

ARES CAPITAL CORP  
Form 497  
August 13, 2009

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

**Subject to Completion**  
**Preliminary Prospectus Supplement dated August 13, 2009**

Filed pursuant to Rule 497  
Registration No. 333-158211

**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated June 26, 2009)

## **8,000,000 Shares**

### **Common Stock**

We are offering for sale 8,000,000 shares of our common stock. These shares are being offered at a discount from our most recently determined net asset value per share of \$11.21 pursuant to the authority granted by our common stockholders at the annual meeting of stockholders held on May 4, 2009. Our current authority to offer shares at a price below net asset value per share ends on the earlier of May 4, 2010 and the date of our 2010 annual stockholders meeting. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See "Risk Factors" beginning on page 20 of the accompanying prospectus and "Sales of Common Stock Below Net Asset Value" on page S-33 of this prospectus supplement and on page 135 of the accompanying prospectus.

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, an SEC registered investment adviser and alternative asset investment management firm that as of June 30, 2009 managed investment funds with approximately \$29 billion of committed capital. 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 August 12, 2009, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$9.77 per share. The net asset value per share of our common stock at June 30, 2009 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$11.21.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 20 of the accompanying prospectus, including the risk of leverage.

This prospectus supplement and the accompanying prospectus concisely provide important information you should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before you invest and

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**keep it for future reference. Our Internet address is [www.arescapitalcorp.com](http://www.arescapitalcorp.com).** We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission or the "SEC." The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

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

The underwriters may also purchase up to an additional 1,200,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallocments. If the underwriters exercise this option in full, the total public offering price will be \$ , the total underwriting discount (sales load) paid by us will be \$ , and total proceeds, before expenses, will be \$ .

Neither the Securities and Exchange Commission 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.

The shares will be ready for delivery on or about \_\_\_\_\_, 2009.

*Joint Bookrunners*

<b>J.P. Morgan</b>	<b>Wells Fargo Securities</b>	<b>Citi</b>	<b>UBS Investment Bank</b>
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*Co-Managers*

<b>SunTrust Robinson Humphrey</b>	<b>BMO Capital Markets</b>	<b>Stifel Nicolaus</b>
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The date of this prospectus supplement is \_\_\_\_\_, 2009.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. 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 supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement or such prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

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**FORWARD-LOOKING STATEMENTS**

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

our future operating results;

our business prospects and the prospects of our portfolio companies;

the return or impact of investments that we expect to make;

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 recover unrealized losses;

our ability to access alternative debt markets and additional capital;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our 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.

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We use words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this prospectus supplement or the accompanying prospectus.

We have based the forward-looking statements included in this prospectus supplement on information available to us on the date of this prospectus supplement, 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.

You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933 (the "Securities Act") and Section 21E(b)(2)(B) of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with this offering.

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## THE COMPANY

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

### **Ares Capital**

Ares Capital Corporation, 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. 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 (earnings before interest, taxes, depreciation and amortization) of between \$10 million and \$250 million.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. 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 debt investments have ranged between \$10 million and \$100 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with our capital availability. We also, to a lesser extent, make equity investments. Our equity investments have generally been less than \$20 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these portfolio companies.

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.

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 or lower than "BBB-" by Standard & Poor's Corporation). 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.

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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 11 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 100 investment professionals and to the approximately 150 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 the 30% basket.

In addition to making investments in the Ares Capital portfolio, our portfolio company, Ivy Hill Asset Management L.P. ("IHAM"), manages two unconsolidated senior debt funds, Ivy Hill Middle Market Credit Fund, Ltd. ("Ivy Hill I") and Ivy Hill Middle Market Credit Fund II, Ltd. ("Ivy Hill II" and, together with Ivy Hill I, the "Ivy Hill Funds") and serves as the sub-adviser/sub-manager for four others: Firstlight Funding I, Ltd., Colts 2005-1 Ltd., Colts 2005-2 Ltd. and Colts 2007-1 Ltd. As of June 30, 2009, IHAM had total committed capital under management of over \$2.0 billion.

### About Ares

Founded in 1997, Ares is an SEC registered investment adviser and alternative asset investment management firm with approximately \$29 billion of total committed capital and over 250 employees as of June 30, 2009.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the 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 and Ares' private debt middle market financing activities in Europe, Ares Capital Europe. 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 a variety of funds and investment vehicles that managed approximately \$17.6 billion of committed capital as of June 30, 2009, 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 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"), which together managed approximately \$6.1 billion of committed capital as of June 30, 2009. ACOF generally makes private equity investments in companies substantially larger than the private equity investments anticipated to be made by the Company. 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 30 investment professionals led by the 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 600 investments in over 30 different industries and have made investments in over 1,600 companies since inception. Ares Capital Management's investment committee has nine members, including Senior Partners of Ares.

### **Recent Developments**

On July 21, 2009, we entered into an agreement with Wachovia Bank, National Association ("Wachovia") to establish a new revolving facility (the "Wachovia Revolving Facility" or 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. The Wachovia Revolving Facility is scheduled to expire on July 21, 2012 (plus two one-year extension options, subject to mutual consent) and the interest charged on the Wachovia Revolving Facility is based on LIBOR plus 4.00%. We are required to pay a commitment fee on any unused portion of the Wachovia Revolving Facility of between 0.50% and 2.50% depending on the usage level and we paid Wachovia a structuring fee of 1.5% of the total facility amount, or \$3.0 million.

As of August 5, 2009, we had made one equity investment of \$0.1 million since June 30, 2009. As of August 5, 2009, we exited \$12.7 million of investments since June 30, 2009. Of these investments, 21% were senior secured debt and 79% were senior subordinated debt. The weighted average yield at amortized cost on these investments was 15.5%, and 96% of the investments were at a fixed rate.

On August 6, 2009, we declared a quarterly dividend of \$0.35 per share to stockholders of record as of the close of business on September 15, 2009, payable on September 30, 2009.

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As previously announced, at the end of June, we commenced a private offering to a limited number of "accredited investors" within the meaning of Regulation D of the Securities Act of up to \$250 million of interests in a private debt fund. The private debt fund would have invested principally in newly originated and secondary senior secured debt and was expected to purchase a warrant from us at fair value to purchase up to 20% of our common stock at an exercise price equal to the greater of the net asset value per share and the trading price of our common stock on the day before the warrant was issued. We have currently abandoned this potential private placement and ceased all offering activity in connection with it as of August 10, 2009. As such, any offers to buy or sell securities in the potential private placement were rejected or withdrawn or otherwise not accepted by us. This prospectus supplement and the accompanying base prospectus supersede any offering materials used in the abandoned private placement.

Finally, 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 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; and

other private and public finance companies or asset managers.

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.

We have been and continue to be currently engaged 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 supplement. Consummation of any such transaction will be subject to completion of due diligence, finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our board of directors (after having determined that such transaction is in the best interest of our stockholders), any required third party consents and, in certain cases, the approval of our stockholders. We cannot predict how quickly the terms of any such transaction could be finalized, if at all. Accordingly, there can be no assurance that definitive documentation for any such transaction would be executed or even if executed, that any such transaction will be consummated. In connection with evaluating potential strategic acquisition and investment transactions, we have, and may in the future, incur significant expenses for the evaluation and due diligence investigation of these potential transactions.

### **Our Corporate Information**

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

### 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. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus supplement or accompanying prospectus contains a reference to fees or expenses 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.

<b>Stockholder transaction expenses (as a percentage of offering price):</b>	
Sales load paid by us	4.50%(1)
Offering expenses borne by us	0.38%(2)
Dividend reinvestment plan expenses	None (3)
<b>Total stockholder transaction expenses paid by us</b>	<b>4.88%</b>
<b>Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(4):</b>	
Management fees	2.64%(5)
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)	2.70%(6)
Interest payments on borrowed funds	2.24%(7)
Other expenses	1.64%(8)
Acquired fund fees and expenses	0.03%(9)
Total annual expenses (estimated)	9.25%(10)

- 
- (1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.
- (2) Amount reflects estimated offering expenses of approximately \$0.3 million and based on the 8,000,000 shares offered in this offering.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses."
- (4) "Consolidated net assets attributable to common stock" equals net assets at June 30, 2009 plus the anticipated net proceeds from this offering.
- (5) Our management fee is currently 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents and that the management fee will remain at 1.5% as set forth in our current investment advisory and management agreement. We may from time to time decide it is appropriate to change the terms of the agreement. Under the Investment Company Act, any material change to our investment advisory and management agreement must be submitted to stockholders for approval. The 2.64% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement" in the accompanying prospectus.
- (6) This item represents our investment adviser's incentive fees based on annualizing actual amounts earned on our pre-incentive fee net income for the six months ended June 30, 2009 and assumes that the incentive fees earned at the end of the 2009 calendar year will be based on the actual realized capital gains as of June 30, 2009, computed net of realized capital losses and unrealized capital depreciation. It also assumes that this fee will remain constant although it is based on our performance and will not be paid unless we achieve certain goals. We expect to invest or otherwise



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utilize all of the net proceeds from this offering within three months of the date of this offering and may have capital gains and interest income that could result in the payment of an incentive fee to our investment adviser in the first year after completion of this offering. Since our inception, the average quarterly incentive fee payable to our investment adviser has been approximately 0.58% of our weighted net assets (2.33% 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, 2009.

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 for each calendar year ending on or after December 31, 2004, 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" in the accompanying prospectus.

(7)

"Interest payments on borrowed funds" represents an estimate of our annualized interest expenses based on actual interest and credit facility expense incurred for the six months ended June 30, 2009. During the six months ended June 30, 2009, our average borrowings were \$882.7 million and cash paid for interest expense was \$12.1 million. We had outstanding borrowings of \$879.3 million at June 30, 2009. This item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us" in the accompanying prospectus.

(8)

Includes our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Administration in performing its obligations under the administration agreement. Such expenses are based on annualized "Other expenses" for the six months ended June 30, 2009. See "Management

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Administration Agreement" in the accompanying prospectus. 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.

- (9) 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 in as of June 30, 2009. 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% to net profits. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and 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 \$1.1 billion for the six months ended June 30, 2009.
- (10) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets 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. If the "Total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, our "Total annual expenses" would be 5.26% of consolidated total assets.

### 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 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)	\$ 67	\$ 198	\$ 324	\$ 622

- (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, \$77; 3 years, \$226; 5 years, \$369; and 10 years, \$698. 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" in the accompanying prospectus. for additional information regarding our dividend reinvestment plan.

**This example and the expenses in the table above should not be considered a representation of our future expenses, and 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 FINANCIAL AND OTHER DATA**

The following selected financial and other data for the years ended December 31, 2008, 2007, 2006 and 2005, and for the period from June 23, 2004 (inception) through December 31, 2004 are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in the accompanying prospectus. The selected financial and other data for the six months ended June 30, 2009 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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 the accompanying prospectus.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES  
SELECTED FINANCIAL DATA

As of and For the Six Months Ended June 30, 2009 and 2008, As of and For the Years Ended December 31, 2008, 2007, 2006 and 2005  
and As of and For the Period June 23, 2004 (inception)  
Through December 31, 2004

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

	As of and For the Six Months Ended June 30, 2009	As of and For the Six Months Ended June 30, 2008	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	As of and For the Period June 23, 2004 (inception) Through December 31, 2004
Total Investment Income	\$ 115,127	\$ 115,671	\$ 240,461	\$ 188,873	\$ 120,021	\$ 41,850	\$ 4,381
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	7,639	(49,596)	(266,447)	(4,117)	13,064	14,727	475
Total Expenses	52,870	53,821	113,221	94,751	58,458	14,569	1,666
Income Tax Expense (Benefit), Including Excise Tax	109	(184)	248	(826)	4,931	158	
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	\$ 69,787	\$ 12,438	\$ (139,455)	\$ 90,832	\$ 69,695	\$ 41,851	\$ 3,190
Per Share Data:							
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:							
Basic(1):	\$ 0.72	\$ 0.15	\$ (1.56)	\$ 1.34	\$ 1.58	\$ 1.75	\$ 0.28
Diluted(1):	\$ 0.72	\$ 0.15	\$ (1.56)	\$ 1.34	\$ 1.58	\$ 1.75	\$ 0.28
Cash Dividend Declared:	\$ 0.77	\$ 0.84	\$ 1.68	\$ 1.66	\$ 1.64	\$ 1.30	\$ 0.30
Total Assets	\$ 2,047,055	\$ 2,201,056	\$ 2,091,333	\$ 1,829,405	\$ 1,347,991	\$ 613,645	\$ 220,456
Total Debt	\$ 879,255	\$ 847,734	\$ 908,786	\$ 681,528	\$ 482,000	\$ 18,000	\$ 55,500
Total Stockholders' Equity	\$ 1,088,722	\$ 1,328,548	\$ 1,094,879	\$ 1,124,550	\$ 789,433	\$ 569,612	\$ 159,708
Other Data:							
Number of Portfolio Companies at Period End(2)	94	87	91	78	60	38	20
Principal Amount of Investments Purchased(3)	\$ 154,281	\$ 814,721	\$ 925,945	\$ 1,251,300	\$ 1,087,507	\$ 504,299	\$ 234,102
Principal Amount of Investments Sold and Repayments(4)	\$ 165,967	\$ 226,182	\$ 485,270	\$ 718,695	\$ 430,021	\$ 108,415	\$ 52,272
Total Return Based on Market Value(5)	39.65%	(25.36)%	(45.25)%	(14.76)%	29.12%	(10.60)%	31.53%
Total Return Based on Net Asset Value(6)	6.37%	0.98%	(11.17)%	8.98%	10.73%	12.04%	(1.80)%
Weighted Average Yield of Debt and Income Producing Equity Securities at Fair Value(7):	12.60%	11.28%	12.79%	11.68%	11.95%	11.25%	12.36%
Weighted Average Yield of Debt and Income Producing Equity Securities at Amortized Cost(7):	11.68%	11.03%	11.73%	11.64%	11.63%	11.40%	12.25%

(1)

In accordance with Statement of Financial Accounting Standards 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) The information presented for the period June 23, 2004 (inception) through December 31, 2004 includes \$140.8 million of the assets purchased from Royal Bank of Canada and excludes \$9.7 million of publicly traded fixed income securities.
- (4) The information presented for the period June 23, 2004 (inception) through December 31, 2004 excludes \$9.7 million of publicly traded fixed income securities.
- (5) Total return based on market value for the six months ended June 30, 2009 equals the decrease of the ending market value at June 30, 2009 of \$8.06 per share over the ending market value at December 31, 2008 of \$6.33 per share, plus the declared dividends of \$0.35 per share for the six months ended June 30, 2009, divided by the market value at December 31, 2008. Total return based on market value for the six months ended June 30, 2008 equals the decrease of the ending market value at June 30, 2008 of \$10.08 per share over the ending market value at December 31, 2007 of \$14.63 per share, plus the declared dividends of \$0.84 per share for the six months ended June 30, 2008, divided by the market value at December 31, 2007. 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 for the period June 23, 2004 (inception) through December 31, 2004 equals the increase of the ending market value at December 31, 2004 of \$19.43 per share over the offering price of \$15.00 per share plus the declared dividend of \$0.30 per share (includes return of capital of \$0.01 per share) for holders of record on December 27, 2004, divided by the offering price. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (6) Total return based on net asset value for the six months ended June 30, 2009 equals the change in net asset value during the period plus the declared dividends of \$0.42 per share for the three months ended March 31, 2009 and \$0.35 per share for the three months ended June 30, 2009, divided by the beginning net asset value during the period. Total return based on net asset value for the six months ended June 30, 2008 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$0.84 per share for the six months ended June 30, 2008, divided by the beginning net asset value during the period. 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 for the period June 23, 2004 (inception) through December 31, 2004 equals the change in net asset value during the period plus the declared dividend of \$0.30 per share (includes return of capital of \$0.01 per share) for holders of record on December 27, 2004, divided by the beginning net asset value. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (7) 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)**

