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

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

Registration No. 333-165585

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

ARES CAPITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

280 Park Avenue, 22nd Floor
Building East
New York, New York 10017
(Address of Principal Executive Offices)

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

Joshua M. Bloomstein
Ares Capital Corporation
280 Park Avenue, 22nd Floor
Building East
New York, New York 10017
(212) 750-7300
(Name and Address of Agent for Service)

Copies of information to:

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

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

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

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

ý

when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, $0.001 par value per share(3)(4)				
Preferred Stock, $0.001 par value per share(3)				
Subscription Rights(3)				
Warrants(5)				
Debt Securities(6)				
Total			$1,000,000,000(7)	$71,300

(1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this registration statement.

(2) Previously paid.

(3) Subject to Note 7 below, there is being registered hereunder an indeterminate number of shares of common stock or preferred stock, or subscription rights to purchase shares of common stock as may be sold, from time to time separately or as units in combination with other securities registered hereunder.

(4) Includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.

(5) Subject to Note 7 below, there is being registered hereunder an indeterminate number of warrants as may be sold, from time to time separately or as units in combination with other securities registered hereunder, representing rights to purchase common stock, preferred stock or debt securities.

(6) Subject to Note 7 below, there is being registered hereunder an indeterminate principal amount of debt securities as may be sold, from time to time separately or as units in combination with other securities registered hereunder. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed $1,000,000,000.

(7) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed $1,000,000,000.

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

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

Subject to Completion, dated September 3, 2010

PROSPECTUS

$1,000,000,000

Common Stock
Preferred Stock
Debt Securities
Subscription Rights
Warrants

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

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

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

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

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

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

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

The date of this prospectus is , 2010.

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

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ABOUT THIS PROSPECTUS

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

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PROSPECTUS SUMMARY

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

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

THE COMPANY

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately $12 billion of total committed capital under management as of June 30, 2010, including available debt capacity (subject to leverage restrictions), funds co-managed by us and funds managed or sub-managed by our wholly owned portfolio company, Ivy Hill Asset Management, L.P. ("IHAM").

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

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

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

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

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

The first and second lien senior loans generally have stated terms of three to 10 years and the mezzanine debt investments generally have stated terms of up to 10 years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, we may invest in securities with any maturity or duration. The debt that we invest in typically is not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's). We may invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

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

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

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

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

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

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

About Ares

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

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

Ares is comprised of the following groups:

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

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

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

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

Ares Capital Management

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

MARKET OPPORTUNITY

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

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

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

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

We believe there is a large pool of uninvested private equity capital for middle market companies. We expect private equity firms will seek to leverage their investments by combining equity capital with senior secured loans and mezzanine debt from other sources.

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

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

COMPETITIVE ADVANTAGES

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

Existing Investment Platform

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

Seasoned Management Team

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

Experience and Focus on Middle Market Companies

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

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Disciplined Investment Philosophy

In making its investment decisions, our investment adviser has adopted Ares' long-standing, consistent credit-based investment approach that was developed over 19 years ago by its founders. Specifically, Ares Capital Management's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment, financial markets and company-specific research and analysis. Its investment approach emphasizes capital preservation, low volatility and minimization of downside risk. In addition to engaging in extensive due diligence from the perspective of a long-term investor, Ares Capital Management's approach seeks to reduce risk in investments by focusing on:

- businesses with strong franchises and sustainable competitive advantages;
- industries with positive long-term dynamics;
- cash flows that are dependable and predictable;
- management teams with demonstrated track records and economic incentives;
- rates of return commensurate with the perceived risks; and
- securities or investments that are structured with protective terms and covenants.

Extensive Industry Focus

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

Flexible Transaction Structuring

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

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Broad Origination Strategy

Our investment adviser focuses on self-originating most of our investments by identifying a broad array of investment opportunities across multiple channels. It also leverages off of the extensive relationships of the broader Ares platform, including relationships with the companies in the funds managed by IHAM, to identify investment opportunities. We believe that this allows for asset selectivity and that there is a significant relationship between proprietary deal origination and credit performance. We believe that our focus on generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and provides us with the ability to actively manage our investments. Moreover, by leading the investment process, our investment adviser is often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. Our investment adviser also has originated substantial proprietary deal flow from middle market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

OPERATING AND REGULATORY STRUCTURE

Our investment activities are managed by Ares Capital Management and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Ares Capital Management is an investment adviser that is registered under the Investment Advisers Act of 1940, or the "Advisers Act." Under our amended and restated investment advisory and management agreement, referred to herein as our "investment advisory and management agreement," we have agreed to pay Ares Capital Management an annual base management fee based on our total assets, as defined under the Investment Company Act (other than cash and cash equivalents but including assets purchased with borrowed funds), and an incentive fee based on our performance. See "Management Investment Advisory and Management Agreement."

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

MARKET CONDITIONS

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

Consistent with the volatile market conditions of the general economy, during 2008 and much of 2009, the stocks of BDCs as an industry traded at near historic lows as a result of concerns over liquidity, credit quality, leverage restrictions and distribution requirements. As a result of this market volatility, several of our peers are no longer active in the market and are winding down their investments, have defaulted on their indebtedness and/or have decreased their distributions to stockholders. While market conditions have improved, we cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

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

ACQUISITION OPPORTUNITIES

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

- asset portfolios;
- contracts to manage collateralized loan obligation, or "CLO," vehicles and other investment vehicles;
- other private and public finance companies or asset managers; and
- selected secondary market assets.

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

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

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

LIQUIDITY

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

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

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

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

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

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

RISK FACTORS

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

Risks Relating to Our Business

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

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

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

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

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

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

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

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

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

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

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

We operate in a highly competitive market for investment opportunities.

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

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

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

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

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

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

We may experience fluctuations in our quarterly results.

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

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

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

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

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

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

Risks Relating to Our Investments

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

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

Investments in privately held middle market companies involve significant risks.

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

Investments in equity securities involve a substantial degree of risk.

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

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

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

Our portfolio companies may be highly leveraged.

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

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

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

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

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Risks Relating to Offerings Pursuant to this Prospectus

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

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

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

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

The market price of our common stock may fluctuate significantly.

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

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

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

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

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

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

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

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

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

OUR CORPORATE INFORMATION

Our administrative offices are located at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, telephone number (310) 201-4200, and our executive offices are located at 280 Park Avenue, 22nd Floor, Building East, New York, New York 10017, telephone number (212) 750-7300.

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OFFERINGS

We may offer, from time to time, in one or more offerings or series, up to $1,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such other circumstances as the SEC may permit. Any such issuance of shares of our common stock below net asset value may be dilutive to the net asset value of our common stock. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus."

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

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

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

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

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	company taxable income, out of assets legally available for distribution. See "Risk Factors Risks Relating to Our Business We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC" and "Price Range of Common Stock and Distributions."
Dividend reinvestment plan	We have a dividend reinvestment plan for our stockholders. This is an "opt out" dividend reinvestment plan. As a result, if we declare a cash dividend, then stockholders' dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash. Stockholders whose cash dividends are reinvested in additional shares of our common stock will be subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."
The NASDAQ Global Select Market symbol	"ARCC"
Anti-takeover provisions	Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures adopted by us. See "Description of Our Capital Stock."
Leverage	We borrow funds to make additional investments. We use this practice, which is known as "leverage," to attempt to increase returns to our common stockholders, but it involves significant risks. See "Risk Factors," "Senior Securities" and "Regulation Indebtedness and Senior Securities." With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, equals at least 200% after such borrowing. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.
Management arrangements	Ares Capital Management serves as our investment adviser. Ares Operations serves as our administrator. For a description of Ares Capital Management, Ares Operations, Ares and our contractual arrangements with these companies, see "Management Investment Advisory and Management Agreement," and " Administration Agreement."
Available information	We are required to file periodic reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at *www.arescapitalcorp.com.* The SEC also maintains a website at *www.sec.gov* that contains this information.

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FEES AND EXPENSES

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

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

(1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load (underwriting discount or commission). Purchases of shares of our common stock on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include any sales load that stockholders may have paid in connection with their purchase of shares of our common stock.

(2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.

(3) The expenses of the dividend reinvestment plan are included in "other expenses."

(4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.

(5) "Consolidated net assets attributable to common stock" equals net assets at June 30, 2010.

(6) Our management fee is currently 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents. The 8.66% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement."

