and 2013 included additional dividends of \$10.0 million and \$17.4 million, respectively, that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the three months ended March 31, 2014, we received \$6.6 million in other non-recurring dividends from non-income producing equity securities compared to \$0.4 million for the comparable period in 2013.

**Operating Expenses**

(in millions)	For the three months ended March 31,	
	2014	2013
Interest and credit facility fees	\$ 52.5	\$ 39.4
Base management fees	30.1	23.2
Incentive fees related to pre-incentive fee net investment income	28.3	23.8
Incentive fees related to capital gains per GAAP	1.0	(3.8)
Administrative fees	3.7	2.6
Other general and administrative	6.4	7.0
Total expenses	\$ 122.0	\$ 92.2



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Interest and credit facility fees for the three months ended March 31, 2014 and 2013, were comprised of the following:

(in millions)	For the three months ended March 31,	
	2014	2013
Stated interest expense	\$ 41.5	\$ 29.9
Facility fees	3.4	2.6
Amortization of debt issuance costs	3.9	3.5
Accretion of discount on notes payable	3.7	3.4
<b>Total interest and credit facility fees expense</b>	<b>\$ 52.5</b>	<b>\$ 39.4</b>

Stated interest expense for the three months ended March 31, 2014 increased from the comparable period in 2013 primarily due to the increase in the average principal amount of debt outstanding, which increased to \$3.0 billion as compared to \$2.1 billion for the comparable period in 2013.

The increase in base management fees and incentive fees related to pre-incentive fee net investment income for the three months ended March 31, 2014 from the comparable period in 2013 were primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in pre-incentive fee net investment income.

For the three months ended March 31, 2014, the capital gains incentive fee expense accrual calculated in accordance with GAAP was \$0.9 million. For the three months ended March 31, 2013 we recorded a reduction of \$3.8 million in the capital gains incentive fee expense accrual calculated in accordance with GAAP. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of March 31, 2014, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$64.4 million (included in "management and incentive fees payable" in the consolidated balance sheet). However, as of March 31, 2014, there was no capital gains fee actually payable under our investment advisory and management agreement. See Note 3 to our consolidated financial statements for the year ended December 31, 2013 for more information on the base management and incentive fees.

Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs. Other general and administrative expenses include professional fees, rent, insurance, depreciation, director's fees and other costs.

**Income Tax Expense, Including Excise Tax**

We have elected to be treated as a RIC under the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Code, for each year. In order to maintain our RIC status, we, among other things,

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have made and intend to continue to make the requisite distributions to our stockholders which will generally relieve us from U.S. federal corporate-level income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. For the three months ended March 31, 2014 and 2013, we recorded a net expense of \$2.5 million and \$3.0 million, respectively, for U.S. federal excise tax.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three months ended March 31, 2014 and 2013, we recorded a tax expense of approximately \$2.9 million and \$0.8 million, respectively, for these subsidiaries.

**Net Realized Gains/Losses**

During the three months ended March 31, 2014, we had \$667.9 million of sales, repayments or exits of investments resulting in \$12.0 million of net realized gains. Net realized gains of \$12.0 million on investments were comprised of \$12.1 million of gross realized gains and \$0.1 million of gross realized losses.

The realized gains and losses on investments during the three months ended March 31, 2014 consisted of the following:

(in millions)	Net Realized	
Portfolio Company	Gains (Losses)	
JHP Group Holdings, Inc.	\$	1.9
Orion Foods, LLC		1.6
La Paloma Generating Company, LLC		1.6
Magnacare Holdings, Inc.		1.3
Imperial Capital Group LLC		1.3
Stag-Parkway, Inc.		1.2
Eberle Design, Inc.		1.0
Other, net		2.1
<b>Total, net</b>	<b>\$</b>	<b>12.0</b>

During the three months ended March 31, 2014, we purchased \$0.4 million aggregate principal amount of the 2047 Notes and as a result of these transactions, we recognized realized losses of \$0.1 million. During the three months ended March 31, 2014, we also recognized net realized gains on foreign currency transactions of \$0.2 million.

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

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

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

**Net Unrealized Gains/Losses**

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses. For the three months ended March 31, 2014 and 2013, net unrealized gains and losses for our portfolio were comprised of the following:

(in millions)	For the three months ended March 31,	
	2014	2013
Unrealized appreciation	\$ 50.7	\$ 31.3
Unrealized depreciation	(48.2)	(56.9)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	(9.9)	(4.8)
<b>Total net unrealized losses from investments</b>	<b>\$ (7.4)</b>	<b>\$ (30.4)</b>

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(1)

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

The changes in unrealized appreciation and depreciation during the three months ended March 31, 2014 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Insight Pharmaceuticals Corporation	\$ 6.9
Campus Management Corp.	3.5
VSS-Tranzact Holdings, LLC	3.4
Orion Foods, LLC	3.3
Ciena Capital LLC	2.0
The Dwyer Group	2.0
OTG Management, LLC	(4.5)
The Step2 Company, LLC	(11.6)
Ivy Hill Asset Management, L.P.	(15.4)
Other, net	12.9
<b>Total, net</b>	<b>\$ 2.5</b>