	2009	
	Q2	Q1
Total Investment Income	\$59,111	\$56,016
Net investment income before net realized and unrealized gain (losses) and incentive compensation	\$39,935	\$37,750
Incentive compensation	\$ 7,987	\$ 7,550
Net investment income before net realized and unrealized gain (losses)	\$31,948	\$30,200
Net realized and unrealized gains (losses)	\$ 2,805	\$ 4,834
Net increase (decrease) in stockholders' equity resulting from operations	\$34,753	\$35,034
Basic and diluted earnings per common share	\$ 0.36	\$ 0.36
Net asset value per share as of the end of the quarter	\$ 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	\$ 0.13
Net asset value per share as of the end of the quarter	\$ 11.27	\$ 12.83	\$ 13.67	\$ 15.17

	2007			
	Q4	Q3	Q2	Q1
Total Investment Income	\$ 53,828	\$47,931	\$47,399	\$39,715
Net investment income before net realized and unrealized gain (losses) and incentive compensation	\$ 33,677	\$29,875	\$31,220	\$23,699
Incentive compensation	\$ 6,573	\$ 5,966	\$ 6,229	\$ 4,755
Net investment income before net realized and unrealized gain (losses)	\$ 27,104	\$23,909	\$24,991	\$18,944
Net realized and unrealized gains (losses)	\$(16,353)	\$ (984)	\$ 8,576	\$ 4,645
Net increase (decrease) in stockholders' equity resulting from operations	\$ 10,752	\$22,924	\$33,567	\$23,589
Basic and diluted earnings per common share	\$ 0.15	\$ 0.32	\$ 0.48	\$ 0.44
Net asset value per share as of the end of the quarter	\$ 15.47	\$ 15.74	\$ 15.84	\$ 15.34

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### USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 8,000,000 shares of our common stock in this offering will be approximately \$74.3 million (or approximately \$85.5 million if the underwriters fully exercise their overallotment option), in each case assuming a public offering price of \$9.29 per share, after deducting the underwriting discounts and commissions of \$3.5 million (or approximately \$4.0 million if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately \$0.3 million payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of common stock we sell in the offering, both of which will be determined at pricing.

We expect to use substantially all of the net proceeds of this offering for general corporate purposes, including to repay outstanding revolving indebtedness under the JPM Revolving Facility (\$376.1 million outstanding as of August 11, 2009) and to fund investments in accordance with our investment objective and the strategies described in the accompanying prospectus. We expect investments made with these proceeds, if any, to occur within 90 days of our receipt of the net proceeds from this offering. As we've noted, we believe that as of the date of this prospectus, the severe 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. After we repay outstanding revolving indebtedness under the JPM Revolving Facility, we intend to use the increased borrowings available under the JPM Revolving Facility to fund additional investments to take advantage of these opportunities. The interest charged on the indebtedness incurred under the JPM Revolving Facility is based on LIBOR (one, two, three or six month) plus 1.00%, generally. As of August 11, 2009, the one, two, three and six month LIBOR were 0.27%, 0.32%, 0.45% and 0.89%, respectively. The JPM Revolving Facility expires on December 28, 2010.

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" in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

## PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." Our common stock has historically traded at prices both above and below its net asset value. 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 currently trade at a discount from net asset value and may continue to do so in the future, which limits our ability to raise additional equity capital" in the accompanying prospectus.

The following table sets forth the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock as reported on The NASDAQ Global Select Market, the closing sales price as a percentage of net asset value and the dividends or distributions declared by us for each fiscal quarter since our initial public offering. On August 12, 2009, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$9.77 per share, which represented a discount of approximately 13% to the net asset value per share reported by us as of June 30, 2009.

	Net Asset Value(1)	Price Range		High Sales Price to Net Asset Value(2)	Low Sales Price to Net Asset Value(2)	Cash Dividend/ Distribution Per Share(3)
		High	Low			
<b>Year ended December 31, 2007</b>						
First Quarter	\$ 15.34	\$20.46	\$17.82	133.4%	116.2%	\$ 0.41
Second Quarter	\$ 15.84	\$18.84	\$16.85	118.9%	106.4%	\$ 0.41
Third Quarter	\$ 15.74	\$17.53	\$14.92	111.4%	94.8%	\$ 0.42
Fourth Quarter	\$ 15.47	\$17.47	\$14.40	112.9%	93.1%	\$ 0.42
<b>Year ended December 31, 2008</b>						
First Quarter	\$ 15.17	\$14.39	\$12.14	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
<b>Year ending December 31, 2009</b>						
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 (through August 12, 2009)	\$ *	\$ 9.89	\$ 7.04	*%	*%	\$ 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.
- (4) Includes an additional cash dividend of \$0.10 per share.

\*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 and distributions declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
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
Total declared for 2009			\$ 1.12

To maintain our RIC status, we must timely distribute an amount equal to at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses, 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 (i) 98% of our ordinary income for the calendar year, plus (ii) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year plus (iii) any ordinary income and net 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

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earned in a tax year, we may choose to carry forward taxable income in 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, 2009 was approximately \$0.1 million and \$0.1 million for the year ended December 31, 2008. We cannot assure you that we will achieve results that will permit the payment of any cash distributions.

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

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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 Financial and Other Data and our financial statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus.*

**OVERVIEW**

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

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. To a lesser extent we make equity investments.

We are externally managed by Ares Capital Management, an affiliate of Ares Management LLC, an independent international investment management firm, pursuant to an investment advisory and management agreement (the "Advisory Agreement"). Ares Operations LLC, an affiliate of Ares Management LLC, 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, 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 regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code") and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders at least 90% of our investment company taxable income, as defined by the Code, for each year. Pursuant to this election, we generally will not have to pay corporate level taxes on any income that we distribute to our stockholders.

## PORTFOLIO AND INVESTMENT ACTIVITY

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

	Three months ended	
	June 30, 2009	June 30, 2008
New investment commitments(1):		
New portfolio companies	\$ 8.6	\$ 243.2
Existing portfolio companies	34.5	99.1
Total new investment commitments	43.1	342.3
Less:		
Investment commitments exited	81.4	43.4
Net investment commitments	\$ (38.3)	\$ 298.9
Principal amount of investments purchased:		
Senior term debt	\$ 63.0	\$ 92.8
Senior subordinated debt		141.0
Equity and other	6.5	18.4
Total	\$ 64.5	\$ 252.2
Principal amount of investments sold or repaid:		
Senior term debt	\$ 82.5	\$ 71.2
Senior subordinated debt	4.0	
Equity and other	0.2	
Total	\$ 86.7	\$ 71.2
Number of new investment commitments(2)	9	10
Average new investment commitments amount	\$ 4.8	\$ 34.2
Weighted average term for new investment commitments (in months)	49	66
Percentage of new investment commitments at floating rates	74%	47%
Percentage of new investment commitments at fixed rates	12%	44%
Weighted average yield of debt and income producing securities at fair value funded during the period(3)	8.65%	13.07%
Weighted average yield of debt and income producing securities at amortized cost funded during the period(3)	8.89%	13.07%
Weighted average yield of debt and income producing securities at fair value sold or repaid during the period(3)	7.85%	9.11%
Weighted average yield of debt and income producing securities at amortized cost sold or repaid during the period(3)	7.76%	9.11%

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

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

(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.

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The investment adviser employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, the investment adviser grades the credit status of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended to reflect 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 in our portfolio. This portfolio company is performing above expectations and the trends and risk factors are generally favorable, including a potential exit. Investments graded 3 involve a level of risk that is similar to the risk at the time of origination. This portfolio company is performing as expected and the risk factors are neutral to favorable. All new investments are initially assessed a grade of 3. Investments graded 2 involve a portfolio company performing below expectations and indicates that the investment's risk has increased materially since origination. This portfolio company may be out of compliance with debt covenants, however, payments are generally not more than 120 days past due. For investments graded 2, our investment adviser increases procedures to monitor the portfolio company and will write down the fair value of the investment if it is deemed to be impaired. An investment grade of 1 indicates that the portfolio company is performing materially below expectations and that the investment risk has substantially increased since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Investments graded 1 are not anticipated to be repaid in full. Our investment adviser employs half-point increments to reflect underlying trends in portfolio company operating or financial performance, as well as the general outlook. As of June 30, 2009, the weighted average investment grade of the investments in our portfolio was 2.9 with 6.2% of total investments at amortized cost (or 2.1% at fair value) on non-accrual status. The weighted average investment grade of the investments in our portfolio as of December 31, 2008 was 2.9. The distribution of the grades of our portfolio companies as of June 30, 2009 and December 31, 2008 is as follows (dollar amounts in thousands):

	June 30, 2009		December 31, 2008	
	Fair Value	Number of Companies	Fair Value	Number of Companies
Grade 1	\$ 41,525	9	\$ 48,192	8
Grade 2	162,259	9	180,527	9
Grade 3	1,648,063	70	1,632,136	68
Grade 4	110,624	6	112,122	6
	<b>\$ 1,962,471</b>	<b>94</b>	<b>\$ 1,972,977</b>	<b>91</b>

The weighted average yields of the following portions of our portfolio as of June 30, 2009 and December 31, 2008 were as follows:

	June 30, 2009		December 31, 2008	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt and income producing securities	12.60%	11.68%	12.79%	11.73%
Total portfolio	10.99%	9.49%	11.24%	9.78%
Senior term debt	11.62%	10.82%	12.01%	10.85%
Senior subordinated debt	14.71%	13.45%	14.78%	13.69%
Income producing equity securities	10.29%	10.84%	8.42%	9.30%
First lien senior term debt	10.10%	9.61%	10.80%	9.99%
Second lien senior term debt	13.84%	12.51%	13.75%	12.04%

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**RESULTS OF OPERATIONS***For the three and six months ended June 30, 2009 and 2008*

Operating results for the three and six ended June 30, 2009 and 2008 are as follows (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Total investment income	\$ 59,111	\$ 63,464	\$ 115,127	\$ 115,671
Total expenses	27,085	27,265	52,870	53,821
Net investment income before income taxes	32,026	36,199	62,257	61,850
Income tax expense (benefit), including excise tax	78	138	109	(184)
Net investment income	31,948	36,061	62,148	62,034
Net realized gains (losses)	(741)	17	23,967	216
Net unrealized gains (losses)	3,546	(32,806)	(16,328)	(49,812)
Net increase in stockholders' equity resulting from operations	\$ 34,753	\$ 3,272	\$ 69,787	\$ 12,438

Net income can vary substantially from period to period for 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, 2009, total investment income decreased \$4.4 million, or 7%, over the three months ended June 30, 2008. For the three months ended June 30, 2009, total investment income consisted of \$54.0 million in interest income from investments, \$0.6 million in capital structuring service fees, \$0.7 million in dividend income, \$1.8 million in other income and \$1.9 million in management fees. Interest income from investments increased \$4.3 million, or 9%, to \$54.0 million for the three months ended June 30, 2009 from \$49.7 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 quarter increased from \$2.1 billion for the three months ended June 30, 2008 to \$2.3 billion for the comparable period in 2009. Capital structuring service fees decreased \$10.7 million, or 95%, to \$0.6 million for the three months ended June 30, 2009 from \$11.3 million for the comparable period in 2008. The decrease in capital structuring service fees was primarily due to the significant decrease in new investment commitments for the three months ended June 30, 2009 as compared to the three months ended June 30, 2008.

For the six months ended June 30, 2009, total investment income decreased \$0.5 million, or 1%, over the six months ended June 30, 2008. For the six months ended June 30, 2009, total investment income consisted of \$106.3 million in interest income from investments, \$1.8 million in capital structuring service fees, \$1.2 million in dividend income, \$3.0 million in other income and \$2.6 million in management fees. Interest income from investments increased \$10.7 million, or 11%, to \$106.3 million for the six months ended June 30, 2009 from \$95.6 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. The average investments, at amortized cost, for the period increased from \$2.0 billion for the six months ended June 30, 2008 to \$2.3 billion for the comparable period in 2009. Capital structuring service fees decreased \$13.4 million, or 88%, to \$1.8 million for the six months ended June 30, 2009 from \$15.2 million for the comparable period in 2008. The decrease in capital structuring

service fees was primarily due to the decrease in new investment commitments for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008.

### **Operating Expenses**

For the three months ended June 30, 2009, total expenses decreased \$0.2 million, or 1%, over the three months ended June 30, 2008. Interest expense and credit facility fees decreased \$0.9 million, or 12%, to \$6.3 million for the three months ended June 30, 2009 from \$7.2 million for the comparable period in 2008, primarily due to the lower average cost of debt. The average cost of debt for the three months ended June 30, 2009 was 2.91% compared to the average cost of debt of 3.59% for the comparable period in 2008 due to the significant decrease in LIBOR over the period. There were \$880.2 million in average outstanding borrowings during the three months ended June 30, 2009 compared to average outstanding borrowings of \$745.9 million in the comparable period in 2008. Incentive fees related to pre-incentive fee net investment income decreased \$1.0 million, or 11%, to \$8.0 million for the three months ended June 30, 2009 from \$9.0 million for the comparable period in 2008, due to the decline in net investment income.

For the six months ended June 30, 2009, total expenses decreased \$1.0 million, or 2%, over the six months ended June 30, 2008. Interest expense and credit facility fees decreased \$4.2 million, or 25%, to \$12.9 million for the six months ended June 30, 2009 from \$17.1 million for the comparable period in 2008, primarily due to the lower average cost of debt. The average cost of debt for the six months ended June 30, 2009 was 2.94% compared to the average cost of debt of 4.35% for the comparable period in 2008 due to the significant decrease in LIBOR over the period. There were \$882.7 million in average outstanding borrowings during the six months ended June 30, 2009 compared to average outstanding borrowings of \$749.4 million in the comparable period in 2008. The decrease in total expenses was partially offset by the increase in administrative expense, which increased \$1.2 million, or 133%, to \$2.1 million for the six months ended June 30, 2009 from \$0.9 million for the comparable period in 2008. This increase was primarily due to the expenses incurred by IHAM pursuant to the separate services agreement between Ares Capital Management LLC. There was no such agreement in place in 2008. Additionally, professional fees increased \$0.8 million, or 29%, to \$3.7 million for the six months ended June 30, 2009 from \$2.9 million for the comparable period in 2008. This increase was primarily due to a rise in legal and valuation costs.

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

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. 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 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. For the three months ended June 30, 2008, the Company recorded a \$0.1 million provision for U.S. Federal excise tax. For the six months ended June 30, 2008, the Company recorded a benefit of \$0.3 million for U.S. Federal excise tax.

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Certain of our wholly owned subsidiaries are subject to U.S. federal and state income taxes. For the three and six months ended June 30, 2009, we recorded tax provisions of approximately \$0.1 million for these subsidiaries. For the three and six months ended June 30, 2008, we recorded tax provisions of approximately \$0.1 million for these subsidiaries.