(7) This item represents our investment adviser's incentive fees based on annualizing actual amounts earned on our pre-incentive fee net income for the six months ended June 30, 2010 and assumes that the incentive fees earned at the end of the 2010 calendar year will be based on the actual realized capital gains as of June 30, 2010, computed net of realized capital losses and unrealized capital

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

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Capital's performance and will not be paid unless Ares Capital achieves certain goals. We expect to invest or otherwise utilize all of the net proceeds from securities registered under the registration statement of which this prospectus is a part pursuant to a particular prospectus supplement within three months of the date of the offering pursuant to such prospectus supplement and may have capital gains and interest income that could result in the payment of an incentive fee to our investment adviser in the first year after completion of offerings pursuant to this prospectus. Since our inception, the average quarterly incentive fee payable to our investment adviser has been approximately 0.63% of our weighted net assets (2.51% on an annualized basis). For more detailed information about incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the period ended June 30, 2010.

The incentive fee consists of two parts:

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

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

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

See "Management Investment Advisory and Management Agreement."

(8)

"Interest payments on borrowed funds" represents an estimate of our annualized interest expense based on actual interest and credit facility expenses incurred for the six months ended June 30, 2010. During the six months ended June 30, 2010, our average borrowings were $1,512.5 million and cash paid for interest expense was $20.3 million. We had outstanding borrowings of $1,307.8 million (with a carrying value of $1,244.9 million) at June 30, 2010. This item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The prospectus supplement related to the offering of any debt securities pursuant to this prospectus will calculate this item based on the effects of our borrowings and interest costs after the issuance of such debt securities. The amount of leverage that we employ at any particular time will depend on, among other things, our board of directors' and our investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."

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(9) Includes our overhead expenses, including payments under our administration agreement with Ares Operations based on our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement. Such expenses are estimated based on annualized "Other expenses" for the six months ended June 30, 2010. See "Management Administration Agreement." The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses.

(10) The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies in which the Company is invested as of June 30, 2010. Certain of these investment companies are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% of net profits. When applicable, fees and expenses are based on historic fees and expenses for the investment companies. For those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on average monthly net assets of $2.0 billion for the six months ended June 30, 2010.

(11) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies.

Example

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

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

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

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

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

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

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SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL

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

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

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

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

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

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(3)

Total return based on market value for the six months ended June 30, 2010 equals the increase of the ending market value at June 30, 2010 of $12.53 per share over the ending market value at December 31, 2009 of $12.45 per share, plus the declared dividends of $0.70 per share for the six months ended June 30, 2010, divided by the market value at December 31, 2009. Total return based on market value for the year ended December 31, 2009 equals the increase of the ending market value at December 31, 2009 of $12.45 per share over the ending market value at December 31, 2008 of $6.33 per share plus the declared dividends of $1.47 per share for the year ended December 31, 2009. Total return based on market value for the year ended December 31, 2008 equals the decrease of the ending market value at December 31, 2008 of $6.33 per share over the ending market value at December 31, 2007 of $14.63 per share plus the declared dividends of $1.68 per share for the year ended December 31, 2008. Total return based on market value for the year ended December 31, 2007 equals the decrease of the ending market value at December 31, 2007 of $14.63 per share over the ending market value at December 31, 2006 of $19.11 per share plus the declared dividends of $1.66 per share for the year ended December 31, 2007. Total return based on market value for the year ended December 31, 2006 equals the increase of the ending market value at December 31, 2006 of $19.11 per share over the ending market value at December 31, 2005 of $16.07 per share plus the declared dividends of $1.64 per share for the year ended December 31, 2006. Total return based on market value for the year ended December 31, 2005 equals the decrease of the ending market value at December 31, 2005 of $16.07 per share over the ending market value at December 31, 2004 of $19.43 per share plus the declared dividends of $1.30 per share for the year ended December 31, 2005. Total return based on market value is not annualized.

(4)

Total return based on net asset value for the six months ended June 30, 2010 equals the change in net asset value during the period plus the declared dividends of $0.70 per share for the six months ended June 30, 2010, divided by the beginning net asset value at January 1, 2010. Total return based on net asset value for the year ended December 31, 2009 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.47 per share for the year ended December 31, 2009, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2008 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.68 per share for the year ended December 31, 2008, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2007 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.66 per share for the year ended December 31, 2007, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2006 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.64 per share for the year ended December 31, 2006, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2005 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.30 per share for the year ended December 31, 2005, divided by the beginning net asset value. Total return based on net asset value is not annualized.

(5)

Weighted average yield on debt and income producing equity securities at fair value is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount on accruing debt divided by (b) total income producing equity securities and debt at fair value. Weighted average yield on debt and income producing equity securities at amortized cost is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount on accruing debt divided by (b) total income producing equity securities and debt at amortized cost.

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

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

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

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

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UNAUDITED SELECTED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

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

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

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

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UNAUDITED PRO FORMA PER SHARE DATA

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

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

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

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

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

(1) The cash dividends declared per share represent the actual dividends declared per share for the period presented. The pro forma combined dividends declared is the dividends per share as declared by Ares Capital.

(2) The Allied Capital equivalent pro forma per share amount is calculated by multiplying the pro forma combined share amounts by the common stock exchange ratio of 0.325.

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RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

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

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

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

Capital markets volatility also affects our investment valuations. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our valuations.

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

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

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

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

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

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

Our ability to achieve our investment objective depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on Ares Capital Management's ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of Ares Capital Management's structuring of the investment process and its ability to provide competent, attentive and efficient services to us. Our executive officers and the members of Ares Capital Management's investment committee have substantial responsibilities in connection with their roles at Ares and with the other Ares funds, as well as responsibilities under the investment advisory and management agreement. They may also be called upon to provide significant managerial assistance to certain of our portfolio companies. These demands on their time, which will increase as the number of investments grow, may distract them or slow the rate of investment. In order to grow, Ares Capital Management will need to hire, train, supervise and manage new employees. However, we cannot assure you that any such employees will be retained. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

In addition, as we grow, we may open up new offices in new geographic regions that may increase our direct operating expenses without corresponding revenue growth.

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

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

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

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

We will need to periodically access the capital markets to raise cash to fund new investments. Ares has elected to be treated as a RIC and operates in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. Among other things, in order to maintain our RIC status, we must distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income, and, as a result, such distributions will not be available to fund investment originations. We must continue to borrow from financial institutions and issue additional securities to fund our growth. Unfavorable economic or capital market conditions may increase our funding costs, limit our access to the capital markets or could result in a decision by lenders not to extend credit to us. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any.

In addition, with certain limited exceptions, we are only allowed to borrow amounts or issue debt securities or preferred stock, which we refer to collectively as "senior securities," such that our asset coverage, as defined in the Investment Company Act, equals at least 200% immediately after such borrowing, which, in certain circumstances, may restrict our ability to borrow or issue debt securities or preferred stock. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing or issuance of debt securities or preferred stock. We cannot assure you that we will be able to maintain our current Facilities or obtain other lines of credit at all or on terms acceptable to us.

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

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

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

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

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

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

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We currently borrow under our Facilities, and in the future, may borrow from or issue debt securities to banks, insurance companies, funds, institutional investors and other lenders and investors. Holders of such debt securities have fixed dollar claims on our consolidated assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our consolidated assets increases, then leveraging would cause the net asset value per share of our common stock to increase more sharply than it would have had we not incurred leverage.

Conversely, if the value of our consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not incurred leverage. Similarly, any increase in our consolidated income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our consolidated income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. There can be no assurance that a leveraging strategy will be successful.

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

Our Facilities, the CLO Notes and the Unsecured Notes impose financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC. A failure to renew our Facilities or to add new or replacement debt facilities could have a material adverse effect on our business, financial condition or results of operations.

The following table illustrates the effect on return to a holder of our common stock of the leverage created by our use of borrowing at the weighted average interest rate of 4.74% as of June 30, 2010, together with (i) our total value of net assets as of June 30, 2010; (ii) $1.24 billion debt outstanding as of June 30, 2010 and (iii) hypothetical annual returns on our portfolio of minus 15 to plus 15 percent.

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

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

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

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return to us. From this amount, the interest expense (calculated by multiplying the weighted average interest rate of 4.74% by the $1.24 billion in aggregate principal amount of indebtedness) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of June 30, 2010 to determine the "Corresponding Return to Common Stockholders."

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

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

- restrictions on the level of indebtedness that we are permitted to incur in relation to the value of our assets;
- restrictions on our ability to incur liens; and
- maintenance of a minimum level of stockholders' equity.

As of the date of this prospectus, we are in compliance with the covenants of the Facilities, the CLO Notes and the Unsecured Notes. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. For example, depending on the condition of the public debt and equity markets and pricing levels, net unrealized depreciation in our portfolio may increase in the future. Any such increase could result in our inability to comply with our obligation to restrict the level of indebtedness that we are able to incur in relation to the value of our assets or to maintain a minimum level of stockholders' equity.