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

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

### *For the years ended December 31, 2013, 2012 and 2011*

Operating results for the years ended December 31, 2013, 2012 and 2011 are as follows:

(in millions)	For the Years Ended December 31,		
	2013	2012	2011
Total investment income	\$ 881.7	\$ 748.0	\$ 634.5
Total expenses	437.2	387.9	344.6
 Net investment income before income taxes	 444.5	 360.1	 289.9
Income tax expense, including excise tax	14.1	11.2	7.5
 Net investment income	 430.4	 348.9	 282.4
Net realized gains on investments	63.7	46.7	96.6
Net unrealized gains (losses) on investments	(5.6)	115.3	(40.2)
Realized losses on extinguishment of debt		(2.7)	(19.3)
 Net increase in stockholders' equity resulting from operations	 \$ 488.5	 \$ 508.2	 \$ 319.5

### **Investment Income**

(in millions)	For the Years Ended December 31,		
	2013	2012	2011
Interest income from investments	\$ 647.9	\$ 571.5	\$ 473.2
Capital structuring service fees	91.7	102.1	97.4
Dividend income	99.6	39.7	38.4
Management and other fees	20.2	18.9	16.7
Other income	22.3	15.8	8.8
 Total investment income	 \$ 881.7	 \$ 748.0	 \$ 634.5



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The increase in interest income from investments for the year ended December 31, 2013 from the comparable period in 2012 was primarily due to the increase in the size of the portfolio, which increased from an average of \$5.5 billion at amortized cost for the year ended December 31, 2012 to an average of \$6.7 billion at amortized cost for the comparable period in 2013. Even though new investment commitments increased from \$3.2 billion for the year ended December 31, 2012 to \$4.0 billion for the comparable period in 2013, capital structuring service fees decreased for the year ended December 31, 2013 from the comparable period in 2012 primarily due to the decrease in the average capital structuring service fees received on new investments, which decreased from 3.2% in 2012 to 2.3% in 2013.

The increase in dividend income for the year ended December 31, 2013 from the comparable period in 2012 was primarily due to \$72.4 million in dividend payments from IHAM for the year ended December 31, 2013 as compared to \$19.9 million for the comparable period in 2012. The dividend income from IHAM for the year ended December 31, 2013 included additional dividends of \$32.4 million that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the year ended December 31, 2013, we received \$9.0 million in other non-recurring dividends from non-income producing equity securities compared to \$2.2 million for the comparable period in 2012. The increase in other income for the year ended December 31, 2013 from the comparable period in 2012 was primarily attributable to higher amendment fees.

The increase in interest income from investments for the year ended December 31, 2012 from the comparable period in 2011 was primarily due to the increase in the size of the portfolio, which increased from an average of \$4.6 billion at amortized cost for the year ended December 31, 2011 to an average of \$5.5 billion at amortized cost for the comparable period in 2012. Even though new investment commitments decreased from \$3.7 billion for the year ended December 31, 2011 to \$3.2 billion for the comparable period in 2012, capital structuring service fees increased for the year ended December 31, 2012 from the comparable period in 2011 primarily due to the increase in the average capital structuring service fees received on new investments, which increased from 2.7% in 2011 to 3.2% in 2012. For the year ended December 31, 2012, dividend income included \$19.9 million from the Company's investment in IHAM as compared to \$19.0 million for the comparable period in 2011. Also during the year ended December 31, 2012, we received \$2.2 million in other non-recurring dividends from non-income producing equity securities compared to \$10.5 million for the comparable period in 2011. The increase in other income for the year ended December 31, 2012 from the comparable period in 2011 was primarily attributable to higher amendment, letter of credit and agency fees.

**Operating Expenses**

(in millions)	For the Years Ended December 31,		
	2013	2012	2011
Interest and credit facility fees	\$ 171.5	\$ 143.0	\$ 122.5
Incentive fees related to pre-incentive fee net investment income	110.5	95.2	79.0
Incentive fees related to capital gains per GAAP	11.6	31.9	33.3
Base management fees	104.9	86.2	71.6
Professional fees	13.6	12.0	16.7
Administrative fees	12.3	9.3	9.5
Other general and administrative	12.8	10.3	12.0
Total operating expenses	\$ 437.2	\$ 387.9	\$ 344.6

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Interest and credit facility fees for the years ended December 31, 2013, 2012 and 2011, were comprised of the following:

(in millions)	For the Years Ended December 31,		
	2013	2012	2011
Stated interest expense	\$ 136.3	\$ 113.1	\$ 92.2
Facility fees	8.2	5.5	6.1
Amortization of debt issuance costs	13.2	13.1	13.2
Accretion of discount on notes payable	13.8	11.3	11.0
<b>Total interest and credit facility fees</b>	<b>\$ 171.5</b>	<b>\$ 143.0</b>	<b>\$ 122.5</b>

Stated interest expense for the year ended December 31, 2013 increased from the comparable period in 2012 primarily due to the increase in the average principal amount of debt outstanding and an increase in our weighted average stated interest rate of our debt outstanding. For the year ended December 31, 2013, our average principal debt outstanding was \$2.6 billion as compared to \$2.2 billion for the comparable period in 2012, and the weighted average stated interest rate on our outstanding debt was 5.3% for the year ended December 31, 2013 as compared to 5.2% for the comparable period in 2012. The higher weighted average stated interest rate for the year ended December 31, 2013 relates to having borrowed, on a relative basis, less from our lower-cost floating rate revolving debt facilities and having more fixed-rate term debt outstanding.