### Net Unrealized Gains/Losses

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 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)
Ivy Hill Asset Management, LP(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
<b>Total</b>	<b>\$ 3.5</b>

(1)

See Note 10 to the consolidated financial statements for the period ended June 30, 2009.

For the three months ended June 30, 2008, the Company had net unrealized losses of \$32.8 million, which primarily consisted of \$48.8 million of unrealized depreciation from investments less \$16.4 million of unrealized appreciation from investments. The most significant changes in net

unrealized appreciation and depreciation during the three months ended June 30, 2008 were as follows (in millions):

<b>Portfolio Company</b>	<b>For the three months ended June 30, 2008 Unrealized Appreciation (Depreciation)</b>
Prommis Solutions, LLC	\$ 2.5
LVCG Holdings LLC	1.9
Daily Candy, Inc.	1.9
Instituto de Banca y Comercio, Inc.	1.5
Pillar Holdings LLC	1.5
Savers, Inc.	1.3
Diversified Collection Services, Inc.	1.2
Industrial Container Services, LLC	0.9
Wastequip, Inc.	(1.3)
HB&G Building Products, Inc.	(1.4)
Ivy Hill Middle Market Credit Fund, Ltd.	(1.6)
MPBP Holdings, Inc.	(1.6)
Wear Me Apparel, LLC	(4.4)
Firstlight Financial Corporation	(5.0)
Making Memories, Inc.	(7.3)
Reflexite Corporation	(10.0)
Courtside Acquisition Corp.	(13.8)
Other	0.9
<b>Total</b>	<b>\$ (32.8)</b>

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):

<b>Portfolio Company</b>	<b>For the six months ended June 30, 2009 Unrealized Appreciation (Depreciation)</b>
Apple & Eve, LLC	\$ 8.2
Ivy Hill Asset Management, LP(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, 2009.

For the six months ended June 30, 2008, the Company had net unrealized losses of \$49.8 million, which primarily consisted of \$78.9 million of unrealized depreciation from investments less \$29.4 million of unrealized appreciation from investments. The most significant changes in net



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unrealized appreciation and depreciation during the three months ended June 30, 2008 were as follows (in millions):

<b>Portfolio Company</b>	<b>For the six months ended June 30, 2008 Unrealized Appreciation (Depreciation)</b>
Equinox EIC Partners, LLC	\$ 5.0
Prommis Solutions, LLC	2.5
LVCG Holdings LLC	1.9
Daily Candy, Inc.	1.9
Instituto de Banca y Comercio, Inc.	1.5
Pillar Holdings LLC	1.5
Savers, Inc.	1.3
Industrial Container Services, LLC	1.3
Diversified Collection Services, Inc.	1.2
Summit Business Media, LLC	(1.0)
National Print Group, Inc.	(1.0)
PRA International, Inc.	(1.4)
Abingdon Investment Limited, Ltd.	(1.4)
Ivy Hill Middle Market Credit Fund, Ltd.	(1.6)
Wastequip, Inc.	(2.0)
HB&G Building Products, Inc.	(2.0)
Apple & Eve, Inc.	(2.3)
Growing Family Inc.	(2.5)
CT Technologies Holding, LLC	(2.5)
Reflexite Corporation	(2.7)
Primis Marketing Group, Inc.	(3.5)
Wear Me Apparel, LLC	(4.4)
Firstlight Financial Corporation	(5.0)
MPBP Holdings, Inc.	(7.3)
Making Memories, Inc.	(8.2)
Courtside Acquisition Corp.	(17.1)
Other	(2.0)
Total	\$ (49.8)

**Net Realized Gains/Losses**

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, Ivy Hill Asset Management L.P. ("IHAM," see Note 10 to the consolidated financial statements for the period ended June 30, 2009 for more detail on IHAM and the Ivy Hill 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):

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

During the three months ended June 30, 2008, the Company had \$71.2 million of sales and repayments resulting in no significant net realized gains.

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):

<b>Portfolio Company</b>	<b>Realized Gain (Loss)</b>
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)

During the six months ended June 30, 2008, the Company had \$226.3 million of sales and repayments resulting in \$0.2 million of net realized gains.

## 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, advances from the CP Funding Facility and JPM Revolving Facility, each as defined below (together, the "Facilities"), as well as cash flows from operations.

As of June 30, 2009, the Company had \$46.3 million in cash and cash equivalents and \$879.3 million in total indebtedness outstanding. Subject to leverage restrictions, the Company had approximately \$149.9 million available for additional borrowings under the Facilities as of June 30, 2009.

Due to volatility in global markets, the availability of capital and access to capital markets has been limited. Until constraints on raising new capital ease, we intend to pursue other avenues of liquidity such as adjusting the pace of our investments, becoming more selective in evaluating investment opportunities to ensure appropriate risk-adjusted returns, pursuing asset sales, and/or recycling lower yielding investments. As the global liquidity situation evolves, we will continue to monitor and adjust our funding approach accordingly. However, given the unprecedented nature of the

volatility in the global markets, there can be no assurances that these activities will be successful. Moreover, if current levels of market disruption and volatility continue or worsen, we could face materially higher financing costs. Consequently, our operating strategy could be materially and adversely affected. 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. A failure to enter into definitive documentation on the JPM Revolving Facility (as defined below) could have a material adverse impact on our business, financial condition and results of operations.

### Equity Offerings

There were no sales of equity securities during the six months ended June 30, 2009.

The following table summarizes the total shares issued and proceeds we received net of underwriter, dealer manager and offering costs for the six months ended June 30, 2008 (in millions, except per share data):

	Shares issued	Offering price per share	Proceeds net of dealer manager and offering costs
April 2008 public offering	24.2	\$ 11.00	\$ 260.0
Total for the six months ended June 30, 2008	24.2		\$ 260.0

### Debt Capital Activities

Our debt obligations consisted of the following as of June 30, 2009 and December 31, 2008 (in millions):

	June 30, 2009		December 31, 2008	
	Outstanding	Available(1)	Outstanding	Available(1)
JPM Revolving Facility	\$ 375.1	\$ 525.0	\$ 480.5	\$ 510.0
CP Funding Facility	225.0	225.0	114.3	350.0
Debt Securitization	279.2	279.2	314.0	314.0
	\$ 879.3	\$ 1,029.2	\$ 908.8	\$ 1,174.0

(1) Subject to borrowing base and leverage restrictions.

The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of June 30, 2009 were 1.98% and 4.7 years, respectively. The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of December 31, 2008 were 3.03% and 4.9 years, respectively.

The ratio of total debt outstanding to stockholders' equity as of June 30, 2009 was 0.81:1.00 compared to 0.83:1.00 as of December 31, 2008.

In December 2005, we entered into a senior secured revolving credit facility, referred to as the "JPM Revolving Facility," under which, as amended, the lenders have agreed to extend credit to the Company in an aggregate principal amount not exceeding \$525.0 million at any one time outstanding. As of June 30, 2009, there was \$375.1 million outstanding under the JPM Revolving Facility (see Note 7 to the consolidated financial statements for the period ended June 30, 2009 for more detail on the JPM Revolving Facility arrangement). The JPM Revolving Facility also includes an "accordion"



feature that allows us to increase the size of the JPM Revolving Facility to a maximum of \$765.0 million under certain circumstances.

In October 2004, we formed Ares Capital CP Funding LLC ("Ares Capital CP"), a wholly owned subsidiary of the Company, through which we established a revolving facility, referred to as the "CP Funding Facility," that, as amended, allows Ares Capital CP to issue up to \$350.0 million of variable funding certificates. On May 7, 2009, as part of the amendment to the CP Funding Facility we reduced the total availability of the CP Funding Facility to \$225.0 million, of which the entire amount was outstanding as of June 30, 2009 (see Notes 7 and 15 to the consolidated financial statements for the period ended June 30, 2009 for more detail on the CP Funding Facility arrangement).

In July 2006, through our wholly owned subsidiary, ARCC CLO 2006 LLC, we completed a \$400.0 million debt securitization, referred to as the "Debt Securitization." As part of the Debt Securitization, \$314.0 million principal amount of asset-backed notes (including \$50 million of revolving notes, all of which had been drawn as of June 30, 2009) (the "CLO Notes") were issued to third parties and secured by a pool of middle market loans that had been purchased or originated by the Company. As of June 30, 2009, we also owned approximately \$120.8 million aggregate principal amount of certain AA, A, BBB and non-rated securities that we retained in the Debt Securitization or purchased in the open market. As of June 30, 2009, there was \$279.2 million aggregate principal amount of CLO Notes outstanding. The CLO Notes mature on December 20, 2019.

The CP Funding Facility was initially scheduled to expire on July 21, 2009. On May 7, 2009, as part of the amendment to the CP Funding Facility, we extended the maturity of the CP Funding Facility to May 7, 2012. The JPM Revolving Facility expires on December 28, 2010. Our ability to execute on our business plan relies to a certain extent on our ability to refinance/renew these facilities. However, there can be no assurance that we will be able to renew or refinance these facilities on acceptable terms or at all.

As of June 30, 2009, we had a long-term issuer rating of Ba1 from Moody's Investor Service and a long-term counterparty credit rating from Standard & Poor's Ratings Service of BBB.

#### **Portfolio Valuation**

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.

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 valuations currently assigned. See the risk factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2008, including the Risk Factor entitled "Risk Factors Risks Relating to our Investments Price declines and illiquidity in the corporate debt markets have adversely affected, and may continue to 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 valuation conclusions are then documented and discussed by our management.

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 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, 2009).

**OFF BALANCE SHEET ARRANGEMENTS**

As of June 30, 2009 and December 31, 2008, we had the following commitments to fund various revolving senior secured and subordinated loans (in millions):

	June 30, 2009	December 31, 2008
Total revolving commitments	\$ 287.2	\$ 419.0
Less: funded commitments	(89.0)	(139.6)
<b>Total unfunded commitments</b>	<b>198.2</b>	<b>279.4</b>
Less: commitments substantially at discretion of the Company	(16.0)	(32.4)
Less: unavailable commitments due to borrowing base or other covenant restriction	(60.1)	(64.5)
<b>Total net adjusted unfunded revolving commitments</b>	<b>\$ 122.1</b>	<b>\$ 182.5</b>

Of the total commitments as of June 30, 2009, \$160.4 million extend beyond the maturity date for the JPM Revolving Facility. Additionally, \$109.0 million of the total commitments or \$34.0 million of the net adjusted unfunded commitments are scheduled to expire in 2009. Included within the total commitments as of June 30, 2009 are commitments to issue up to \$15.6 million in standby letters of credit through a financial intermediary on behalf of certain portfolio companies.

Under these arrangements, we 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, 2009, we had \$10.3 million in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability. Of these letters of credit, \$4.9 million expire on September 30, 2009, \$0.3 million expire on January 31, 2010, \$0.2 million expire on February 28, 2010, \$1.5 million expire on March 31, 2010 and \$3.4 million expire on July 31, 2010. These letters of credit may be extended under substantially similar terms for additional one-year terms at our option until the JPM Revolving Facility, under which the letters of credit were issued, matures on December 28, 2010.

As of June 30, 2009 and December 31, 2008, we were subject to subscription agreements to fund equity investments in private equity investment partnerships, substantially all at our discretion, as follows (in millions):

	June 30, 2009	December 31, 2008
Total private equity commitments	\$ 428.3	\$ 428.3
Total unfunded private equity commitments	\$ 421.8	\$ 423.6

**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 spread 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, 2009, approximately 58% of the investments at fair value in our portfolio were at fixed rates while approximately 29% were at variable rates and 13% were non-interest earning. Additionally, 11% of the investments at fair value or 39% of the investments at fair value with variable

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rates contain interest rate floor features. The Debt Securitization, the CP Funding Facility and the JPM Revolving Facility all feature variable 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.

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. We believe that this agreement will enable us to mitigate interest rate risk and remain match funded.

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, 2009 balance sheet, the following table shows the impact on net income of base rate changes in interest rates 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 of the consolidated financial statements for the period ended June 30, 2009 (in millions):

Basis Point Change	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 15.5	\$ 24.1	\$ (8.6)
Up 200 basis points	\$ 9.4	\$ 16.1	\$ (6.7)
Up 100 basis points	\$ 4.0	\$ 8.0	\$ (4.0)
Down 100 basis points	\$ (2.6)	\$ (3.7)	\$ 1.1
Down 200 basis points	\$ (3.8)	\$ (3.7)	\$ (0.1)
Down 300 basis points	\$ (4.8)	\$ (3.7)	\$ (1.1)

Based on our December 31, 2008 balance sheet, the following table shows the impact on net income of base rate changes in interest rates 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 of the consolidated financial statements for the period ended June 30, 2009 (in millions):

Basis Point Change	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 21.4	\$ 25.0	\$ (3.6)
Up 200 basis points	\$ 14.2	\$ 16.7	\$ (2.5)
Up 100 basis points	\$ 7.1	\$ 8.3	\$ (1.2)
Down 100 basis points	\$ (6.2)	\$ (8.3)	\$ 2.1
Down 200 basis points	\$ (11.2)	\$ (15.1)	\$ 3.9
Down 300 basis points	\$ (14.7)	\$ (17.0)	\$ 2.3

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**CAPITALIZATION**

The following table sets forth (1) our actual capitalization at June 30, 2009 and (2) our capitalization as adjusted to reflect the effects of the sale of our common stock in this offering (assuming no exercise of the underwriters' overallotment option) at an assumed public offering price of \$9.29 per share, after deducting the underwriting discounts and commissions and offering expenses payable by us. You should read this table together with "Use of Proceeds" and our balance sheet included elsewhere in this prospectus supplement.

	<b>As of June 30, 2009</b> <b>(unaudited, dollar amounts in thousands)</b>	
	<b>Actual</b>	<b>As Adjusted</b>
Cash and cash equivalents	\$ 46,297	\$ 46,297
<b>Debt</b>		
Wachovia Revolving Facility		
JPM Revolving Facility	375,045	300,702
CP Funding Facility	225,000	225,000
CLO Notes under the Debt Securitization	279,210	279,210
<b>Total Debt</b>	<b>879,255</b>	<b>804,912</b>
<b>Stockholders' Equity</b>		
Common stock, par value \$.001 per share, 200,000,000 common shares authorized, 97,152,820 common shares issued and outstanding	\$ 97	\$ 105
Capital in excess of par value	1,395,958	1,470,293
Accumulated undistributed net investment income	3,151	3,151
Accumulated net realized loss on sale of investments	(741)	(741)
Net unrealized loss on investments and foreign currency transactions	(309,743)	(309,743)
<b>Total stockholders' equity</b>	<b>\$ 1,088,722</b>	<b>\$ 1,163,065</b>
<b>Total capitalization</b>	<b>\$ 1,967,977</b>	<b>1,967,977</b>

- (1) The above table reflects indebtedness outstanding as of June 30, 2009. However, as of August 12, 2009, our total outstanding indebtedness was approximately \$878.3 million. The net proceeds from the sale of our common stock in this offering are expected to be used to pay down outstanding indebtedness.

**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

At our 2009 Annual Stockholders Meeting, 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 May 4, 2009 (the "Stockholder Approval") and expiring on the earlier of the anniversary of the date of the 2009 Annual Stockholders Meeting and the date of our 2010 Annual Stockholders Meeting, which is expected to be held in May 2010. In order to sell shares of common stock pursuant to this authorization, a majority of our directors who have no financial interest in the sale and a majority of our independent directors must

find that the sale is in our best interests and in the best interests of our stockholders and

in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

The offering of common stock being made pursuant to this prospectus supplement is at a price below our most recently reported net asset value per share of \$11.21.