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

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

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

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

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

We operate in a highly competitive market for investment opportunities.

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

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer. Rather, we compete with our competitors based on our existing investment platform, seasoned management team, experience and focus on middle market companies, disciplined investment philosophy, extensive industry focus and flexible transaction structuring. For a more detailed discussion of these competitive advantages, see "Business Competitive Advantages."

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on better terms to our portfolio companies than what we may have originally anticipated, which may impact our return on these investments.

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

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

The annual distribution requirement for a RIC is satisfied if we distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income for each year. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under our indebtedness that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. In that event, the resulting corporate-level taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Because we must make distributions to our stockholders as described above, such amounts, to the extent a stockholder is not participating in our dividend reinvestment plan, will not be available to fund investment originations. We will be subject to corporate-level U.S. federal income tax on any undistributed income and/or gain.

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

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

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

Since, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the U.S. federal income tax requirement to distribute generally an amount equal to at least 90% of our investment company taxable income to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC and thus be subject to additional corporate-level taxes. See "Certain Material U.S. Federal Income Tax Considerations Taxation as a RIC."

If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. The investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income.

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

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

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

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

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

A large percentage of our portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as determined in good faith by our board of directors based on the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, we may use additional independent valuation firms to review our valuation of investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. The types of factors that may be considered in valuing our investments include the enterprise value of the portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that we may ultimately realize. Our net asset value per share could be adversely affected if our determinations regarding the fair value of these investments are materially higher than the values that we realize upon disposition of such investments.

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

As we generally make investments in private companies, substantially all of these investments are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or an affiliated manager of Ares has material non-public information regarding such portfolio company.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rates payable on the debt investments we make, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses and the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

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

Certain of our executive officers and directors, and members of the investment committee of our investment adviser, serve or may serve as officers, directors or principals of other entities and affiliates of our investment adviser and investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders' best interests or that may require them to devote time to services for other entities, which could interfere with the time available to provide services to us. For example, Messrs. Ressler, Rosenthal and Kissick each have significant responsibilities for other Ares funds. Messrs. Ressler and Rosenthal are required to devote a substantial majority of their business time, and Mr. Kissick is required to devote a majority of his business time, to the affairs of ACOF. However, Ares believes that the efforts of Messrs. Ressler, Rosenthal and Kissick relative to Ares Capital and ACOF are synergistic with and beneficial to the affairs of each of Ares Capital and ACOF.

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

We have from time to time sold assets to certain funds managed by IHAM and, as part of our investment strategy, we may offer to sell additional assets to funds managed by us and/or one or more of our controlled affiliates or we may purchase assets from funds managed by us, IHAM and/or one or more of our controlled affiliates. In addition, funds managed by us, IHAM or one or more of our controlled affiliates may offer assets to or may purchase assets from one another. While assets may be sold or purchased at prices that are consistent with those that could be obtained from third parties in the marketplace, and although these types of transactions generally require approval of one or more

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

We pay management and incentive fees to Ares Capital Management, and reimburse Ares Capital Management for certain expenses it incurs. In addition, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments.

Ares Capital Management's management fee is based on a percentage of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and Ares Capital Management may have conflicts of interest in connection with decisions that could affect our total assets, such as decisions as to whether to incur indebtedness or to make future acquisitions.

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

Our investment advisory and management agreement renews for successive annual periods if approved by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not "interested persons" of the Company as defined in Section 2(a)(19) of the Investment Company Act. However, both we and Ares Capital Management have the right to terminate the agreement without penalty upon 60 days' written notice to the other party. Moreover, conflicts of interest may arise if our investment adviser seeks to change the terms of our investment advisory and management agreement, including, for example, the terms for compensation. While any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act, we may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement.

Pursuant to a separate amended and restated administration agreement, referred to herein as our "administration agreement," Ares Operations, an affiliate of Ares Capital Management, furnishes us with administrative services and we pay Ares Operations at cost our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers and their respective staffs.

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

We rent office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, we have entered into a sublease with Ares Management whereby Ares Management subleases approximately 25% of the office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. Further, IHAM reimburses us for a portion of our total rent, plus certain additional costs and expenses, which corresponds to the amount of office space used by IHAM. We recently entered into a new office lease pursuant to which we will lease new office facilities from a third party and start to pay rent on the new office space in the first quarter of 2011. We also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM will sublease approximately 15% and 20%, respectively, of the new office space, for a fixed rent equal to 15% and 20%, respectively, of the basic annual rent payable by us under the new office lease, plus certain additional costs and expenses.

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

Our stockholders may have conflicting investment, tax and other objectives with respect to their investments in us. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of our investments, the structure or the acquisition of our investments, and the timing of disposition of our investments. As a consequence, conflicts of interest may arise in connection with decisions made by our investment adviser, including with respect to the nature or structuring of our investments, that may be more beneficial for one stockholder than for another stockholder, especially with respect to stockholders' individual tax situations. In selecting and structuring investments appropriate for us, our investment adviser will consider the investment and tax objectives of the Company and our stockholders, as a whole, not the investment, tax or other objectives of any stockholder individually.

Changes in laws or regulations governing our operations or the operations of our portfolio companies, changes in the interpretation thereof or newly enacted legislation and regulations, such as the Dodd-Frank Act, and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted legislation or regulation, and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

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

While the impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In particular, the Advisers Registration Act will likely require our wholly owned portfolio company, IHAM, to register as an investment adviser under the Advisers Act. This would require IHAM to comply with the regulatory restrictions and obligations imposed on registered investment advisers generally. In addition, as a BDC, we are currently restricted in our ability to invest in a registered investment adviser.

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

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

Our investment adviser has not assumed any responsibility to us other than to render the services described in the investment advisory and management agreement, and it will not be responsible for any action of our board of directors in declining to follow our investment adviser's advice or recommendations. Pursuant to the investment advisory and management agreement, our investment adviser and its managing members, officers and employees will not be liable to us for their acts under the investment advisory and management agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect our investment adviser and its managing members, officers and employees with respect to all damages, liabilities, costs and expenses resulting from acts of our investment adviser not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead our investment adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account. See "Risk Factors Risks Relating to Our Investments Our investment adviser's incentive fee may induce Ares Capital Management to make certain investments, including speculative investments."

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

Our investment adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our manager incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

Under the investment advisory and management agreement, we will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter periods ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than

8.0% of our net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any deferred incentive fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

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

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

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

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

RISKS RELATING TO OUR INVESTMENTS

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

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

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sale occurs, we use the pricing indicated by the external event to corroborate our valuation. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Unprecedented declines in prices and liquidity in the corporate debt markets resulted in significant net unrealized depreciation in our portfolio in the recent past. The effect of all of these factors on our portfolio has reduced our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

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

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

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods if we are required to write down the values of our investments. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt that we hold and the value of any equity securities we own. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

Investments in privately held middle market companies involve significant risks.

We primarily invest in privately held U.S. middle market companies. Investments in privately held middle market companies involve a number of significant risks, including the following:

- these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;

- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

- they typically depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

- there is generally little public information about these companies. These companies and their financial information are not subject to the Sarbanes Oxley Act of 2002 and other rules that govern public companies, and we may be unable to uncover all material information about these companies, which may prevent us from making a fully informed investment decision and cause us to lose money on our investments;

they generally have less predictable operating results, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and

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

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

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

Investments in equity securities involve a substantial degree of risk.

We may purchase common and other equity securities. Although common stocks have historically generated higher average total returns than fixed income securities over the long term, common stocks also have experienced significantly more volatility in those returns and in recent years have significantly under performed relative to fixed income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company's success. Investments in equity securities involve a number of significant risks, including:

any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;

to the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment in equity securities; and

in some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of our portfolio companies. Even if the portfolio companies are successful, our ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or we can sell our equity investments. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell.

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There are special risks associated with investing in preferred securities, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for U.S. federal income tax purposes before we receive such distributions;

- preferred securities are subordinated to debt in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than debt;

- preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities; and

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

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

We may invest, to the extent permitted by law, in the equity securities of investment funds that are operating pursuant to certain exceptions to the Investment Company Act and in advisers to similar investment funds, and, to the extent we so invest, will bear our ratable share of any such company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to Ares Capital Management with respect to the assets invested in the securities and instruments of such companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the management and incentive fee of Ares Capital Management as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers.

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

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

If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize our debt holding as an equity investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, we could become subject to a lender's liability claim, if, among other things, we actually render significant managerial assistance.

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

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

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

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

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

Our portfolio companies may be highly leveraged.