Stated interest expense for the year ended December 31, 2012 increased from the comparable period in 2011 primarily due to the increase in the average principal amount of debt outstanding and an increase in our weighted average stated interest rate of our debt outstanding. For the year ended December 31, 2012, our average principal debt outstanding was \$2.2 billion as compared to \$1.8 billion for the comparable period in 2011, and the weighted average stated interest rate on our debt outstanding was 5.2% for the year ended December 31, 2012 as compared to 5.1% for the comparable period in 2011. The higher weighted average stated interest rate for the year ended December 31, 2012 relates to having borrowed, on a relative basis, less from our lower-cost floating rate revolving debt facilities and having more fixed-rate term debt outstanding.

The increase in base management fees and incentive fees related to pre-incentive fee net investment income for the year ended December 31, 2013 from the comparable period in 2012 and for the year ended December 31, 2012 from the comparable period in 2011 were both primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in pre-incentive fee net investment income.

For the years ended December 31, 2013, 2012 and 2011 the capital gains incentive fee expense accrual calculated in accordance with GAAP was \$11.6 million, \$31.9 million and \$33.3 million, respectively. As a result of the Capital Gains Amendment, we accrued \$26.0 million of capital gains incentive fees in accordance with GAAP for the year ended December 31, 2011 as a result of the application of the Capital Gains Amendment with respect to the assets purchased in the Allied Acquisition. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the Capital Gains Fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of December 31, 2013 and 2012, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$80.9 million and \$80.8 million, respectively (included in management and incentive fees payable in the

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consolidated balance sheet). However, the Capital Gains Fee actually payable under our investment advisory and management agreement for the years ended December 31, 2013 and 2012 was \$17.4 million and \$11.5 million, respectively. For the year ended December 31, 2011 there was no Capital Gains Fee payable under our investment advisory and management agreement.

See Note 3 to our consolidated financial statements for the year ended December 31, 2013 for more information on the base management and incentive fees.

Professional fees include legal, accounting, valuation and other professional fees incurred related to the management of the Company. The decrease in professional fees for the year ended December 31, 2012 from the comparable period in 2011 primarily resulted from declines in professional fees related to the Allied Acquisition following its completion in 2010 and having substantially completed the integration of Allied Capital by early 2011. Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs. Other general and administrative expenses include rent, insurance, depreciation, director's fees and other costs.

**Income Tax Expense, Including Excise Tax**

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

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, the Company accrues excise tax on estimated excess taxable income as such taxable income is earned. For the years ended December 31, 2013, 2012 and 2011, we recorded a net expense of \$10.3 million, \$7.9 million and \$6.6 million, respectively, for U.S. federal excise tax.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the years ended December 31, 2013, 2012 and 2011, we recorded a tax expense of approximately \$3.8 million, \$3.2 million and \$0.9 million, respectively, for these subsidiaries.

**Net Realized Gains/Losses**

During the year ended December 31, 2013, the Company had \$1.8 billion of sales, repayments or exits of investments resulting in \$63.7 million of net realized gains. These sales, repayments or exits included \$442.3 million of investments sold to IHAM and certain vehicles managed by IHAM. A net realized loss of \$0.1 million was recorded on these transactions. See Note 4 to our consolidated financial statements for the year ended December 31, 2013 for more detail on IHAM and its managed vehicles. Net realized gains of \$63.7 million on investments were comprised of \$112.9 million of gross realized gains and \$49.2 million of gross realized losses.



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The realized gains and losses on investments during the year ended December 31, 2013 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Passport Health Communications, Inc	\$ 19.8
Financial Pacific Company	17.7
Component Hardware Group, Inc.	17.2
Tradesmen International, Inc.	10.0
AWTP, LLC	8.7
Performant Financial Corporation	8.6
Senior Secured Loan Fund LLC	7.1
Performance Food Group, Inc.	4.1
eInstruction Corporation	(40.3)
Other, net	10.8
<b>Total</b>	<b>\$ 63.7</b>

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

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

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

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

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

<b>(in millions)</b>	<b>Net Realized</b>
<b>Portfolio Company</b>	<b>Gains (Losses)</b>
Reflexite Corporation	\$ 40.9
DSI Renal, Inc.	27.5
Callidus Debt Partners CLO Fund VI, Ltd.	23.9
Industrial Container Services, LLC	19.9
Dryden XVIII Leveraged Loan 2007 Limited	19.3
Penn Detroit Diesel Allison, LLC	18.4
Callidus MAPS CLO Fund I LLC	15.0
Callidus Debt Partners CLO Fund VII, Ltd.	10.8