In making a determination that this offering of common stock below its net asset value per share is in our and our stockholders' best interests, our board of directors considered a variety of factors including:

the effect that the offering below net asset value per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined net asset value per share;

the relationship of recent market prices of par common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;

whether the estimated offering price closely approximates the market value of shares of our common stock;

the potential market impact of being able to raise capital during the current financial market difficulties;

the nature of any new investors anticipated to acquire shares of our common stock in the offering;

the anticipated rate of return on and quality, type and availability of investments that we would be able to make as a result of this offering; and

the leverage available to us, both before and after the offering, and the terms thereof.

Our board of directors also considered the fact that sales of shares of common stock at a discount will benefit our investment adviser as the investment adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at premium to net asset value per share.



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Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share will result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus" in the accompanying prospectus.

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than net asset value per share on three different types of investors:

existing stockholders who do not purchase any shares in this offering;

existing stockholders who purchase a relative small amount of shares in this offering or a relatively large amount of shares in this offering; and

new investors who become stockholders by purchasing shares in this offering.

### **Impact On Existing Stockholders Who Do Not Participate in this Offering**

Our existing stockholders who do not participate in this offering below net asset value per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in this offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the net asset value of the shares of common stock they hold and their net asset value per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if existing stockholders do not purchase any shares to maintain their percentage interest, their voting power will be diluted.

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The following chart illustrates the level of net asset value dilution that would be experienced by an existing 0.10% stockholder who does not participate in this offering at an assumed offering price of \$9.77 per share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	Following Sale	% Change
<b>Offering Price</b>			
Price per Share to Public	N/A(1)	\$9.77	N/A
Net Proceeds per Share to Issuer	N/A	\$9.29	N/A
<b>Decrease to Net Asset Value</b>			
Total Shares Outstanding	97,152,820(2)	105,152,820	8.23%
Net Asset Value per Share	\$11.21	\$11.06	(1.30)%
<b>Dilution to Nonparticipating Stockholder</b>			
Shares Held by Stockholder A	97,153	97,153	0.00%
Percentage Held by Stockholder A	0.10%	0.09%	(7.61)%
Total Net Asset Value Held by Stockholder A	\$1,088,722	\$1,074,579	(1.30)%
Total Investment by Stockholder A (Assumed to Be Net Asset Value per Share)	\$1,088,722	\$1,088,722	0.00%
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)	N/A	\$(14,143)	N/A
Investment per Share Held by Stockholder A (Assumed to be Net Asset Value per Share on Shares Held Prior to Sale)	\$11.21	\$11.21	0.00%
Net Asset Value per Share Held by Stockholder A	N/A	\$11.06	N/A
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)	N/A	\$(0.15)	N/A
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)	N/A	N/A	(1.30)%(3)

(1) N/A stands for not applicable.

(2) Reflects actual shares outstanding at June 30, 2009.

(3) Each additional 1,000,000 shares issued would result in 0.17% of additional dilution at an assumed per share offering price of \$9.77.

### Impact On Existing Stockholders Who Do Participate in this Offering

Our existing stockholders who participate in this offering or who buy additional shares in the secondary market at the same or lower price as we obtain in this offering (after expenses and commissions) will experience the same types of net asset value dilution as the nonparticipating stockholders, although at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares of our common stock immediately prior to the offering. The level of net asset value dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience net asset value dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience accretion in net asset value per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who overparticipates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience net asset value dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and the level of discounts increase.

The following chart illustrates the level of dilution and accretion in this offering for a current 0.10% stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering

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(i.e., 4,000 shares, which is 0.05% of an offering of 8,000,000 shares) rather than its 0.10% proportionate share and (2) 150% of such percentage (i.e. 12,000 shares, which is 0.15% of an offering of 8,000,000 shares rather than its 0.10% proportionate share) at an assumed offering price of \$9.77 per share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	50% Participation Following Sale	% Change	150% Participation Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public	N/A(1)	\$9.77	N/A	\$9.77	N/A
Net Proceeds per Share to Issuer	N/A	\$9.29	N/A	\$9.29	N/A
<b>Decrease/Increase to Net Asset Value</b>					
Total Shares Outstanding	97,152,820(2)	105,152,820	8.23%	105,152,820	8.23%
Net Asset Value per Share	\$11.21	\$11.06	(1.30)%	\$11.06	(1.30)%
<b>Dilution/Accretion to Participating Stockholder</b>					
Shares Held by Stockholder A	97,153	101,153	4.12%	109,153	12.35%
Percentage Held by Stockholder A	0.10%	0.10%	(3.80)%	0.10%	3.80%
Total Net Asset Value Held by Stockholder A	\$1,088,722	\$1,118,822	2.76%	\$1,207,308	10.89%
Total Investment by Stockholder A (Assumed to be Net Asset Value per Share on Shares Held Prior to Sale)	\$1,088,722	\$1,127,802	3.59%	\$1,205,962	10.77%
Total Dilution/Accretion to Stockholder A (Total Net Asset Value Less Total Investment)	N/A	\$(8,980)	N/A	\$1,346	N/A
Investment per Share Held by Stockholder A (assumed to Be Net Asset Value per Share on Shares Held Prior to Sale)	\$11.21	\$11.15	(0.51)%	\$11.05	(1.41)%
Net Asset Value per Share Held by Stockholder A	N/A	\$11.06	N/A	\$11.06	N/A
Dilution/Accretion per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)	N/A	\$(0.09)	N/A	\$0.01	N/A
Percentage Dilution/Accretion to Stockholder A (Dilution/Accretion per Share Divided by Investment per Share)	N/A	N/A	(0.80)%(3)	N/A	0.11%(3)

(1) N/A stands for not applicable.

(2) Reflects actual shares outstanding at June 30, 2009.

(3) Each additional 1,000,000 shares issued would result in 0.17% of additional dilution at an assumed per share offering price of \$9.77.

### Impact On New Investors

Investors who are not currently stockholders and who participate in this offering and whose investment per share is greater than the resulting net asset value per share due to selling compensation and expenses paid by the Company will experience an immediate decrease, although small, in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in this offering and whose investment per share is also less than the resulting net asset value per share will experience an immediate increase in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. These latter investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

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The following chart illustrates the level of dilution or accretion for new investors that will be experienced by a new investor who purchases the same percentage (0.10%) of the shares in the offering as the stockholder in the prior examples at an assumed offering price of \$9.77 per share.

	<b>Prior to Sale Below NAV</b>	<b>Following Sale</b>	<b>% Change</b>
<b>Offering Price</b>			
Price per Share to Public	N/A(1)	\$9.77	N/A
Net Proceeds per Share to Issuer	N/A	\$9.29	N/A
<b>Decrease/Increase to Net Asset Value</b>			
Total Shares Outstanding	97,152,820(2)	105,152,820	8.23%
Net Asset Value per Share	\$11.21	\$11.06	(1.30)%
<b>Dilution/Accretion to New Investor A</b>			
Shares Held by Investor A	97,153	105,153	8.23%
Percentage Held by Investor A	0.10%	0.10%	0.00%
Total Net Asset Value Held by Investor A	\$1,088,722	\$1,163,065	6.83%
Total Investment by Investor A (At Price to Public)	\$1,088,722	\$1,166,882	7.18%
Total Dilution/Accretion to Investor A (Total Net Asset Value Less Total Investment)	N/A	\$(3,817)	N/A
Investment per Share Held by Investor A	\$11.21	\$11.10	(0.98)%
Net Asset Value per Share Held by Investor A	N/A	\$11.06	N/A
Dilution/Accretion per Share Held by Investor A (Net Asset Value per Share Less Investment per Share)	N/A	\$(0.04)	N/A
Percentage Dilution/Accretion to Investor A (Dilution/Accretion per Share Divided by Investment per Share)	N/A	N/A	(0.33)%(3)

(1) N/A stands for not applicable.

(2) Reflects actual shares outstanding at June 30, 2009.

(3) Each additional 1,000,000 shares issued would result in 0.17% of additional dilution at an assumed per share offering price of \$9.77.

## UNDERWRITING

We intend to offer the shares through the underwriters named in the table below. J.P. Morgan Securities Inc., Citigroup Global Markets Inc., UBS Securities LLC and Wells Fargo Securities, LLC are acting as joint bookrunners and representatives of the several underwriters. Subject to the terms and conditions described in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase from us, 8,000,000 shares of our common stock.

Name	Number of Shares
J.P. Morgan Securities Inc.	
Citigroup Global Markets Inc.	
UBS Securities LLC	
Wells Fargo Securities, LLC	
SunTrust Robinson Humphrey, Inc.	
BMO Capital Markets Corp.	
Stifel, Nicolaus & Company, Incorporated	
Total	8,000,000

The underwriters have agreed that they must purchase all of the shares sold under the purchase agreement if they purchase any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' overallotment option described below.

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

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

### Commissions and Discounts

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$ per share to other dealers. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters' overallotment option to purchase up to an additional 1,200,000 shares.

	Per Share	Without Option	With Option
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to the Company	\$	\$	\$

We estimate that the total expenses of the offering payable by us, not including underwriting discounts and commissions, will be approximately \$0.3 million.



### **Overallocation Option**

We have granted an option to the underwriters to purchase up to 1,200,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any overallocations. If the underwriters exercise this option, they will be obligated, subject to conditions contained in the purchase agreement, to purchase the additional shares.

### **No Sales of Similar Securities**

We have agreed, with exceptions, not to sell or transfer any common stock for 30 days after the date of this prospectus without first obtaining the written consent of J.P. Morgan Securities Inc., Citigroup Global Markets Inc., UBS Securities LLC and Wells Fargo Securities, LLC.

Our executive officers and directors and Ares Capital Management and certain of its affiliates have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus supplement without first obtaining the written consent of the representatives. Specifically, we and these other individuals and entities have agreed not to directly or indirectly:

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

sell any option or contract to purchase any common stock,

purchase any option or contract to sell any common stock,

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

lend or otherwise dispose of or transfer any common stock,

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

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

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **Quotation on the NASDAQ Global Select Market**

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "ARCC."

### **Price Stabilization and Short Positions**

Until the distribution of the shares is completed, SEC rules may limit the underwriters from bidding for and purchasing our common stock. However, the underwriters may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus supplement, the underwriters may reduce that short position by purchasing shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the overallocation option described above. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the

price at which the

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underwriters may purchase shares through the over allotment option. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

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

### **Electronic Delivery**

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

### **Other Relationships**

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

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

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

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

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

Affiliates of certain of the underwriters serve as lenders under our credit facilities and are also lenders to private investment funds managed by Ivy Hill Asset Management L.P., an affiliate of ours.

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Certain of the underwriters and their affiliates were underwriters in connection with our initial public offering and our subsequent common stock offerings and rights offering, for which they received customary fees. J.P. Morgan Securities Inc. has been engaged to help us evaluate various potential strategic acquisition and investment transactions for which it has received and will continue to receive customary fees.

Affiliates of the underwriters will receive part of the proceeds of the offering by reason of the repayment of amounts outstanding under the Wachovia Revolving Facility and the JPM Revolving Facility. Because more than 10% of the net proceeds of the offering may be paid to members or affiliates of members of FINRA participating in the offering, the offering will be conducted in accordance with FINRA Conduct Rule 5110(h).

The principal business address of J.P. Morgan Securities Inc. is 383 Madison Avenue, New York, NY 10179. The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, NY 10013. The principal business address of UBS Securities LLC is 299 Park Avenue, New York, NY 10171. The principal business address of Wells Fargo Securities, LLC is 375 Park Avenue, New York, New York 10152. The principal business address of SunTrust Robinson Humphrey, Inc. is 303 Peachtree Street, Atlanta, GA 30308. The principal business address of BMO Capital Markets Corp. is 3 Times Square, New York, NY 10036. The principal business address of Stifel, Nicolaus & Company, Incorporated is 501 North Broadway, St. Louis, MO 63102.

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**LEGAL MATTERS**

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

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
(dollar amounts in thousands, except per share data)

	June 30, 2009 (unaudited)	As of December 31, 2008
<b>ASSETS</b>		
Investments at fair value (amortized cost of \$2,272,976 and \$2,267,593, respectively)		
Non-controlled/non-affiliate company investments	\$ 1,504,277	\$ 1,477,492
Non-controlled affiliate company investments	339,167	329,326
Controlled affiliate company investments	119,027	166,159
Total investments at fair value	1,962,471	1,972,977
Cash and cash equivalents	46,297	89,383
Receivable for open trades	442	3
Interest receivable	26,630	17,547
Other assets	11,215	11,423
<b>Total assets</b>	<b>\$2,047,055</b>	<b>\$ 2,091,333</b>
<b>LIABILITIES</b>		
Debt	\$ 879,255	\$ 908,786
Management and incentive fees payable	48,287	32,989
Payable for open trades	16,744	
Accounts payable and accrued expenses	11,726	10,006
Interest and facility fees payable	2,223	3,869
Dividend payable	98	40,804
<b>Total liabilities</b>	<b>958,333</b>	<b>996,454</b>
Commitments and contingencies (Note 6)		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$.001 per share, 200,000,000 common shares authorized, 97,152,820 common shares issued and outstanding	97	97
Capital in excess of par value	1,395,958	1,395,958
Accumulated undistributed net investment income (loss)	3,151	(7,637)
Accumulated net realized gain (loss) on investments, foreign currency transactions and extinguishment of debt	(741)	(124)
Net unrealized loss on investments and foreign currency transactions	(309,743)	(293,415)
<b>Total stockholders' equity</b>	<b>1,088,722</b>	<b>1,094,879</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,047,055</b>	<b>\$ 2,091,333</b>
<b>NET ASSETS PER SHARE</b>	<b>\$ 11.21</b>	<b>\$ 11.27</b>

See accompanying notes to consolidated financial statements.