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

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

The incentive fee payable by us to Ares Capital Management may create an incentive for Ares Capital Management to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee

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payable to our investment adviser is determined, which is calculated as a percentage of the return on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock, including investors in offerings of common stock, securities convertible into our common stock or warrants representing rights to purchase our common stock or securities convertible into our common stock pursuant to this prospectus. In addition, the investment adviser will receive the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. The part of the incentive fee payable by us that relates to our pre-incentive fee net investment income will be computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. The investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on such accrued interest that we never actually receive.

Because of the structure of the incentive fee, it is possible that we may have to pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized capital losses. In addition, if market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for our investment adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income.

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

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

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

We have and may in the future enter into hedging transactions, which may expose us to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may include counter party credit risk. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging transactions will depend on our ability to correctly predict movements, currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. See also "Risk Factors Risk Relating to our Business We are exposed to risks associated with changes in interest rates."

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

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

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

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

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

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

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

RISKS RELATING TO OFFERINGS PURSUANT TO THIS PROSPECTUS

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

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict whether any shares of common stock offered hereby will trade at, above, or below net asset value. During much of 2009, the stocks of BDCs as an industry, including at times shares of our common stock, traded below net asset value and at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. When our common stock is trading below its net asset value per share, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining approval for such issuance from our stockholders and our independent directors.

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

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments.

In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution. See "Price Range of Common Stock and Distributions."

The above referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of our debt securities, which may cause a default under the terms of our debt securities. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt securities.

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

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

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

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

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

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

The market price of our common stock may fluctuate significantly.

The capital and credit markets have experienced a period of extreme volatility and disruption that began in 2007. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of publicly traded RICs, business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- price and volume fluctuations in the overall stock market from time to time;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- loss of RIC status;
- changes in our earnings or variations in our operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of Ares Capital Management's key personnel;

operating performance of companies comparable to us;

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

- general economic trends and other external factors; and

- loss of a major funding source.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

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

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

In addition, at our 2009 Annual Stockholders Meeting, our stockholders approved a proposal authorizing us to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of our common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of our then outstanding common stock and that the exercise or conversion price thereof is not, at the date of issuance, less than the greater of the market value per share and the net asset value per share of our common stock). The authorization granted to sell or authorize issue warrants or securities to subscribe for or convertible into shares of our common stock has no expiration.

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

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

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

Further, if current stockholders of the Company do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value per share, their voting power will be diluted. For additional information and hypothetical examples of these risks, see "Sales of Common Stock Below Net Asset Value" and the prospectus supplement pursuant to which such sale is made.

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

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to this prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus The net asset value per share of our common stock and our stockholders' voting interests in us may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock" and "Sales of Common Stock Below Net Asset Value."

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

We generally expect the public offering price of any offering of shares of our common stock to be higher than the book value per share of our outstanding common stock (unless we offer shares pursuant to a rights offering or after obtaining prior approval for such issuance from our stockholders and our independent directors). Accordingly, investors purchasing shares of common stock in offerings pursuant to this prospectus may pay a price per share that exceeds the tangible book value per share after such offering.

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

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that do not participate in our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

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

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

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

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

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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

Our publicly issued debt securities may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities.

You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

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

If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

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

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

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FORWARD-LOOKING STATEMENTS

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

- our, or our portfolio companies', future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to successfully integrate our business and Allied Capital's business;
- our ability to recover unrealized losses;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- our contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- our ability to successfully integrate any acquisitions;
- the adequacy of our cash resources and working capital;
- the timing, form and amount of any dividend distributions;

- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments.

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

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

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

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

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

See accompanying notes to pro forma consolidated financial statements.

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

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

*

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

See accompanying notes to pro forma consolidated financial statements.

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

1. BASIS OF PRO FORMA PRESENTATION

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

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

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

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

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

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

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

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

2. PRO FORMA ADJUSTMENTS

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

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

B. The fair value of the outstanding debt assumed from Allied Capital was determined by Ares Capital to be below the face amount of such debt. In accordance with GAAP, subsequent to

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

C.

Base management fees were computed based on 1.5% of average total assets other than cash and cash equivalents but including assets purchased with borrowed funds per Ares Capital's investment advisory and management agreement with Ares Capital Management.

D.

Incentive management fees were recomputed based on the formula in Ares Capital's investment advisory and management agreement with Ares Capital Management.

E.

Adjustments to other expenses were made to reflect compensation costs for Allied Capital's employees that would have been covered by the base management fees paid to Ares Capital Management and therefore not incurred by Ares Capital. Additionally, all stock option costs were excluded as such costs would not exist at Ares Capital as there is no stock option plan maintained by Ares Capital. Payments of stock option costs to employees would have been similarly incurred by Ares Capital in the form of incentive management fees paid to Ares Capital Management. Lastly, any actual costs incurred related to the merger and subsequent combination, primarily various transaction costs, were also excluded.

F.

Weighted average shares for the six months ended June 30, 2010 and for the year ended December 31, 2009 have been adjusted to reflect the following:

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

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USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective and strategies and market conditions. We also expect to use the net proceeds of an offering to repay or repurchase outstanding indebtedness, including indebtedness under (a) the Revolving Credit Facility ($258.0 million outstanding as of September 1, 2010), (b) the CP Funding Facility ($306.1 million outstanding as of September 1, 2010), (c) the CLO Notes under the Debt Securitization ($214.4 million of CLO Notes outstanding as of September 1, 2010) and (d) the Unsecured Notes ($669.6 million of Unsecured Notes outstanding as of September 1, 2010). The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six month) plus an applicable spread of between 2.50% and 4.00%. As of September 1, 2010, the one, two, three and six month LIBOR were 0.26%, 0.27%, 0.30% and 0.50%, respectively, and the effective LIBOR spread was 3.00%. The Revolving Credit Facility expires on January 22, 2013. Subject to certain exceptions, the interest charged on the CP Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a "base rate" (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case based on a pricing grid depending upon the credit rating of the Company. The effective LIBOR spread under the CP Funding Facility on September 1, 2010 is 2.75%. The CP Funding Facility is scheduled to expire on January 22, 2013 (subject to two one-year extension options exercisable upon mutual consent). As of September 1, 2010, the blended pricing of the CLO Notes, excluding fees, was approximately three-month LIBOR plus 0.33%. The CLO Notes mature on December 20, 2019. The interest charged on the Unsecured Notes is as follows: (a) 6.625%, in the case of the 2011 Notes, (b) 6.000%, in the case of the 2012 Notes, and (c) 6.875%, in the case of the 2047 Notes. The 2011 Notes, 2012 Notes and 2047 Notes mature on July 15, 2011, April 1, 2012 and April 15, 2047, respectively. The supplement to this prospectus relating to an offering may more fully identify the use of the proceeds from such offering.

We anticipate that substantially all of the net proceeds of an offering of securities pursuant to this prospectus and its related prospectus supplement will be used for the above purposes within three months of any such offering, depending on the availability of appropriate investment opportunities consistent with our investment objective and strategies and market conditions, but no longer than within six months of any such offerings.

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

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

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

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

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.

(2) Calculated as the respective high or low closing sales price divided by net asset value.

(3) Represents the dividend or distribution declared in the relevant quarter.

* Net asset value has not yet been calculated for this period.

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

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The following table summarizes our dividends declared to date:

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

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

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

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

RATIOS OF EARNINGS TO FIXED CHARGES

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

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

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

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

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

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

OVERVIEW

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

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

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

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

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

Allied Acquisition

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

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

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

CRITICAL ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States, and include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value.

Concentration of Credit Risk

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

Investments

Investment transactions are recorded on the trade date. Realized gains or losses are computed using the specific identification method. Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter.

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

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

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

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

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

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

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

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

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

Interest Income Recognition

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

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

Payment-in-Kind Interest

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

Capital Structuring Service Fees and Other Income

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

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

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Foreign Currency Translation

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

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

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

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

Accounting for Derivative Instruments

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

Offering Expenses

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

Debt Issuance Costs

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

U.S. Federal Income Taxes

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

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

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

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Dividends to Common Stockholders

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

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

Use of Estimates in the Preparation of Financial Statements

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

New Accounting Pronouncements

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

In June 2009, FASB issued ASC 810 (previously SFAS No. 167, *Amendments to FASB Interpretation No. 46(R),* which amends the guidance in FASB Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*). It requires reporting entities to evaluate former QSPEs for consolidation, changes the approach to determining the primary beneficiary of a variable interest entity (a "VIE") from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. It also clarifies, but does not significantly change, the characteristics that identify a VIE. ASC 810 requires additional year-end and interim disclosures for public and non-public companies that are similar to the disclosures required by FSP FAS 140-4 and FIN 46(R)-8. ASC 810 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 (January 1, 2010 for calendar year-end companies), and for subsequent interim and annual reporting periods. All QSPE's and entities currently subject to FIN 46(R) will need to be reevaluated under the amended consolidation requirements as of the beginning of the first annual reporting period that begins after November 15, 2009. Early adoption of ASC 810 is prohibited. The FASB agreed at its January 27, 2010 meeting to issue an Accounting Standards Update to finalize its proposal to indefinitely defer ASC 810 for reporting enterprises' interests in entities that either have all of the characteristics of investments companies or for which it is industry practice to apply measurement principles for financial reporting purposes consistent with those that apply to investment companies. The provisions of ASC 810 will not have any impact on our financial condition or results of operations.