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(dollar amounts in thousands, except per share data)

	For the three months ended		For the six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INVESTMENT INCOME:</b>				
From non-controlled/non-affiliate company investments:				
Interest from investments	\$ 45,307	\$ 37,768	\$ 89,138	\$ 72,734
Capital structuring service fees	603	8,421	1,653	11,146
Interest from cash & cash equivalents	57	441	210	989
Dividend income	617	375	1,043	871
Other income	1,748	583	2,697	1,408
Total investment income from non-controlled/non-affiliate company investments	48,332	47,588	94,741	87,148
From non-controlled affiliate company investments:				
Interest from investments	6,528	8,198	12,103	16,697
Capital structuring service fees				1,095
Dividend income	123	218	137	266
Management fees	1,192	188	1,317	188
Other income	78	190	168	431
Total investment income from non-controlled affiliate company investments	7,921	8,794	13,725	18,677
From controlled affiliate company investments:				
Interest from investments	2,155	3,758	5,093	6,180
Capital structuring service fees		2,900	194	3,000
Management fees	695	409	1,286	606
Other income	8	15	88	60
Total investment income from controlled affiliate company investments	2,858	7,082	6,661	9,846
Total investment income	59,111	63,464	115,127	115,671
<b>EXPENSES:</b>				
Interest and credit facility fees	6,301	7,155	12,882	17,078
Base management fees	7,496	7,679	14,994	14,766
Incentive management fees	7,987	9,015	15,537	15,508
Professional fees	2,308	1,653	3,705	2,871
Insurance	341	349	675	626
Administrative	1,092	365	2,096	900
Depreciation	165	102	338	204
Directors fees	134	66	236	140
Other	1,261	881	2,407	1,728
Total expenses	27,085	27,265	52,870	53,821
NET INVESTMENT INCOME BEFORE INCOME TAXES	32,026	36,199	62,257	61,850
Income tax expense (benefit), including excise tax	78	138	109	(184)
NET INVESTMENT INCOME	31,948	36,061	62,148	62,034
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS:</b>				
Net realized gains (losses):				
Non-controlled/non-affiliate company investments	(857)	10	(2,162)	217
Non-controlled affiliate company investments		1	(482)	1
Controlled affiliate company investments				

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Foreign currency transactions	116	6	68	(2)
Net realized gains (losses)	(741)	17	(2,576)	216
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	11,333	(9,990)	1,888	(28,594)
Non-controlled affiliate company investments	(9,929)	(13,116)	(11,272)	(23,858)
Controlled affiliate company investments	2,175	(9,700)	(6,926)	2,633
Foreign currency transactions	(33)		(18)	7
Net unrealized gains (losses)	3,546	(32,806)	(16,328)	(49,812)
Net realized and unrealized gains (losses) from investments and foreign currency transactions	2,805	(32,789)	(18,904)	(49,596)
<b>REALIZED GAIN ON EXTINGUISHMENT OF DEBT</b>			<b>26,543</b>	
<b>NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS</b>	<b>\$ 34,753</b>	<b>\$ 3,272</b>	<b>\$ 69,787</b>	<b>\$ 12,438</b>
<b>BASIC AND DILUTED EARNINGS PER COMMON SHARE (see Note 4)</b>	<b>\$ 0.36</b>	<b>\$ 0.04</b>	<b>\$ 0.72</b>	<b>\$ 0.15</b>
<b>WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (see Note 4)</b>	<b>97,152,820</b>	<b>90,125,629</b>	<b>97,152,820</b>	<b>82,097,395</b>

See accompanying notes to consolidated financial statements.



**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**As of June 30, 2009 (unaudited)**  
**(dollar amounts in thousands, except per unit data)**

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Healthcare Services</b>								
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (\$1,082 par due 12/2010)	8.5% (Libor + 6.00%/Q)	12/14/2005	\$ 1,082	\$ 1,082	\$ 1.00(3)(15)	
		Senior secured loan (\$10,413 par due 12/2011)	8.5% (Libor + 6.00%/M)	12/14/2005	10,413	10,413	\$ 1.00(3)(15)	
		Senior secured loan (\$180 par due 12/2011)	8.5% (Libor + 6.00%/Q)	12/14/2005	180	180	\$ 1.00(3)(15)	
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (\$55,000 par due 2/2016)	13.00%	2/29/2008	55,000	52,250	\$ 0.95	
		Junior secured loan (\$30,000 par due 2/2016)	13.00%	2/29/2008	30,000	28,500	\$ 0.95(2)	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(6)	Healthcare analysis services	Preferred stock (7,427 shares)		6/15/2007	7,427	7,055	\$ 950.00(4)	
		Common stock (9,679 shares)		6/15/2007	4,000	5,382	\$ 556.10(5)	
		Common stock (1,546 shares)		6/15/2007			\$ (5)	
DSI Renal, Inc.	Dialysis provider	Senior secured revolving loan (\$122 par due 3/2013)	6.25% (Base Rate + 3.00%/D)	4/4/2006	122	97	\$ 0.80	
		Senior secured revolving loan (\$3,520 par due 3/2013)	5.38% (Libor + 5.00%/M)	4/4/2006	3,520	2,816	\$ 0.80	
		Senior secured revolving loan (\$1,120 par due 3/2013)	5.31% (Libor + 5.00%/M)	4/4/2006	1,120	896	\$ 0.80	
		Senior secured revolving loan (\$1,152 par due 3/2013)	3.31% (Libor + 3.00%/M)	4/4/2006	1,152	922	\$ 0.80	
		Senior secured revolving loan (\$1,600 par due 3/2013)	3.31% (Libor + 3.00%/M)	4/4/2006	1,600	1,280	\$ 0.80	
		Senior secured revolving loan (\$36 par due 3/2013)	5.38% (Libor + 5.00%/M)	4/4/2006	36	28	\$ 0.79	
		Senior secured revolving loan (\$11 par due 3/2013)	5.31% (Libor + 5.00%/M)	4/4/2006	11	9	\$ 0.80	
		Senior secured revolving loan (\$12 par due 3/2013)	3.31% (Libor + 3.00%/M)	4/4/2006	12	9	\$ 0.77	
		Senior secured revolving loan (\$16 par due 3/2013)	3.31% (Libor + 3.00%/M)	4/4/2006	16	13	\$ 0.81	
		Senior secured revolving loan (\$20 par due 3/2013)	0.25%	4/4/2006	20	17	\$ 0.84	
		Senior subordinated note (\$61,531 par due 4/2014)	16.00% PIK	4/4/2006	61,087	47,379	\$ 0.77(2)(4)	
		Senior subordinated note (\$13,207 par due 4/2014)	16.00% PIK	4/4/2006	13,183	10,170	\$ 0.77(3)(4)	
		Senior secured revolving loan (\$17,348 par due 4/2014)	1.60% (Libor + 1.00%/Q)	4/4/2006	12,145	13,855	\$ 0.80(15)	
GG Merger Sub I, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.32% (Libor + 4.00%/M)	12/14/2007	10,839	9,631	\$ 0.85	

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		Senior secured loan (\$12,000 par due 12/2014)	4.32% (Libor + 4.00%/M)	12/14/2007	11,480	10,200	\$	0.85
HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Class A units (8,566,824 units)		6/26/2008	8,567	6,125	\$	0.72(5)
Heartland Dental Care, Inc.	Dental services	Senior subordinated note (\$32,717 par due 8/2013)	11.00% Cash, 3.25% PIK S-45	7/31/2008	32,717	32,717	\$	1.00(4)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior subordinated note (\$4,623 par due 12/2012)	10.75% Cash, 2.00% PIK	2/9/2009	3,176	4,623	\$ 1.00(4)	
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Junior secured loan (\$20,000 par due 1/2014)	6.57% (Libor + 6.25%/M)	1/31/2007	20,000	6,200	\$ 0.31	
		Junior secured loan (\$12,000 par due 1/2014)	6.57% (Libor + 6.25%/M)	1/31/2007	12,000	3,720	\$ 0.31(3)	
		Common stock (50,000 shares)		1/31/2007	5,000		\$ (5)	
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (\$5,000 par due 5/2012)	6.57% (Libor + 6.25%/M)	5/3/2007	5,000	4,250	\$ 0.85(3)	
OnCURE Medical Corp.	Radiation oncology care provider	Senior secured loan (\$3,083 par due 8/2009)	3.88% (Libor + 3.50%/M)	8/18/2006	3,083	2,713	\$ 0.88(3)	
		Senior subordinated note (\$32,393 par due 8/2013)	11.00% Cash, 1.50% PIK	8/18/2006	32,418	29,154	\$ 0.90(4)	
		Common stock (857,143 shares)		8/18/2006	3,000	3,000	\$ 3.50(5)	
Passport Health Communications, Inc.	Healthcare technology provider	Senior secured loan (\$12,790 par due 5/2014)	10.50% (Libor + 7.50%/S)	5/9/2008	12,790	12,534	\$ 0.98(15)	
Passport Holding Corp. and Prism Holding Corp.		Senior secured loan (\$11,806 par due 5/2014)	10.50% (Libor + 7.50%/S)	5/9/2008	11,806	11,570	\$ 0.98(3)(15)	
		Series A preferred stock (1,594,457 shares)		7/30/2008	9,900	9,900	\$ 6.21(5)	
		Common stock (16,106 shares)		7/30/2008	100	100	\$ 6.21(5)	
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,920	3,840	\$ 0.96	
		Preferred stock (333 shares)		3/12/2008	333	334	\$ 1,003.00(5)	
		Common stock (16,667 shares)		3/12/2008	167	167	\$ 10.00(5)	
The Schumacher Group of Delaware, Inc.	Outsourced physician service provider	Junior secured loan (\$30,800 par due 7/2012)	11.125% Cash, 2.50% PIK	7/18/2008	30,800	30,800	\$ 1.00(4)	
		Junior secured loan (\$5,210 par due 7/2012)	11.125% Cash, 2.50% PIK	7/18/2008	5,210	5,210	\$ 1.00(4)	
Triad Laboratory Alliance, LLC	Laboratory services	Senior secured loan (\$4,461 par due 12/2011)	8.50% (Libor + 5.50%/Q)	12/21/2005	4,278	4,461	\$ 1.00(3)(15)	
		Senior subordinated note (\$15,466 par due 12/2012)	12.00% Cash, 1.75% PIK	12/21/2005	15,466	15,002	\$ 0.97(4)	
VOTC Acquisition Corp.	Radiation oncology care provider	Senior secured loan (\$17,241 par due 7/2012)	11.00% Cash, 2.00% PIK	6/30/2008	17,241	17,241	\$ 1.00(4)	
		Series E preferred shares (3,888,222 shares)		7/14/2008	8,749	3,800	\$ 0.98(5)	
					470,166	409,645		37.63%

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Education									
Campus Management Corp. and Campus Management Acquisition Corp.(6)	Education software developer	Senior secured loan (\$3,243 par due 8/2013)	12.07	Cash, 3.00% PIK	2/8/2008	3,243	3,243	\$	1.00(16)(4)
		Senior secured loan (\$30,277 par due 8/2013)	12.07	Cash, 3.00% PIK	2/8/2008	30,277	30,277	\$	1.00(2)(16)(4)
		Senior secured loan (\$8,960 par due 8/2013)	10.00	Cash, 3.00% PIK	2/8/2008	8,960	8,960	\$	1.00(16)(4)
		Preferred stock (493,147 shares)		8.00% PIK	2/8/2008	8,952	12,000	\$	24.33(4)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$176 par due 11/2012)	3.56% (Libor + 3.25%/M)	11/30/2006	176	155	\$ 0.88(3)	
		Junior secured loan (\$8,333 par due 11/2013)	7.31% (Libor + 7.00%/M)	11/30/2006	8,333	7,333	\$ 0.88(3)	
Instituto de Banca y Comercio, Inc.	Private school operator	Senior secured loan (\$11,760 par due 3/2014)	8.50% (Libor + 6.00%/Q)	3/15/2007	11,760	11,760	\$ 1.00(3)(15)	
Leeds IV Advisors, Inc.(8)		Senior subordinated loan (\$40,411 par due 6/2014)	13.00% Cash, 3.00% PIK	6/4/2008	40,411	40,411	\$ 1.00(4)	
		Preferred stock (165,811 shares)		6/4/2008	788	2,146	\$ 12.94(5)	
		Common stock (214,286 shares)		6/4/2008	54	214	\$ 1.00(5)	
		Preferred stock (140,577 shares)		3/31/2009	668	1,820	\$ 12.94(5)	
		Common stock (140,577 shares)		3/31/2009	35	1,820	\$ 12.94(5)	
Lakeland Finance, LLC	Private school operator	Senior secured note (\$30,000 par due 12/2012)	11.50%	12/13/2005	30,000	29,100	\$ 0.97	
		Senior secured note (\$3,000 par due 12/2012)	11.50%	12/13/2005	3,000	2,910	\$ 0.97(2)	
R3 Education, Inc. (formerly known as Equinox EIC)	Medical school operator	Senior secured revolving loan (\$1,500 par due 12/2012)	8.25% (Base Rate + 5.00%/D)	4/3/2007	1,500	1,470	\$ 0.98	
Partners, LLC and MUA Management Company)(6)(8)		Senior secured revolving loan (\$2,000 par due 12/2012)	8.25% (Base Rate + 5.00%/D)	4/3/2007	2,000	1,960	\$ 0.98	
		Senior secured loan (\$1,799 par due 12/2012)	6.31% (Libor + 6.00%/M)	4/3/2007	1,799	1,763	\$ 0.98(2)	
		Senior secured loan (\$14,113 par due 12/2012)	6.31% (Libor + 6.00%/M)	9/21/2007	14,113	13,830	\$ 0.98(2)	
		Senior secured loan (\$7,300 par due 12/2012)	6.31% (Libor + 6.00%/M)	4/3/2007	7,300	7,154	\$ 0.98(3)	
		Common membership interest (26.27% interest)		9/21/2007	15,800	20,777	(5)	
		Preferred Stock (8,000 shares)			2,000	2,000	\$ 250.00(5)	
		Preferred stock (800 shares)			200	200	\$ 250.00(5)	
					191,369	201,303		18.49%

**Restaurants and Food Services**

ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$608 par due 11/2013)	5.75% (Base Rate + 2.50%/D)	11/27/2006	608	608	\$ 1.00(15)	
		Senior secured revolving loan (\$2,008 par due 11/2013)	4.69% (Libor + 3.00% Cash, 0.50% PIK/Q)	11/27/2006	2,008	2,008	\$ 1.00(4)(15)	
		Senior secured loan (\$23,586 par due 11/2012)	9.69% (Libor + 7.50% Cash, 1.00% PIK/Q)	11/27/2006	23,592	23,586	\$ 1.00(4)(15)	
		Senior secured loan (\$11,055 par due 11/2012)	9.69% (Libor + 7.50% Cash, 1.00% PIK/Q)	11/27/2006	11,050	11,055	\$ 1.00(2)(4)(15)	

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		11/2012)	PIK/Q)					
		Promissory note (\$12,079 par due 11/2016)	10.00% PIK	6/1/2006	12,067	12,079	\$	1.00(4)(15)
		Warrants to purchase 0.61 shares		6/1/2006			\$	(5)
Encanto Restaurants, Inc.(8)	Restaurant owner and	Junior secured loan (\$21,368 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/2006	21,368	20,299	\$	0.95(2)(4)
	operator	Junior secured loan (\$4,070 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/2006	4,070	3,867	\$	0.95(3)(4)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
OTG Management, Inc.	Airport restaurant operator	Junior secured loan (\$15,623 par due 6/2013)	14.00% (Libor + 7.00% Cash, 4.00% PIK/M)	6/19/2008	15,623	14,529	\$ 0.93(4)(15)	
		Warrants to purchase up to 88,991 shares of common stock					\$ (5)	
	Warrants to purchase up to 9 shares of common stock					\$ (5)		
Vistar Corporation and Wellspring	Food service distributor	Senior subordinated loan (\$43,625 par due 5/2015)	13.50%	5/23/2008	43,625	41,008	\$ 0.94	
Distribution Corp.		Senior subordinated loan (\$30,000 par due 5/2015)	13.50%	5/23/2008	30,000	28,200	\$ 0.94(2)	
		Class A non-voting common stock (1,366,120 shares)		5/23/2008	7,500	3,490	\$ 2.55(5)	
					171,511	160,729		14.76%
<b>Beverage, Food and Tobacco</b>								
3091779 Nova Scotia Inc.(8)	Baked goods manufacturer	Junior secured loan (Cdn \$14,117 par due 11/2012)	11.50% Cash, 1.50% PIK	11/2/2007	14,992	11,592	\$ 0.82(4)(12)	
							(5)	
Apple & Eve, LLC and US Juice	Juice manufacturer	Senior secured loan (\$29,284 par due 10/2013)	14.50% (Libor + 11.50%/M)	10/5/2007	29,284	28,113	\$ 0.96(15)	
Partners, LLC(6)		Senior secured loan (\$11,904 par due 10/2013)	14.50% (Libor + 11.50%/M)	10/5/2007	11,904	11,427	\$ 0.96(15)	
		Senior units (50,000 units)			5,000	2,500	\$ 50.00	
Best Brands Corporation	Baked goods manufacturer	Senior secured loan (\$13,110 par due 12/2012)	7.57% (Libor + 5.00% Cash, 2.25% PIK/M)	2/15/2008	11,151	13,110	\$ 1.00(4)	
		Junior secured loan (\$8,441 par due 6/2013)	10.00% Cash, 8.00% PIK	12/14/2006	8,441	8,441	\$ 1.00(4)	
		Junior secured loan (\$23,753 par due 6/2013)	10.00% Cash, 8.00% PIK	12/14/2006	23,753	23,753	\$ 1.00(2)(4)	
		Junior secured loan (\$11,500 par due 6/2013)	10.00% Cash, 8.00% PIK	12/14/2006	11,500	11,500	\$ 1.00(3)(4)	
Bumble Bee Foods, LLC and	Canned seafood manufacturer	Senior subordinated loan (\$30,425 par due 11/2018)	16.25% (12.00% Cash, 4.25% Optional PIK)	11/18/2008	30,425	30,425	\$ 1.00(4)	
BB Co-Invest LP		Common stock (4,000 shares)		11/18/2008	4,000	4,000	\$ 1,000.00(5)	
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated note (\$5,543 par due 2/2013)	12.00% PIK	2/6/2008	5,543	5,543	\$ 1.00(2)(4)	
		Preferred stock (6,258 shares)		9/1/2006	2,500	1,725	\$ 275.65(5)	
					158,493	152,129		13.97%
<b>Services Other</b>								
American Residential Services, LLC	Plumbing, heating and air-conditioning services	Junior secured loan (\$20,403 par due 4/2015)	10.00% Cash, 2.00% PIK	4/17/2007	20,403	19,179	\$ 0.94(2)(4)	
				2/2/2005	9,415	11,175	\$ 1.00	

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Diversified Collection Services, Inc.	Collections services	Senior secured loan	9.00% (Base Rate +					
		(\$11,175 par due	5.75%/D)					
		8/2011)						
		Senior secured loan	9.00% (Base Rate +	2/2/2005	4,079	3,978	\$	1.00(3)
		(\$3,978 par due 8/2011)	5.75%/D)					
		Senior secured loan	13.75% (Libor +	2/2/2005	1,931	1,931	\$	1.00(15)
		(\$1,931 par due 2/2011)	11.00%/S)					
		Senior secured loan	13.75% (Libor +	2/2/2005	7,492	7,492	\$	1.00(15)
		(\$7,492 par due 8/2011)	11.00%/S)					
		Preferred stock		5/18/2006	169	237	\$	15.88(5)
		(14,927 shares)						
		Common stock		2/2/2005	295	286	\$	2.51(5)
		(114,004 shares)						
GCA Services Group, Inc.	Custodial services	Senior secured loan	12.00%	12/15/2006	20,865	20,865	\$	1.00(2)
		(\$20,865 par due						
		12/2011)						

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$5,000 par due 12/2011)	12.00%	12/15/2006	5,000	5,000	\$ 1.00	
		Senior secured loan (\$10,346 par due 12/2011)	12.00%	12/15/2006	10,346	10,346	\$ 1.00(3)	
Growing Family, Inc. and GFH Holdings, LLC	Photography services	Senior secured revolving loan (\$1,513 par due 8/2011)	8.42% (Libor + 3.00% Cash, 4.00% PIK/Q)	3/16/2007	1,513	454	\$ 0.30(4)(14)	
		Senior secured loan (\$11,188 par due 8/2011)	13.84% (Libor + 3.50% Cash, 6.00% PIK/Q)	3/16/2007	11,188	3,356	\$ 0.30(4)(14)	
		Senior secured loan (\$372 par due 8/2011)	11.25% (Base Rate + 8.00%/D)	3/16/2007	372	111	\$ 0.30(4)(14)	
		Senior secured loan (\$3,575 par due 8/2011)	16.34% (Libor + 6.00% Cash, 6.00% PIK/Q)	3/16/2007	3,575	1,073	\$ 0.30(4)(14)	
		Senior secured loan (\$147 par due 8/2011)	18.00% (Libor + 6.00% Cash, 6.00% PIK/Q)	3/16/2007	147	44	\$ 0.30(4)(14)	
		Common stock (552,430 shares)		3/16/2007	872		(5)	
NPA Acquisition, LLC	Powersport vehicle auction operator	Junior secured loan (\$12,000 par due 2/2013)	7.07% (Libor + 6.75%/M)	8/23/2006	12,000	12,000	\$ 1.00(3)	
		Common units (1,709 shares)		8/23/2006	1,000	2,300	\$ 1,345.82(5)	
Web Services Company, LLC	Laundry service and equipment provider	Senior subordinated loan (\$17,988 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	17,988	17,089	\$ 0.95(4)	
		Senior secured loan (\$5,000 par due 8/2014)	7.00% (Base Rate + 3.75%/D)	6/15/2009	4,600	4,600	\$ 0.92(4)	
		Senior subordinated loan (\$25,477 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	25,477	24,203	\$ 0.95(2)(4)	
					158,727	145,719		13.38%
<b>Financial</b>								
Carador PLC(6)(8)(9)	Investment company	Ordinary shares (7,110,525 shares)		12/15/2006	9,033	1,600	\$ 0.38(5)	
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.69 unit)		9/7/2007	34	34	\$49,644.93(5)	
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47% interest)		6/17/2008	1,059	1,059	(5)	
Firstlight Financial Corporation(6)(9)	Investment company	Senior subordinated loan (\$72,710 par due 12/2016)	5.00% PIK	12/31/2006	72,710	54,533	\$ 0.75(4)	
		Common stock (10,000 shares)		12/31/2006	10,000		\$ (5)	
		Common stock (30,000 shares)		12/31/2006	30,000		\$ (5)	
Ivy Hill Asset Management, LP(7)		Member interest (100% interest)		6/15/2009	3,816	11,816	\$	
Ivy Hill Middle Market Credit Fund, Ltd.(7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.72% (Libor + 6.00%/Q)	11/20/2007	40,000	36,000	\$ 0.90	
		Subordinated notes (\$15,812 par due 11/2018)		11/20/2007	15,812	14,231	\$ 0.90(5)	
Imperial Capital Group, LLC and Imperial Capital	Investment banking services	Limited partnership interest (80% interest)		5/10/2007	1,090	1,090	(5)	
				5/10/2007	14,997	14,997	\$ 1,945.14(5)	

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		Common units (7,710 units)				
Private Opportunities, LP(6)(9)		Common units (2,526 units)	5/10/2007	3	3	\$ 1.00(5)
		Common units (315 units)	5/10/2007			\$ (5)
Partnership Capital Growth Fund I, LP(9)	Investment partnership	Limited partnership interest (25% interest)	6/16/2006	2,711	2,711	(5)
Trivergance Capital Partners, LP(9)	Investment partnership	Limited partnership interest (100% interest)	6/5/2008	1,372	1,372	(5)
VSC Investors LLC(9)	Investment company	Membership interest (4.63% interest)	1/24/2008	281	281	(5)
				202,918	139,727	12.83%

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Business Services</b>								
Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior secured loan (\$744 par due 7/2015)	7.50% (Libor + 4.50%/S)	7/31/2008	728	737	\$ 0.99(3)(15)	
		Senior subordinated loan (\$22,400 par due 7/2016)	11.00% Cash, 2.00% PIK	7/31/2008	22,176	21,952	\$ 0.98(2)(4)	
		Senior subordinated loan (\$250 par due 7/2016)	11.00% Cash, 2.00% PIK	7/31/2008	219	245	\$ 0.98(2)(4)	
Investor Group Services, LLC(6)	Financial services	Limited liability company membership interest (10.00% interest)		6/22/2006		500	(5)	
Pillar Holdings LLC and PHL Holding Co.(6)	Mortgage services	Senior secured revolving loan (\$375 par due 11/2013)	5.95% (Libor + 5.50%/B)	11/20/2007	375	375	\$ 1.00	
		Senior secured revolving loan (\$938 par due 11/2013)	5.95% (Libor + 5.50%/B)	11/20/2007	938	938	\$ 1.00	
		Senior secured loan (\$1,875 par due 5/2014)	14.50%	7/31/2008	1,875	1,875	\$ 1.00	
		Senior secured loan (\$5,500 par due 5/2014)	14.50%	7/31/2008	5,500	5,500	\$ 1.00	
		Senior secured loan (\$17,052 par due 11/2013)	5.95% (Libor + 5.50%/B)	11/20/2007	17,052	17,052	\$ 1.00(2)	
		Senior secured loan (\$10,638 par due 11/2013)	5.95% (Libor + 5.50%/B)	11/20/2007	10,638	10,638	\$ 1.00(3)	
		Common stock (84.78 shares)		11/20/2007	3,768	6,212	\$62,127.93(5)	
Primis Marketing Group, Inc. and Primis Holdings, LLC(6)	Database marketing services	Senior subordinated note (\$10,222 par due 2/2013)	11.00% Cash, 2.50% PIK	8/24/2006	10,222	1,022	\$ 0.10(4)(14)	
		Preferred units (4,000 units)		8/24/2006	3,600		\$ (5)	
		Common units (4,000,000 units)		8/24/2006	400		\$ (5)	
Prommis Solutions, LLC,	Bankruptcy and foreclosure	Senior subordinated note (\$26,012 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	26,012	24,972	\$ 0.96(4)	
E-Default Services, LLC,	processing services	Senior subordinated note (\$26,098 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	26,098	25,054	\$ 0.96(2)(4)	
Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.)		Preferred stock (30,000 shares)		4/11/2006	3,000	5,636	\$ 187.87(5)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	250	\$ 1.00(5)	
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$10,000 par due 11/2013)	9.00% (Base Rate + 5.75%/D)	8/3/2007	10,000	2,000	\$ 0.20(3)(14)	
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,000	6,000	(5)	
					152,851	130,958		12.03%

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<b>Retail</b>							
Apogee Retail, LLC	For-profit thrift retailer	Senior secured revolving loan (\$1,951 par due 3/2012)	5.56% (Libor + 5.25%/M)	3/27/2007	1,951	1,912	\$ 0.98
		Senior secured loan (\$11,181 par due 11/2012)	12.00% Cash, 4.00% PIK	5/28/2008	11,181	11,181	\$ 1.00(4)
		Senior secured loan (\$2,984 par due 3/2012)	6.21% (Libor + 5.25%/Q)	3/27/2007	2,984	2,686	\$ 0.90
		Senior secured loan (\$1,868 par due 3/2012)	6.21% (Libor + 5.25%/Q)	3/27/2007	1,868	1,681	\$ 0.90

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$26,807 par due 3/2012)	5.56% (Libor + 5.25%/M)	3/27/2007	26,807	24,126	\$ 0.90(2)	
		Senior secured loan (\$11,730 par due 3/2012)	5.56% (Libor + 5.25%/M)	3/27/2007	11,730	10,557	\$ 0.90(3)	
Dufry AG(8)	Retail newstand operator	Common stock (39,056 shares)		3/28/2008	3,000	1,501	\$ 0.25(5)	
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note (\$6,044 par due 8/2014)	10.00% Cash, 2.00% PIK	8/8/2006	6,044	5,802	\$ 0.96(4)	
		Senior subordinated note (\$22,236 par due 8/2014)	10.00% Cash, 2.00% PIK	8/8/2006	22,236	21,347	\$ 0.96(2)(4)	
		Common stock (1,170,182 shares)		8/8/2006	4,500	5,840	\$ 4.99(5)	
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$4,506 par due 9/2012)	6.5%, 1.00% PIK Option	9/28/2006	4,506	3,154	\$ 0.70(3)	
		Senior secured loan (\$28,402 par due 9/2012)	6.5%, 1.00% PIK Option	9/28/2006	28,402	19,882	\$ 0.70(2)	
		Senior secured loan (\$7,303 par due 9/2012)	6.5%, 1.00% PIK Option	9/28/2006	7,303	5,112	\$ 0.70(3)	
		Preferred stock (800 shares)		9/28/2006	200		\$ (5)	
		Common stock (80 shares)		9/28/2006	1,800		\$ (5)	
		Warrants to purchase 858 shares of common shares		3/19/2009			\$ (5)	
		Warrants to purchase 73 shares of Preferred shares		3/19/2009			\$ (5)	
					134,512	114,781		10.54%
<b>Manufacturing</b>								
Arrow Group Industries, Inc.	Residential and outdoor shed manufacturer	Senior secured loan (\$5,616 par due 4/2010)	5.60% (Libor + 5.00%/Q)	3/28/2005	5,663	5,223	\$ 0.93(3)	
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$9,018 par due 5/2011)	8.25% (Libor + 4.25%/A)	5/16/2006	9,018	8,477	\$ 0.94(3)(15)	
		Senior secured loan (\$313 par due 5/2011)	8.25% (Libor + 4.25%/M)	5/16/2006	313	294	\$ 0.94(3)(15)	
		Senior secured loan (\$536 par due 5/2011)	8.25% (Libor + 4.25%/A)	5/16/2006	536	504	\$ 0.94(3)(15)	
		Senior secured loan (\$1,523 par due 5/2011)	10.00% (Libor + 6.00%/A)	5/16/2006	1,523	1,431	\$ 0.94(3)(15)	
		Senior secured loan (\$81 par due 5/2011)	10.00% (Libor + 6.00%/A)	5/16/2006	81	76	\$ 0.93(3)(15)	
		Senior secured loan (\$4,618 par due 5/2011)	10.00% Cash, 3.00% PIK	5/16/2006	4,618	4,433	\$ 0.96(2)(4)	
		Senior secured loan (\$245 par due 5/2011)	10.00% Cash, 3.00% PIK	5/16/2006	245	235	\$ 0.96(2)(4)	
Qualitor, Inc.	Automotive aftermarket components supplier	Senior secured loan (\$1,747 par due 12/2011)	7.25% (Base Rate + 4.00%/Q)	12/29/2004	1,747	1,660	\$ 0.95(3)	
		Junior secured loan (\$5,000 par due 6/2012)	10.25% (Base Rate + 7.00%/D)	12/29/2004	5,000	4,750	\$ 0.95(3)	
Reflexite Corporation(7)	Developer and manufacturer of high-visibility reflective	Senior subordinated loan (\$16,343 par due 2/2015)	15.00% Cash, 3.00% PIK	2/28/2008	16,343	16,343	\$ 1.00(4)	
		Common stock (1,821,860 shares)		3/28/2006	27,435	24,898	\$ 13.67(5)	