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

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

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PORTFOLIO AND INVESTMENT ACTIVITY

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

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

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

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

(2) Number of new investments represents each commitment to a particular portfolio company.

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(3) When we refer to the "weighted average yield at fair value" in this report, we compute it with respect to particular securities by taking the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, and dividing it by (b) total debt and income producing securities at fair value included in such securities. When we refer to the "weighted average yield at amortized cost" in this report, we compute it with respect to particular securities by taking the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, and dividing it by (b) total debt and income producing securities at amortized cost included in such securities.

(4) Excludes investments acquired as a part of the Allied Acquisition on April 1, 2010.

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

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

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

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

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

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

As of June 30, 2010:

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

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

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

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

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

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

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RESULTS OF OPERATIONS

For the three and six months ended June 30, 2010 and 2009

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

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

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

Investment Income

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

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

Operating Expenses

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

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

Income Tax Expense, Including Excise Tax

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

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

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

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

Net Unrealized Gains/Losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Realized Gains/Losses

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

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

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

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

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

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

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

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

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

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

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For the years ended December 31, 2009, 2008 and 2007

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

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

Investment Income

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

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

Operating Expenses

For the year ended December 31, 2009, total expenses decreased $1.9 million, or 2%, from the year ended December 31, 2008. Interest expense and credit facility fees decreased $12.2 million, or 34%, to $24.3 million for the year ended December 31, 2009 from $36.5 million for the comparable period in 2008, despite increases in the outstanding borrowings for the period. The average outstanding borrowings during the year ended December 31, 2009 was $870.0 million compared to average outstanding borrowings of $819.0 million for the comparable period in 2008. The increase in outstanding borrowings was more than offset by the decline in the average cost of borrowing which went from 4.06% for the year ended December 31, 2008 to 2.16% for the year ended December 31, 2009. The decrease in interest expense and credit facility fees was partially offset by an increase in professional fees. For the year ended December 31, 2009, professional fees increased $6.8 million, or 113%, to $12.7 million for the year ended December 31, 2009 from $5.9 million for the comparable period in 2008. Of the $6.8 million increase in professional fees, $4.9 million were related to the Allied Acquisition. Incentive fees related to pre-incentive fee net investment income increased $1.6 million, or 5%, to $33.3 million for the year ended December 31, 2009 from $31.7 million for the comparable period in 2008, primarily due to the increase in the size of the portfolio and the related increase in net investment income.

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

Income Tax Expense, Including Excise Tax

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

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

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

Net Realized Gains/Losses

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

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

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

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

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

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

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

Net Unrealized Gains/Losses

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

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

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

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

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

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

For the year ended December 31, 2007, the Company had net unrealized losses of $10.7 million, which was comprised of $52.5 million in unrealized appreciation, $60.4 million in unrealized depreciation and $2.8 million relating to the reversal of prior period net unrealized appreciation. The most significant changes in unrealized appreciation and depreciation during the year ended December 31, 2007 were as follows (in millions):

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

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

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

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

Equity Offerings

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

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

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

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

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

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

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

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Debt Capital Activities

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

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

(1) Subject to borrowing base and leverage restrictions.

(2) The CP Funding II Facility was combined with the CP Funding Facility on January 22, 2010. In connection therewith the CP Funding II Facility was terminated.

(3) Represents the aggregate principal amount of the applicable series of notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.

(4) Except for the Unsecured Notes, all carrying values are the same as the principal amounts outstanding.

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

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

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

CP Funding Facilities

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

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

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

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

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

Revolving Credit Facility

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

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

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Debt Securitization

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

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

Publicly Issued Unsecured Notes Payable

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

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

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

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

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

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

Corporate Credit Rating

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

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PORTFOLIO VALUATION

Investment transactions are recorded on the trade date. Realized gains or losses are computed using the specific identification method. Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter.

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

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

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

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

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

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

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

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

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

OFF BALANCE SHEET ARRANGEMENTS

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

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

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

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

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

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

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

RECENT DEVELOPMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

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

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

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

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

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

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

Based on our December 31, 2009 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure and reflecting the effect of our interest rate swap agreement described above and in Note 11 to the consolidated financial statements for the period ended June 30, 2010 (in millions):

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

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

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

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

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each of the Revolving Credit Facility, the CP Funding Facility and the Debt Securitization, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each.

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(3) The amount to which such class of senior security would be entitled upon our involuntary liquidation in preference to any security junior to it.

(4) Not applicable, except for with respect to the 2011 Notes, the 2012 Notes and the 2047 Notes, as none of our other current senior securities are registered for public trading. The average market value per unit for each of the 2011 Notes, the 2012 Notes and the 2047 Notes is based on the quoted prices of such notes.

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BUSINESS

GENERAL

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

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

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

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

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

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

The first and second lien senior loans generally have stated terms of three to 10 years and the mezzanine debt investments generally have stated terms of up to 10 years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, we may invest in securities with any maturity or duration. The debt that we invest in typically is not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's). We may invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

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

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

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

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

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

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About Ares

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

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

Ares is comprised of the following groups:

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

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

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

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

Ares Capital Management

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

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MARKET OPPORTUNITY

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

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

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

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

- We believe there is a large pool of uninvested private equity capital for middle market companies. We expect private equity firms will seek to leverage their investments by combining equity capital with senior secured loans and mezzanine debt from other sources.

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

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

COMPETITIVE ADVANTAGES

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

Existing Investment Platform

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

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Seasoned Management Team

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

Experience and Focus on Middle Market Companies

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

Disciplined Investment Philosophy

In making its investment decisions, our investment adviser has adopted Ares' long-standing, consistent credit-based investment approach that was developed over 20 years ago by its founders. Specifically, Ares Capital Management's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment, financial markets and company-specific research and analysis. Its investment approach emphasizes capital preservation, low volatility and minimization of downside risk. In addition to engaging in extensive due diligence from the perspective of a long-term investor, Ares Capital Management's approach seeks to reduce risk in investments by focusing on:

- businesses with strong franchises and sustainable competitive advantages;
- industries with positive long-term dynamics;
- cash flows that are dependable and predictable;
- management teams with demonstrated track records and economic incentives;
- rates of return commensurate with the perceived risks; and
- securities or investments that are structured with protective terms and covenants.

Extensive Industry Focus

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

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Flexible Transaction Structuring

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

Broad Origination Strategy

Our investment adviser focuses on self-originating most of our investments by identifying a broad array of investment opportunities across multiple channels. It also leverages off of the extensive relationships of the broader Ares platform, including relationships with the companies in the funds managed by IHAM, to identify investment opportunities. We believe that this allows for asset selectivity and that there is a significant relationship between proprietary deal origination and credit performance. We believe that our focus on generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and provides us with the ability to actively manage our investments. Moreover, by leading the investment process, our investment adviser is often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. Our investment adviser also has originated substantial proprietary deal flow from middle market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

OPERATING AND REGULATORY STRUCTURE

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

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

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

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

INVESTMENTS

Ares Capital Corporation Portfolio

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

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

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

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

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

- Aerospace and Defense
- Airlines
- Broadcasting/Cable
- Cargo Transport
- Chemicals
- Consumer Products
- Containers/Packaging
- Education
- Energy
- Environmental Services
- Farming and Agriculture
- Financial
- Food and Beverage
- Gaming
- Health Care
- Homebuilding

- Lodging and Leisure
- Manufacturing
- Metals/Mining
- Paper and Forest Products
- Printing/Publishing/Media
- Retail
- Restaurants
- Supermarket and Drug
- Technology
- Utilities
- Wireless and Wireline Telecom

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

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The industrial and geographic compositions of our portfolio at fair value as of June 30, 2010 and December 31, 2009 were as follows:

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

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

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

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Managed Funds Portfolio

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

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

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

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

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

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

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

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

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

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

INVESTMENT SELECTION

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

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

- an assessment of the overall macroeconomic environment and financial markets and how such assessment may impact industry and asset selection;
- company-specific research and analysis; and
- with respect to each individual company, an emphasis on capital preservation, low volatility and minimization of downside risk.

The foundation of Ares' investment philosophy is intensive credit investment analysis, a portfolio management discipline based on both market technicals and fundamental value-oriented research, and diversification strategy. Ares Capital Management has adopted this philosophy and follows a rigorous process based on:

- a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;
- an evaluation of management and its economic incentives;
- an analysis of business strategy and industry trends; and
- an in-depth examination of capital structure, financial results and projections.

Ares Capital Management seeks to identify those companies exhibiting superior fundamental risk-reward profiles and strong defensible business franchises while focusing on the relative value of the investment across the industry as well as for the specific company.

Intensive Due Diligence

The process through which Ares Capital Management makes an investment decision involves extensive research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, Ares Capital Management will engage in an intensive due diligence process. Approximately 30-40% of the investments initially reviewed proceed to this phase. Though each transaction will involve a somewhat different approach, the regular due diligence steps generally undertaken include:

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

checking management's backgrounds and references;

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

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

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

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

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

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

investigating legal risks and financial and accounting systems.

Selective Investment Process

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

After an investment has been identified and diligence has been completed, a credit research and analysis report is prepared. This report will be reviewed by the senior investment professional in charge of the potential investment. If such senior and other investment professionals are in favor of the potential investment, then it is first presented to an underwriting committee, which is comprised of the senior partners of Ares Capital Management. If the underwriting committee approves of the potential investment it is then presented to the investment committee. However, the portfolio managers of Ares Capital Management are responsible for the day-to-day management of our portfolio.

After the investment is approved by the underwriting committee, a more extensive due diligence process is employed by the transaction team. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys, independent accountants, and other third party consultants and research firms prior to the closing of the investment, as appropriate on a case by case basis. Approximately 7-10% of all investments initially reviewed by the underwriting committee will be presented to the investment committee. Approval of an investment for funding requires the approval of the majority of the investment committee of Ares Capital Management, although unanimous consent is sought.

Issuance of Formal Commitment

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers, including senior, junior, and equity capital providers, to finalize the structure of the investment. Approximately 5% of the investments initially reviewed eventually result in the issuance of formal commitments.

Debt Investments

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

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

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

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

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

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

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

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

Our debt investments may include equity features, such as warrants or options to buy a minority interest in the portfolio company. Warrants we receive with our debt investments may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as puts, or rights to sell such securities back to the portfolio company, upon the occurrence of specified events. In many cases, we also obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

Equity Investments

Our equity investments may consist of preferred equity that is expected to pay dividends on a current basis or preferred equity that does not pay current dividends. Preferred equity generally has a preference over common equity as to dividends and distributions upon liquidation. In some cases, we may acquire common equity. Our equity investments have generally been non-control equity investments of less than $20 million (usually in conjunction with a concurrent loan investment). However, we may increase the size or nature of these investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful. For risks relating to these investments, see "Risk Factors Risks Relating to Our Investments Investments in equity securities involve a substantial degree of risk."

ON-GOING RELATIONSHIPS WITH AND MONITORING OF PORTFOLIO COMPANIES

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

We seek to exert significant influence post-investment, in addition to covenants and other contractual rights and through board participation, when appropriate, by actively working with management on strategic initiatives. We often introduce managers of companies in which we have invested to other portfolio companies to capitalize on complementary business activities and best practices.

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

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

MANAGERIAL ASSISTANCE

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

COMPETITION

Our primary competition to provide financing to middle market companies include public and private funds, commercial and investment banks, commercial financing companies and private equity funds. Many of our competitors are substantially larger and have considerably greater financial and marketing resources than we do. For example, some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC.

We use the industry information of Ares' investment professionals to which we have access to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that the relationships of the members of Ares Capital Management's investment committees and of the senior principals of Ares, enable us to learn about, and compete effectively for, financing opportunities with attractive middle market companies in the industries in which we seek to invest. The Ares' professionals' deep and long-standing direct sponsor relationships and the resulting proprietary transaction opportunities that these relationships often present, provide valuable insight and access to transactions and information. For additional information concerning the competitive risks we face, see "Risk Factors Risks Relating to Our Business We operate in a highly competitive market for investment opportunities."

MARKET CONDITIONS

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

Consistent with the depressed market conditions of the general economy, during 2008 and much of 2009, the stocks of BDCs as an industry traded at near historic lows as a result of concerns over liquidity, credit quality, leverage restrictions and distribution requirements. As a result of this market volatility, several of our peers are no longer active in the market and are winding down their investments, have defaulted on their indebtedness and/or have decreased their distributions to stockholders. While market conditions have improved, we cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

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

STAFFING

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

PROPERTIES

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

LEGAL PROCEEDINGS

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

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PORTFOLIO COMPANIES

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

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

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

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

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

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
AGILE Fund I, LLC(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Member interest			0.50%	$ 264
Air Medical Group Holdings LLC(2)	Medical escort	Senior secured revolving loan	2.48% (Libor + 2.00%/Q)	3/31/2011		$ 2,940(6)
306 Davis Drive	services	Senior secured revolving loan	4.25% (Base Rate + 1.00%/Q)	3/31/2011		$ 1,749(6)
P.O. Box 768		Preferred stock			5.60%	$ 19,076
West Plains, MO 65775		Preferred stock			5.40%	$ 3,912
		Common stock			0.00%	$
AllBridge Financial, LLC(5) 13760 Noel Road, Suite 1100 Dallas, TX 75240	Investment company	Equity interest			95.24%	$ 12,088
Allied Capital REIT, Inc.(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067		Real estate equity interests			100.00%	$ 364
American Broadband Communications, LLC and American Broadband Holding Company	Broadband communication	Senior subordinated loan	16.00% (12.00% Cash, 4.00% PIK/Q)	11/7/2014		$ 32,538
401 N. Tryon Street, 10th Floor Charlotte, NC 28202	services	Senior subordinated loan	16.00% (12.00% Cash, 4.00% PIK/Q)	11/7/2014		$ 10,248
		Common stock warrants			17.00%	$ 910(3)
American Commercial Coatings 2008 Cypress Street Paris, KY 40362		Commercial mortgage loan		12/1/2025		$ 2,000
AP Global Holdings, Inc. 1043 North 47th Avenue Phoenix, AZ 85043	Safety and security equipment manufacturer	Senior secured loan	4.85% (Libor + 4.50%/M)	10/26/2013		$ 6,212
Apogee Retail, LLC	For-profit thrift	Senior secured revolving loan		3/27/2012		$ (7)
1387 Cope Ave E	retailer	Senior secured loan	5.60% (Libor + 5.25%/M)	3/27/2012		$ 25,458
Maplewood, MN 55109		Senior secured loan	5.60% (Libor + 5.25%/M)	3/27/2012		$ 11,140
		Senior secured loan	5.60% (Libor + 5.25%/M)	3/27/2012		$ 2,895
		Senior secured loan	12.00% Cash, 4.00% PIK	9/27/2012		$ 3,352
		Senior secured loan	12.00% Cash, 4.00% PIK	9/27/2012		$ 11,293
Apple & Eve, LLC and US Juice	Juice manufacturer	Senior secured revolving loan		10/1/2013		$ (8)
Partners, LLC(2)		Senior secured loan	12.00% (Libor + 9.00%/M)	10/1/2013		$ 14,242
2 Seaview Blvd		Senior secured loan	12.00% (Libor + 9.00%/M)	10/1/2013		$ 14,985
Port Washington, NY 11050		Senior units			8.74%	$ 5,500
Aquila Binks Forest Development,LLC		Commercial mortgage loan	2.50%	6/1/2011		$ 7,933
15430 Endeavour Drive Jupiter, FL 33478		Real estate equity interests			85.00%	$
Athletic Club Holdings, Inc.		Senior secured loan	4.85% (Libor + 4.50%/M)	10/11/2013		$ 6,380