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products							
Saw Mill PCG Partners LLC	Precision components manufacturer	Common units (1,000 units)		2/2/2007	1,000		\$ (5)
UL Holding Co., LLC	Petroleum product	Senior secured loan (\$10,973 par, due 12/2012)	9.80% (Libor + 8.88%/Q)	2/13/2009	10,973	10,753	\$ 0.98(5)
	manufacturer	Senior secured loan (\$2,993 par, due 12/2012)	14.00%	2/13/2009	2,993	2,933	\$ 0.98(5)
		Senior secured loan (\$998 par, due 12/2012)	14.00%	2/13/2009	998	978	\$ 0.98(5)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$2,985 par, due 12/2012)	14.00%	2/13/2009	2,985	2,925	\$ 0.98(5)	
		Senior secured loan (\$3,000 par, due 12/2012)	9.89% (Libor + 8.88%/Q)	2/13/2009	3,000	2,940	\$ 0.98(5)	
		Common units (50,000 units)		4/25/2008	500	500	\$ 10.00(5)	
		Common units (50,000 units)		4/25/2008			\$ (5)	
Universal Trailer Corporation(6)	Livestock and specialty trailer manufacturer	Common stock (74,920 shares)		10/8/2004	7,930		\$ (5)	
					102,901	89,353		8.21%
<b>Environmental Services</b>								
AWTP, LLC	Water treatment services	Junior secured loan (\$4,755 par due 12/2012)	11.5% (Base Rate + 8.25%/D)	12/23/2005	4,755	2,853	\$ 0.60(4)(14)	
		Junior secured loan (\$2,086 par due 12/2012)	11.5% (Base Rate + 8.25%/D)	12/23/2005	2,086	1,252	\$ 0.60(3)(4)(14)	
		Junior secured loan (\$4,755 par due 12/2012)	13.48% (Libor + 9.50%/A)	12/23/2005	4,755	2,853	\$ 0.60(4)(14)	
		Junior secured loan (\$2,086 par due 12/2012)	13.48% (Libor + 9.50%/A)	12/23/2005	2,086	1,252	\$ 0.60(3)(4)(14)	
Mactec, Inc.	Engineering and environmental services	Class B-4 stock (16 shares)		11/3/2004			\$ (5)	
		Class C stock (5,556 shares)		11/3/2004		150	\$ 27.00(5)	
Sigma International Group, Inc.	Water treatment parts manufacturer	Junior secured loan (\$1,833 par due 10/2013)	15.00% (Libor + 7.00%/M)	10/11/2007	1,833	1,375	\$ 0.75(2)(15)	
		Junior secured loan (\$4,000 par due 10/2013)	15.00% (Libor + 7.00%/M)	10/11/2007	4,000	3,000	\$ 0.75(3)(15)	
		Junior secured loan (\$2,750 par due 10/2013)	15.00% (Libor + 7.00%/Q)	11/1/2007	2,750	2,063	\$ 0.75(2)(15)	
		Junior secured loan (\$6,000 par due 10/2013)	15.00% (Libor + 7.00%/Q)	11/1/2007	6,000	4,500	\$ 0.75(3)(15)	
		Junior secured loan (\$917 par due 10/2013)	15.00% (Libor + 7.00%/B)	11/6/2007	917	688	\$ 0.75(2)(15)	
		Junior secured loan (\$2,000 par due 10/2013)	15.00% (Libor + 7.00%/B)	11/6/2007	2,000	1,500	\$ 0.75(3)(15)	
Waste Pro USA, Inc.	Waste management services	Senior subordinated loan (\$23,000 par due 11/2013)	13.75%	11/9/2006	23,000	23,000	\$ 1.00(2)	
		Preferred stock (15,000 shares)	14.00% PIK	11/9/2006	15,000	15,000	\$ 1,000.00(4)	
		Warrants to purchase 682,671 shares		11/9/2006		10,000	\$ 14.65(5)	
Wastequip, Inc.(6)	Waste management equipment manufacturer	Senior subordinated loan (\$12,991 par due 2/2015)	10.00% Cash, 2.00% PIK	2/5/2007	12,991	5,196	\$ 0.40(4)	
		Common stock (13,889 shares)		2/2/2007	1,389		\$ (5)	

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83,562 74,682 6.86%

**Printing, Publishing and Media**

Canon Communications LLC	Print Publications services	Junior secured loan (\$11,847 par due 11/2011)	13.75% (Base Rate + 8.75% Cash, 2.00% PIK/Q)	5/25/2005	11,847	11,136	\$	0.94(2)(15)
		Junior secured loan (\$12,073 par due 11/2011)	13.75% (Base Rate + 8.75% Cash, 2.00% PIK/Q)	5/25/2005	12,073	11,349	\$	0.94(3)(15)
Courtside Acquisition Corp.	Community newspaper publisher	Senior subordinated loan (\$34,295 par due 6/2014)	17.00% PIK	6/29/2007	34,295		\$	(4)(14)
LVCG Holdings LLC(7)	Commercial printer	Membership interests (56.53% interest)		10/12/2007	6,600	3,960		(5)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets	
National Print Group, Inc.	Printing management	Senior secured revolving loan (\$343 par due 3/2012)	8.25% (Base Rate + 5.00%/D)	3/2/2006	343	165	\$ 0.48(15)		
	services	Senior secured revolving loan (\$1,826 par due 3/2012)	9.00% (Base Rate + 5.00%/D)	3/2/2006	1,826	877	\$ 0.48(15)		
		Senior secured loan (\$6,942 par due 3/2012)	16.00% (Base Rate + 6.00 Cash, 7.00% PIK/S)	3/2/2006	6,942	3,332	\$ 0.48(3)(15)(4)		
		Senior secured loan (\$1,405 par due 3/2012)	16.00% (Base Rate + 6.00 Cash, 6.00% PIK/D)	3/2/2006	1,405	674	\$ 0.48(3)(15)(4)		
		Preferred stock (9,344 shares)		3/2/2006	2,000		\$ (5)		
The Teaching Company, LLC and	Education publications	Senior secured loan (\$18,000 par due 9/2012)	10.50%	9/29/2006	18,000	17,640	\$ 0.98(2)(11)		
The Teaching Company	provider	Senior secured loan (\$10,000 par due 9/2012)	10.50%	9/29/2006	10,000	9,800	\$ 0.98(3)(11)		
Holdings, Inc.(11)		Preferred stock (29,969 shares)	8.00%	9/29/2006	2,997	2,997	\$ 100.00(5)		
		Common stock (15,393 shares)		9/29/2006	3	3	\$ 0.19(5)		
					108,331	61,933		5.69%	
<b>Aerospace &amp; Defense</b>									
AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (\$7,813 par due 10/2013)	4.81% (Libor + 4.50%/M)	11/8/2007	7,671	7,032	\$ 0.90(3)		
ILC Industries, Inc.	Industrial products provider	Junior secured loan (\$12,000 par due 8/2012)	11.50%	6/27/2006	12,000	12,000	\$ 1.00(3)		
Thermal Solutions LLC and TSI Group, Inc.	Thermal management	Senior secured loan (\$681 par due 3/2011)	4.10% (Libor + 3.50%/Q)	3/28/2005	681	654	\$ 0.96(3)		
	and electronics packaging manufacturer	Senior secured loan (\$2,748 par due 3/2012)	4.60% (Libor + 4.00%/Q)	3/28/2005	2,748	2,501	\$ 0.91(3)		
		Senior subordinated notes (\$2,106 par due 9/2012)	11.50% Cash, 2.75% PIK	3/28/2005	2,095	2,043	\$ 0.97(4)		
		Senior subordinated notes (\$3,325 par due 9/2012)	11.50% Cash, 2.75% PIK	3/28/2005	3,308	3,225	\$ 0.97(2)(4)		
		Senior subordinated notes (\$2,679 par due 3/2013)	11.50% Cash, 2.50% PIK	3/21/2006	2,679	2,599	\$ 0.97(2)(4)		
			Preferred stock (71,552 shares)		3/28/2005	716	716	\$ 10.01(5)	
			Common stock (1,460,246 shares)		3/28/2005	15	15	\$ 0.01(5)	
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized	Junior secured loan (\$16,000 par due 7/2014)	15.00%	1/17/2008	16,000	16,000	\$ 1.00		
	engineering, scientific and	Junior secured loan (\$12,000 par due 7/2014)	15.00%	1/17/2008	12,000	12,000	\$ 1.00(3)		
	technical services	Preferred stock (15,430 shares)		1/17/2008	1,912	1,530	\$ 67.18(5)		
		Common stock (151,439 shares)		1/17/2008	188	150	\$ 0.99(5)		
					62,013	60,465		5.55%	

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**Consumer Products Non-Durable**

Innovative Brands, LLC	Consumer products and personal care manufacturer	Senior secured loan (\$9,276 par due 9/2011)	14.50%	10/12/2006	9,276	9,276	\$ 1.00
		Senior secured loan (\$8,563 par due 9/2011)	14.50%	10/12/2006	8,563	8,563	\$ 1.00(3)
Making Memories Wholesale, Inc.(6)	Scrapbooking branded products manufacturer	Senior secured loan (\$21,509 par due 3/2011)	8.25% (Base Rate + 5.00%/D)	5/5/2005	11,953	11,830	\$ 0.55(14)
		Senior subordinated loan (\$16,250 par due 5/2012)	10.50% Cash, 4.00% PIK	5/5/2005	10,465		\$ (4)(14)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Preferred stock (4,259 shares)		5/5/2005	3,759		\$ (5)	
Shoes for Crews, LLC	Safety footwear and slip-related mat manufacturer	Senior secured loan (\$437 par due 7/2010)	4.10% (Libor + 3.50%/Q)	10/8/2004	440	437	\$ 1.00(3)	
The Thymes, LLC(7)	Cosmetic products manufacturer	Preferred stock (6,283 shares)	8.00% PIK	6/21/2007	6,283	5,653	\$ 899.73(4)	
		Common stock (5,400 shares)		6/21/2007			\$ (5)	
Wear Me Apparel, LLC(6)	Clothing manufacturer	Senior subordinated notes (\$27,441 par due 4/2013)	17.50% PIK	4/2/2007	24,110	13,268	\$ 0.48(4)(14)	
		Common stock (10,000 shares)		4/2/2007	10,000		\$ (5)	
					84,849	49,027		4.50%

**Telecommunications**

American Broadband Communications, LLC	Broadband communication	Senior subordinated loan (\$33,332 par due 11/2014)	18.00% (10.00% Cash, 8.00% PIK)	2/8/2008	33,332	33,332	\$ 1.00(4)	
and American Broadband Holding Company	services	Senior subordinated loan (\$8,411 par due 11/2014)	18.00% (10.00% Cash, 8.00% PIK)	11/7/2007	8,411	8,411	\$ 1.00(4)	
		Warrants to purchase 170 shares		11/7/2007			\$ (5)	
					41,743	41,743		3.83%

**Cargo Transport**

The Kenan Advantage Group, Inc.	Fuel transportation provider	Senior subordinated notes (\$25,451 par due 12/2013)	9.50% Cash, 3.50% PIK	12/15/2005	25,451	24,433	\$ 0.96(2)(4)	
		Senior secured loan (\$2,413 par due 12/2011)	3.06% (Libor + 2.75%/M)	12/15/2005	2,413	2,244	\$ 0.93(3)	
		Preferred stock (10,984 shares)		12/15/2005	1,098	1,459	\$ 132.83(4)(5)	
		Common stock (30,575 shares)		12/15/2005	31	41	\$ 1.34(5)	
					28,993	28,177		2.59%

**Containers-Packaging**

Industrial Container Services, LLC(6)	Industrial container manufacturer, reconditioner and servicer	Senior secured revolving loan (\$1,033 par due 9/2011)	4.32% (Libor + 4.00%/M)	6/21/2006	1,033	981	\$ 0.95	
		Senior secured revolving loan (\$578 par due 9/2011)	5.75% (Base Rate + 2.50%/D)	6/21/2006	578	549	\$ 0.95	
		Senior secured loan (\$455 par due 9/2011)	4.31% (Libor + 4.00%/M)	6/21/2006	455	432	\$ 0.95(2)	
		Senior secured loan (\$6,972 par due 9/2011)	4.31% (Libor + 4.00%/M)	6/21/2006	6,972	6,623	\$ 0.95(3)	
		Senior secured loan (\$79 par due 9/2011)	4.32% (Libor + 4.00%/M)	6/21/2006	79	75	\$ 0.95(2)	
		Senior secured loan (\$1,214 par due 9/2011)	4.32% (Libor + 4.00%/M)	6/21/2006	1,214	1,154	\$ 0.95(3)	
		Senior secured loan (\$244 par due 9/2011)	4.32% (Libor + 4.00%/M)	6/21/2006	244	232	\$ 0.95(2)	
		Senior secured loan (\$3,738 par due 9/2011)	4.32% (Libor + 4.00%/M)	6/21/2006	3,738	3,551	\$ 0.95(3)	
				6/21/2006	98	93	\$ 0.95(2)	

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Senior secured loan (\$98 par due 9/2011)	4.32% (Libor + 4.00%/M)					
Senior secured loan (\$1,495 par due 9/2011)	4.32% (Libor + 4.00%/M)	6/21/2006	1,495	1,420	\$	0.95(3)
Common stock (1,800,000 shares)		9/29/2005	1,800	9,100	\$	5.06(5)
			17,706	24,210		2.22%

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Computers and Electronics</b>								
RedPrairie Corporation	Software manufacturer	Junior secured loan (\$3,300 par due 1/2013)	7.51% (Libor + 6.50%/Q)	7/13/2006	3,300	3,069	\$ 0.93(2)	
		Junior secured loan (\$12,000 par due 1/2013)	7.51% (Libor + 6.50%/Q)	7/13/2006	12,000	11,160	\$ 0.93(3)	
TZ Merger Sub, Inc.	Computers and Electronics	Senior secured loan (\$4,842 par due 07/2015)	7.50% (Libor + 4.50%/Q)	6/15/2009	4,735	4,746	\$ 0.98(2)(15)	
X-rite, Incorporated	Artwork software	Junior secured loan (\$3,097 par due 7/2013)	13.63% (Libor + 10.38%/Q)	7/6/2006	3,097	3,097	\$ 1.00(15)	
	manufacturer	Junior secured loan (\$7,743 par due 7/2013)	13.63% (Libor + 10.38%/Q)	7/6/2006	7,743	7,743	\$ 1.00(3)(15)	
		Junior secured loan (\$1 par due 7/2013)	14.38% (Libor + 10.38%/D)	7/6/2006	1	1	\$ 1.00(15)	
		Junior secured loan (\$1 par due 7/2013)	14.38% (Libor + 10.38%/D)	7/6/2006	1	1	\$ 1.00(3)(15)	
					30,877	29,817		2.74%
<b>Health Clubs</b>								
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$1,000 par due 10/2013)	4.81% (Libor + 4.50%/M)	10/11/2007	1,000	880	\$ 0.88(13)	
		Senior secured loan (\$1,750 par due 10/2013)	4.82% (Libor + 4.50%/M)	10/11/2007	1,750	1,540	\$ 0.88(13)	
		Senior secured loan (\$12,451 par due 10/2013)	4.81% (Libor + 4.50%/M)	10/11/2007	12,451	10,957	\$ 0.88(2)(13)	
		Senior secured loan (\$11,455 par due 10/2013)	4.81% (Libor + 4.50%/M)	10/11/2007	11,455	10,081	\$ 0.88(3)(13)	
		Senior secured loan (\$49 par due 10/2013)	7.75% (Base Rate + 4.50%/D)	10/11/2007	49	43	\$ 0.88(2)(13)	
		Senior secured loan (\$45 par due 10/2013)	7.75% (Base Rate + 4.50%/D)	10/11/2007	45	39	\$ 0.88(3)(13)	
					26,750	23,540		2.16%
<b>Grocery</b>								
Planet Organic Health Corp.(8)	Organic grocery store operator	Junior secured loan (\$840 par due 7/2014)	7.81% (Libor + 7.50%/M)	7/3/2007	840	798	\$ 0.95	
		Junior secured loan (\$10,014 par due 7/2014)	7.81% (Libor + 7.50%/M)	7/3/2007	10,014	9,514	\$ 0.95(3)	
		Senior subordinated loan (\$11,250 par due 7/2012)	11.00% Cash, 2.00% PIK	7/3/2007	11,250	9,563	\$ 0.85(2)(4)	
					22,104	19,875		1.83%
<b>Consumer Products Durable</b>								
Direct Buy Holdings, Inc. and	Membership-based buying	Senior secured loan (\$2,281 par due 11/2012)	6.82% (Libor + 6.50%/M)	12/14/2007	2,189	1,710	\$ 0.75	
Direct Buy Investors, LP(6)	club franchisor and operator	Partnership interests (19.31% interest)		11/30/2007	10,000	2,500		(5)
					12,189	4,210		0.39%

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Housing Building Materials								
HB&G Building Products	Synthetic and wood product manufacturer	Senior subordinated loan (\$8,956 par due 3/2011)	14.00% Cash, 2.00% PIK	10/8/2004	9,005	448	\$	0.05(2)(4)(14)
		Common stock (2,743 shares)		10/8/2004	753		\$	(5)
		Warrants to purchase 4,464 shares		10/8/2004	653		\$	(5)
					10,411	448		0.04%
					\$2,272,976	\$1,962,471		

(1) Other than our investments in HCP Acquisition Holdings, LLC, Ivy Hill Middle Market Credit Fund, Ltd., LVCG Holdings LLC, R3 Education, Inc., Reflexite Corporation and The Thymes, LLC, we do not "Control" any of our portfolio companies, as defined in the Investment Company Act. In general, under the Investment Company Act, we would "Control" a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments are subject to legal restrictions on sales which as of June 30, 2009 represented 180% of the Company's net assets.