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

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

New York, NY 10017

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

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Carador PLC(2) Georges Quay House 43 Townend Street Dublin 2, Ireland	Investment company	Ordinary shares			5.08%	$ 3,982
Carlisle Wide Plank Floors, Inc. 1676 Route 9 Stoddard, NH 03464	Hardwood floor manufacturer	Senior secured loan	12.00% Cash, 2.00% PIK	6/16/2011		$ 1,508
		Member interest			3.80%	$
		Common stock			3.31%	$
Catterton Partners VI, L.P. 599 West Putnam Avenue, 2nd Floor Greenwich, CT 06830	Investment partnership	Limited partnership interest			0.50%	$ 1,716
Charter Baking Company, Inc. 3300 Walnut Street, Unit C Boulder, CO 80301	Baked goods manufacturer	Senior subordinated loan	13.00% PIK	2/6/2013		$ 6,272
		Preferred stock			3.05%	$ 1,725
CIC Flex, LP 60 South Sixth Street, Suite 3720 Minneapolis, MN 55402	Investment partnership	Limited partnership units			14.28%	$
Ciena Capital LLC(5) 1633 Broadway, 39th Floor New York, NY 10019	Investment banking services	Senior secured revolving loan		3/17/2011		$ 77,183(8)
		Senior secured loan		3/17/2011		$ 4,969
		Class A equity interest			20.00%	$
		Class B equity interest			100.00%	$
		Class C equity interest			94.90%	$
CitiPostal Inc.(5) 5 North 11th Street Brooklyn, NY 11211	Document storage and management services	Senior secured revolving loan	6.50% (Libor + 4.50%/M)	12/21/2013		$ 691(9)
		Senior secured revolving loan	6.75% (Base Rate + 3.50%/Q)	12/21/2013		$ 1,250(9)
		Senior secured loan	11.00% Cash, 2.00% PIK	12/21/2013		$ 487
		Senior secured loan	11.00% Cash, 2.00% PIK	12/21/2013		$ 49,838
		Senior subordinated loan	16.00% PIK	12/21/2015		$ 11,566
		Common stock			63.10%	$
Cleveland East Equity 26300 Harvard Road Warrensville Heights, OH 44122		Real estate equity interests			50.00%	$ 710
Commercial Credit Group, Inc. 121 West Trade Street, Suite 2100 Charlotte, NC 28202	Commercial equipment finance and leasing company	Senior subordinated loan	15.00%	6/30/2015		$ 6,000
		Senior subordinated loan	15.00%	6/30/2015		$ 4,000
		Senior subordinated loan	15.00%	6/30/2015		$ 9,500
Commons R-3, LLC 5555 Glenridge Connector, Suite 700 Atlanta, GA 30342		Real estate equity interests				$
Community Education Centers, Inc. 35 Fairfield Place	Offender re-entry and in-prison treatment	Senior subordinated loan		11/18/2013		$ 35,810

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

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

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

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Dynamic India Fund IV International Financial Services Limited IFS Court, Twenty Eight Cybercity, Ebene, Mauritius	Investment company	Equity Interest			5.40%	$ 4,822
EarthColor, Inc.(5) 249 Pomeroy Road Parsippany, NJ 07054	Printing management services	Common stock			86.30%	$
eCentury Capital Partners, L.P. 8180 Greensboro Drive, Suite 1150 McLean, VA 22102	Investment partnership	Limited partnership interest			25.00%	$
eInstruction Corporation 308 N. Carroll Blvd. Denton, TX 76201	Developer, manufacturer and retailer of educational products	Junior secured loan	7.85% (Libor + 7.50%/M)	7/2/2014		$ 14,960
		Senior subordinated loan	16.00% PIK	1/2/2015		$ 19,983
		Common stock			2.40%	$ 1,256
ELC Acquisition Corporation 2 Lower Ragsdale Drive Monterey, CA 93940	Developer, manufacturer and retailer of educational products	Senior secured loan	3.60% (Libor + 3.25%/M)	11/29/2012		$ 161
		Junior secured loan	7.35% (Libor + 7.00%/M)	11/29/2013		$ 8,333
Emerald Performance Materials, LLC 2020 Front Street, Suite 100 Cuyahoga Falls, OH 44221	Polymers and performance materials manufacturer	Senior secured loan	8.25% (Libor + 4.25%/M)	5/22/2011		$ 536
		Senior secured loan	8.25% (Libor + 4.25%/M)	5/22/2011		$ 8,392
		Senior secured loan	8.50% (Base Rate + 3.50%/M)	5/22/2011		$ 313
		Senior secured loan	10.00% (Libor + 6.00%/M)	5/22/2011		$ 1,604
		Senior secured loan	13.00% Cash, 3.00% PIK	5/22/2011		$ 5,012
Encanto Restaurants, Inc. c/o Harvest Partners, Inc. 280 Park Avenue, 33rd Floor New York, NY 10017	Restaurant owner and operator	Junior secured loan	11.00%	8/2/2013		$ 19,947
		Junior secured loan	11.00%	8/2/2013		$ 3,799
Fidus Mezzanine Capital, L.P. 101 North Tryon Street Charlotte, NC 28246	Investment partnership	Limited partnership interest			30.50%	$ 10,518
Financial Pacific Company(5) 3455 South 344th Way, Suite 300 Federal Way, WA 98001	Commercial property and casualty insurance provider	Senior subordinated loan	15.00% Cash, 2.00% PIK	2/2/2012		$ 11,681
		Senior subordinated loan	15.00% Cash, 2.00% PIK	2/2/2012		$ 11,679
		Senior subordinated loan	15.00% Cash, 2.00% PIK	2/2/2012		$ 10,750
		Subordinated loan	18.00% Cash, 2.00% PIK	8/2/2012		$
		Preferred stock			86.30%	$
		Preferred stock			86.30%	$
		Preferred stock			86.30%	$
		Common stock			85.80%	$
Firstlight Financial Corporation(2) 1700 E. Putnum Ave.	Investment company	Senior subordinated loan	1.00% PIK	12/31/2016		$ 48,295
		Common stock			20.00%	$

Old Greenwich, CT 06870		Common stock			100.00%	$	
Fulton Holdings Corp 5950 Fulton Industrial Blvd Atlanta, GA 30336	Airport restaurant operator	Senior secured loan Common stock	12.50%	5/28/2016	 2.16%	$ $	40,000 1,967
Galley Equities, LLC 140 Turnpike Drive Middlebury, CT 06762		Commercial mortgage loan		1/1/2015		$	
Geotrace Technologies, Inc. 1011 Highway 6 South, Suite 220 Houston, TX 77077	Reservoir processing, development	Common stock warrants Common stock warrants Preferred stock warrants Preferred stock warrants			7.824% 7.824% 7.03% 7.03%	$ $ $ $	(3) (3) 1,432(3) 879(3)
GG Merger Sub I, Inc. 4130 Parklake Avenue, Suite 400 Raleigh, NC 27612	Drug testing services	Senior secured loan Senior secured loan	4.54% (Libor + 4.00%/Q) 4.54% (Libor + 4.00%/Q)	12/13/2014 12/13/2014		$ $	10,764 11,400
Gilchrist & Soames, Inc. 1535 E. Naomi Street PO Box 33806 Indianapolis, IN 46203	Personal care manufacturer	Senior secured revolving loan Senior subordinated loan	 13.44%	10/5/2013 10/5/2013		$ $	(15) 22,814
Gordian Acquisition Corporation 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067		Member interest			100.00%	$	

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

Atlanta, GA 30328							
IAT Equity, LLC and Affiliates d/b/a Industrial Air Tool(5) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Industrial products distributor	Senior subordinated loan	9.00%	6/25/2014		$	6,000
		Member interest			100.00%	$	7,504
Ideal Snacks Corporation 89 Mill Street Liberty, NY 12754	Snacks manufacturer	Senior secured revolving loan	8.50% (Base Rate + 4.00%/M)	6/30/2011		$	1,000(19)
ILC Industries, Inc. 105 Wilbur Place Bohemia, NY 11716	Industrial products provider	Junior secured loan	11.50%	6/27/2014		$	12,000
Impact Innovations Group, LLC 2500 Northwinds Parkway, Suite 200 Alpharetta, GA 30004	IT consulting and outsourcing services	Member interest			50.00%	$	
Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP(2) 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment banking services	Common units			5.00%	$	4,561
		Common units			4.99%	$	569
		Common units			5.00%	$	13,921
		Limited partnership interest			80.00%	$	6,216

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Industrial Container Services, LLC(2)	Industrial container	Senior secured revolving loan		9/30/2011		$ (20)
1540 Greenwood Avenue	manufacturer,	Senior secured loan	4.35% (Libor + 4.00%/M)	9/30/2011		$ 3,284
Montebello, CA 90640	reconditioner and	Senior secured loan	4.35% (Libor + 4.00%/M)	9/30/2011		$ 214
	servicer	Senior secured loan	4.31% (Libor + 4.00%/Q)	9/30/2011		$ 3,694
		Senior secured loan	4.31% (Libor + 4.00%/Q)	9/30/2011		$ 241
		Senior secured loan	4.54% (Libor + 4.00%/Q)	9/30/2011		$ 821
		Senior secured loan	4.54% (Libor + 4.00%/Q)	9/30/2011		$ 54
		Senior secured loan	5.75% (Base Rate + 2.50%/Q)	9/30/2011		$ 63
		Senior secured loan	5.75% (Base Rate + 2.50%/Q)	9/30/2011		$ 965
		Common stock			8.88%	$ 11,556
Insight Pharmaceuticals Corporation(2)	OTC drug products	Senior subordinated loan	13.00% Cash, 2.00% PIK	9/30/2012		$ 54,994
1170 Wheeler Way, Suite 150 Langhorne, PA 19047	manufactuer	Common stock			25.46%	$ 10,244
Instituto de Banca y Comercio, Inc. & Leeds IV	Private school	Series C preferred stock			3.38%	$ 2,586
Advisors, Inc.	operator	Series C preferred stock			3.53%	$ 672
Calle Santa Ana 1660		Common stock			0.00%	$
Santurce, PR 00909-2309		Common stock			0.00%	$
Investor Group Services, LLC(2)	Financial services	Senior secured revolving loan		6/22/2011		$ (21)
2020 Front Street, Suite 100		Limited liability company			10.00%	$ 500
Boston, MA 02116		membership interest				
Ivy Hill Asset Management, LP(5)	Investment manager	Member interest			100.00%	$ 105,044
2000 Avenue of the Stars, 12th Floor						
Los Angeles, CA 90067						
Ivy Hill Middle Market Credit Fund, Ltd.(5)	Investment company	Subordinated notes	15.50%	11/20/2018		$ 14,737
2000 Avenue of the Stars, 12th Floor		Class B deferrable interest	6.25% (Libor + 6.00%/Q)	11/20/2018		$ 37,600
Los Angeles, CA 90067		notes				
Jakel, Inc.(5)	Electric motor	Senior subordinated loan		3/31/2011		$
Regal Beloit Corporation	manufacturer					
200 State Street						
Beloit, WI 53511						
JTC Education Holdings, Inc.	Postsecondary school	Senior secured revolving loan		12/23/2014		$ (22)
100 Fillmore Place, Suite 300	operator	Senior secured loan	12.50% (Libor + 9.50%/M)	12/23/2014		$ 20,250
Denver, CO 80206		Senior secured loan	12.50% (Libor + 9.50%/M)	12/23/2014		$ 11,000
Knightsbridge CLO 2007-1 Ltd.(5)	Investment company	Class E interest notes	9.53% (Libor + 9.00%/Q)	1/11/2022		$ 11,347
315 Holmwood Drive						
Newport Beach, CA 92663						
Knightsbridge CLO 2008-1 Ltd.(5)	Investment company	Class C interest notes	8.03% (Libor + 7.50%/Q)	6/18/2018		$ 14,400
315 Holmwood Drive		Class D interest notes	9.03% (Libor + 8.50%/Q)	6/18/2018		$ 9,000
Newport Beach, CA 92663		Class E interest notes	5.53% (Libor + 5.00%/Q)	6/18/2018		$ 9,954

Kodiak Fund LP 2107 Wilson Blvd, Suite 400 Arlington, VA 22201	Investment partnership	Limited partnership interest			1.50%	$	962
LVCG Holdings LLC(5) c/o The Decatur Group LLC 600 Seventeenth Street, Suite 2800 Denver, CO 80202	Commercial printer	Membership interests			56.53%	$	132
Mactec, Inc. 1105 Sanctuary Parkway, Suite 300 Alpharetta, GA 30004	Engineering and environmental services	Class B-4 stock			1.00%	$	
		Class C stock			38.46%	$	150
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC 825 East Gate Blvd. Garden City, NY 11530	Healthcare professional provider	Senior secured loan	7.50% (Libor + 5.50%/M)	1/30/2012		$	4,335
		Senior subordinated loan	15.00% (Libor + 10.00% Cash, 3.00%PIK/Q)	3/26/2015		$	54,000
Making Memories Wholesale, Inc.(5) 1168 West 500 North Centerville, UT 84014	Scrapbooking branded products manufacturer	Senior secured loan	10.00% (Base Rate + 5.50%/Q)	8/21/2014		$	9,625
		Senior secured loan	7.50% Cash, 7.50% PIK	8/21/2014		$	267
		Senior secured revolving loan	10.00% (Libor + 6.50%/Q)	8/21/2014		$	500(23)
		Common stock			92.00%	$	
Market Track Holdings, LLC 101 North Wacker Drive, Suite 1500 Chicago, IL 60606	Business media consulting services company	Senior secured revolving loan		6/12/2014		$	(24)
		Senior subordinated loan	11.50% Cash, 4.40% PIK	6/12/2014		$	24,337
MGP Park Place Equity, LLC 6901 Rockledge Drive, Suite 230 Bethesda, MD 20817		Commercial mortgage loan		5/30/2011		$	488

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
MJ Ocala Hotel Associates, Ltd		Commercial mortgage loan	7.60%	5/30/2011		$ 569
3600 Southwest 36th Avenue Ocala, FL 34474						
MPBP Holdings, Inc., Cohr Holdings, Inc. and	Healthcare	Junior secured loan		1/31/2014		$ 971
MPBP Acquisition Co., Inc.	equipment services	Junior secured loan		1/31/2014		$ 583
21540 Plummer Street Chatsworth, CA 91311		Common stock			2.50%	$
Multi-Ad Services, Inc.(2)	Marketing services	Senior secured revolving loan		11/7/2011		$ (25)
1720 W. Detweiller Drive	and software provider	Senior secured loan	11.25%	11/7/2011		$ 1,878
Peoria, IL 61615		Member interest			8.85%	$
		Preferred equity			14.40%	$ 1,286
MVL Group, Inc.(5)	Marketing research	Senior secured loan	12.00%	7/8/2012		$ 25,260
1061 E. Indiantown Road, Suite 300	provider	Senior subordinated loan	12.00% Cash, 2.50% PIK	7/8/2012		$ 36,073
Jupiter, FL 33477		Senior subordinated loan	10.00%	7/8/2012		$
		Common stock			56.10%	$
		Common stock			56.10%	$
MWD Acquisition Sub, Inc. 680 Hehli Way PO Box 69 Mondovi, WI 54755	Dental services	Junior secured loan	6.60% (Libor + 6.25%/M)	5/3/2013		$ 4,700
National Print Group, Inc.	Printing management	Senior secured revolving loan	9.00% (Libor + 6.00%/S)	10/31/2012		$ 628(26)
2464 Amicola Highway	services	Senior secured revolving loan	9.00% (Base Rate + 5.00%/M)	10/31/2012		$ 530(26)
Chattanooga, TN 37406		Senior secured loan	16.00% (Libor + 13.00%/Q), 9.00% Cash, 7.00% PIK	10/31/2012		$ 4,100
		Senior secured loan	16.00% (Libor + 12.00%/Q), 9.00% Cash, 7.00% PIK	10/31/2012		$ 271
		Preferred stock			5.17%	$
NetShape Technologies, Inc.	Metal precision	Senior secured revolving loan	4.19% (Libor + 3.75%/B)	2/2/2013		$ 454(27)
8751 Old State Road 60	engineered	Senior secured revolving loan	4.13% (Libor + 3.75%/M)	2/2/2013		$ 70(27)
Sellersburg, IN 47172	components manufacturer					
Netsmart Technologies	Healthcare	Senior subordinated loan	13.50%	6/21/2017		$ 50,579
3500 Sunrise Highway, Suite D122	technology provider	Common stock				$ 2,500
Great River, NY 11739						
Network Hardware Resale, Inc.	Networking	Senior subordinated loan	12.00%	12/9/2011		$ 12,980
26 Castilian Drive, Suite A	equipment resale	Convertible subordinated loan	9.75%	12/9/2015		$ 19,441
Santa Barbara, CA 93117	provider					

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

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

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

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held at 06-30-10	Fair Value
Reflexite Corporation(38)	Developer and	Senior subordinated loan	20.00% (Base Rate + 9.00% Cash, 7.50% PIK)	11/1/2014		$ 6,154
120 Darling Drive	manufacturer of					
Avon, CT 06001	high-visibility reflective products	Senior subordinated loan	20.00% (Base Rate + 9.00% Cash, 7.50% PIK)	11/1/2014		$ 11,251
		Common stock			39.49%	$ 24,595
Regency Healthcare Group, LLC(2)	Hospice provider	Preferred member interest			7.62%	$ 1,878
2151 Highland Avenue, Suite 350 Birmingham, AL 35205						
S.B. Restaurant Company (d/b/a Elephant Bar)	Restaurant owner and	Senior secured loan	11.75%	4/15/2011		$ 33,747
14241 Firestone Blvd, Suite 315	operator	Preferred stock			2.15%	$
La Mirada, CA 90638		Warrants			11.30%	$ (3)
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift	Common stock			3.44%	$ 6,520
11400 SE 6th St. Suite 220	retailer					
Bellevue, WA 98004						
Saw Mill PCG Partners LLC	Precision components	Common units			66.67%	$
31005 Solon Road	manufacturer					
Solon, OH 44139						