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- (2) These assets are owned by the Company's wholly owned subsidiary Ares Capital CP, are pledged as collateral for the CP Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the CP Funding Facility (see Note 7 to the consolidated financial statements). Unless otherwise noted, as of June 30, 2009, all other investments were pledged as collateral for the Revolving Credit Facility (see Note 7 to the consolidated financial statements).
- (3) Pledged as collateral for the ARCC CLO. Unless otherwise noted, as of June 30, 2009, all other investments were pledged as collateral for the Revolving Credit Facility (see Note 7 to the consolidated financial statements).
- (4) Has a payment-in-kind interest feature (see Note 2 to the consolidated financial statements).
- (5) Non-income producing at June 30, 2009.
- (6) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the six months ended June 30, 2009 in which the issuer was an Affiliate (but not a portfolio company that we "Control") are as follows (in thousands):

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend Income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
Apple & Eve, LLC and US Juice Partners, LLC	\$ 4,500	\$ 12,730	\$	\$ 2,525	\$	\$	\$ 13	\$	\$ 8,236
Carador, PLC	\$	\$	\$	\$	\$	\$ 137	\$	\$	\$ (2,667)
Campus Management Corp. and Campus Management Acquisition Corp.	\$	\$ 2,309	\$ 15,000	\$ 3,143	\$	\$	\$ 33	\$ (482)	\$
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$	\$	\$ 516	\$	\$	\$	\$	\$ (371)
Direct Buy Holdings, Inc. and Direct Buy Investors LP	\$	\$	\$	\$ 58	\$	\$	\$	\$	\$ (4,000)
Firstlight Financial Corporation	\$	\$	\$	\$ 2,613	\$	\$	\$ 1,317	\$	\$ (11,009)
Imperial Capital Group, LLC	\$ 206	\$	\$	\$	\$	\$	\$	\$	\$
Industrial Container Services, LLC	\$ 4,750	\$ 7,142	\$	\$ 373	\$	\$	\$ 80	\$	\$ (795)
Investor Group Services, LLC	\$	\$ 750	\$	\$	\$	\$	\$ 12	\$	\$
Making Memories Wholesale, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ (258)
Pillar Holdings LLC and PHL Holding Co.	\$	\$ 2,692	\$	\$ 1,474	\$	\$	\$ 16	\$	\$ 945
Primis Marketing Group, Inc. and Primis Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
R3 Education, Inc.	\$ 13,000	\$ 17,075	\$	\$ 549	\$	\$	\$ 14	\$	\$ 86
Universal Trailer Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
Wastequip, Inc.	\$	\$	\$	\$ 777	\$	\$	\$	\$	\$ (2,651)
Wear Me Apparel, LLC	\$	\$	\$	\$ 75	\$	\$	\$	\$	\$ 1,212

- (7) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). In addition, as defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the six months ended June 30, 2009 in which the issuer was both an Affiliate and a portfolio company that we Control are as follows (in thousands):

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend Income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
HCP Acquisition Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (375)
Ivy Hill Asset Management, LP	\$ 3,816	\$	\$	\$	\$	\$	\$	\$	\$ 8,000
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$ 188	\$	\$ 3,017	\$	\$	\$ 1,236	\$	\$
LVCG Holdings, LLC	\$	\$	\$	\$	\$	\$	\$ 50	\$	\$ (4,540)
R3 Education, Inc.	\$ 15,613	\$ 5,437	\$	\$ 506	\$	\$	\$ 17	\$	\$ (36)

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Reflexite Corporation	\$ 7,800	\$	\$2,000	\$ 1,321	\$ 194	\$	\$ 71	\$	\$ (10,603)
The Thymes, LLC	\$	\$	\$	\$ 249	\$	\$	\$	\$	\$ 628

- (8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (9) Non-registered investment company.
- (10) A majority of the variable rate loans to our portfolio companies bear interest at a rate that may be determined by reference to either Libor or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, we have provided the interest rate in effect at June 30, 2009.
- (11) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$20.3 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.
- (12) Principal amount denominated in Canadian dollars has been translated into U.S. dollars (see Note 2 to the consolidated financial statements).



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- (13) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$25.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.
- (14) Loan was on non-accrual status as of June 30, 2009.
- (15) Loan includes interest rate floor feature.
- (16) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.98% on \$15.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

See accompanying notes to consolidated financial statements.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**As of December 31, 2008**  
**(dollar amounts in thousands, except per unit data)**

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Healthcare Services</b>								
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (\$1,443 par due 12/2010)	4.72% (Libor + 3.25%/Q)	12/14/2005	\$ 1,443	\$ 1,399	\$ 0.97(3)	
		Senior secured loan (\$180 par due 12/2010)	5.00% (Base Rate + 1.75%/D)	12/14/2005	180	175	\$ 0.97(3)	
		Senior secured loan (\$5,705 par due 12/2011)	4.72% (Libor + 3.25%/Q)	12/14/2005	5,705	5,534	\$ 0.97(3)	
		Senior secured loan (\$34 par due 12/2011)	5.00% (Base Rate + 1.75%/D)	12/14/2005	34	33	\$ 0.97(3)	
		Senior secured loan (\$262 par due 12/2011)	4.72% (Libor + 3.25%/Q)	12/14/2005	262	254	\$ 0.97(3)	
		Senior secured loan (\$2,620 par due 12/2011)	7.30% (Libor + 3.25%/Q)	12/14/2005	2,620	2,541	\$ 0.97(3)	
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (\$70,000 par due 2/2016)	13.00%	2/29/2008	70,000	63,000	\$ 0.90	
		Junior secured loan (\$25,000 par due 2/2016)	13.00%	2/29/2008	25,000	22,500	\$ 0.90(2)	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(6)	Healthcare analysis services	Preferred stock (7,427 shares)	14.00% PIK	6/15/2007	7,427	7,427	\$ 1,000.00(4)	
		Common stock (9,679 shares)		6/15/2007	4,000	5,382	\$ 556.05(5)	
		Common stock (1,546 shares)		6/15/2007			\$ (5)	
DSI Renal, Inc.	Dialysis provider	Senior secured revolving loan (\$142 par due 3/2013)	6.25% (Base Rate + 3.00%/D)	4/4/2006	142	127	\$ 0.89	
		Senior secured revolving loan (\$3,520 par due 3/2013)	3.47% (Libor + 3.00%/M)	4/4/2006	3,520	3,168	\$ 0.90	
		Senior secured revolving loan (\$1,120 par due 3/2013)	3.47% (Libor + 3.00%/M)	4/4/2006	1,120	1,008	\$ 0.90	
		Senior secured revolving loan (\$1,152 par due 3/2013)	4.50% (Libor + 3.00%/Q)	4/4/2006	1,152	1,037	\$ 0.90	
		Senior secured revolving loan (\$1,600 par due 3/2013)	4.50% (Libor + 3.00%/Q)	4/4/2006	1,600	1,440	\$ 0.90	
		Senior subordinated note (\$29,589 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/2006	29,658	21,896	\$ 0.74(4)	
		Senior subordinated note (\$26,927 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/2006	26,971	19,847	\$ 0.73(2)(4)	
		Senior subordinated note (\$12,211 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/2006	12,231	9,036	\$ 0.74(3)(4)	
GG Merger Sub I, Inc.	Drug testing services	Senior secured loan (\$23,330 par due 12/2014)	7.09% (Libor + 4.00%/S)	12/14/2007	22,426	18,938	\$ 0.81	
HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Class A units (8,566,824 units)		6/26/2008	8,567	6,500	\$ 0.76(5)	

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Heartland Dental Care, Inc.	Dental services	Senior subordinated note (\$40,217 par due 8/2013)	11.00% Cash, 3.25% PIK	7/31/2008	40,217	40,217	\$	1.00(4)
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Junior secured loan (\$20,000 par due 1/2014)	9.19% (Libor + 6.25%/S)	1/31/2007	20,000	7,000	\$	0.35
		Junior secured loan (\$12,000 par due 1/2014)	9.19% (Libor + 6.25%/S)	1/31/2007	12,000	4,200	\$	0.35(3)
		Common stock (50,000 shares)		1/31/2007	5,000		\$	(5)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (\$5,000 par due 5/2012)	8.13% (Libor + 6.25%/M)	5/3/2007	5,000	4,250	\$ 0.85(3)	
OnCURE Medical Corp.	Radiation oncology care	Senior subordinated note (\$32,176 par due 8/2013)	11.00% Cash, 1.50% PIK	8/18/2006	32,176	28,935	\$ 0.90(4)	
	provider	Senior secured loan (\$3,083 par due 8/2009)	4.75% (Libor + 3.50%/M)	8/18/2006	3,083	3,000	\$ 0.97(3)	
		Common stock (857,143 shares)		8/18/2006	3,000	2,713	\$ 3.17(5)	
Passport Health Communications, Inc.	Healthcare technology	Senior secured loan (\$12,935 par due 5/2014)	10.50% (Libor + 7.50%/S)	5/9/2008	12,935	12,671	\$ 0.98(15)	
Passport Holding Corp. and Prism Holding Corp.	provider	Senior secured loan (\$11,940 par due 5/2014)	10.50% (Libor + 7.50%/S)	5/9/2008	11,940	11,701	\$ 0.98(3)(15)	
		Series A preferred stock (1,594,457 shares)		7/30/2008	9,900	9,902	\$ 6.21(5)	
		Common stock (16,106 shares)		7/30/2008	100	100	\$ 6.21(5)	
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated loan (\$5,000 par due 3/2016)	12.50%	3/12/2008	4,901	4,750	\$ 0.95	
		Preferred stock (333 shares)		3/12/2008	333	333	\$ 1,000.00(5)	
		Common stock (16,667 shares)		3/12/2008	167	167	\$ 10.00(5)	
The Schumacher Group of Delaware, Inc.	Outsourced physician service provider	Senior subordinated loan (\$35,849 par due 7/2012)	11.00% Cash, 2.50% PIK	7/18/2008	35,849	35,849	\$ 1.00(4)	
Triad Laboratory Alliance, LLC	Laboratory services	Senior subordinated note (\$15,354 par due 12/2012)	12.00% Cash, 1.75% PIK	12/21/2005	15,354	14,894	\$ 0.97(4)	
		Senior secured loan (\$2,473 par due 12/2011)	4.71% (Libor + 3.25%/Q)	12/21/2005	2,473	2,201	\$ 0.89(3)	
VOTC Acquisition Corp.	Radiation oncology care	Senior secured loan (\$3,068 par due 7/2012)	11.00% Cash, 2.00% PIK	6/30/2008	3,068	3,068	\$ 1.00(4)	
	provider	Senior secured loan (\$14,000 par due 7/2012)	11.00% Cash, 2.00% PIK	6/30/2008	14,000	14,000	\$ 1.00(4)	
		Series E preferred shares (3,888,222 shares)		7/14/2008	8,749	6,561	\$ 1.69(5)	
					464,303	397,754		36.33%
<b>Education</b>								
Campus Management Corp. and Campus Management Corp.(6)	Education software developer	Senior secured revolving loan (\$2,309 par due 8/2013)	13.00%	2/8/2008	2,309	2,309	\$ 1.00	
		Senior secured loan (\$19,924 par due 8/2013)	13.00%	2/8/2008	19,924	19,924	\$ 1.00	
		Senior secured loan (\$25,108 par due 8/2013)	13.00%	2/8/2008	25,108	25,108	\$ 1.00(2)	

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		Senior secured loan (\$12,019 par due 8/2013)	13.00%	2/8/2008	12,019	12,019	\$ 1.00
		Preferred stock (493,147 shares)	8.00% PIK	2/8/2008	8,952	12,000	\$ 24.33(4)
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$242 par due 11/2012)	5.45% (Libor + 3.25%/Q)	11/30/2006	243	219	\$ 0.90(3)
		Junior secured loan (\$8,333 par due 11/2013)	7.47% (Libor + 7.00%/M)	11/30/2006	8,333	7,500	\$ 0.90(3)
Instituto de Banca y Comercio, Inc.(8)	Private school operator	Senior secured revolving loan (\$1,643 par due 3/2014)	5.00% (Libor + 3.00%/Q)	3/15/2007	1,643	1,643	\$ 1.00
		Senior secured loan (\$7,500 par due 3/2014)	8.42% (Libor + 5.00%/Q)	3/15/2007	7,500	7,500	\$ 1.00
		Senior secured loan (\$7,266 par due 3/2014)	8.42% (Libor + 5.00%/Q)	3/15/2007	7,266	7,266	\$ 1.00

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$4,987 par due 3/2014)	8.42% (Libor + 5.00%/Q)	3/15/2007	4,987	4,987	\$ 1.00(2)	
		Senior secured loan (\$11,820 par due 3/2014)	8.42% (Libor + 5.00%/Q)	3/15/2007	11,820	11,820	\$ 1.00(3)	
		Senior subordinated loan (\$19,641 par due 6/2014)	10.50% Cash, 3.50% PIK	6/4/2008	19,641	19,641	\$ 1.00(4)	
		Promissory note (\$429 par due 9/2015)	6.00%	6/4/2008	429	1,714	\$ 4.00	
		Preferred stock (214,286 shares)		6/4/2008	1,018	4,072	\$ 19.00(5)	
		Common stock (214,286 shares)		6/4/2008	54	214	\$ 1.00(5)	
Lakeland Finance, LLC	Private school operator	Senior secured note (\$18,000 par due 12/2012)	11.50%	12/13/2005	18,000	16,920	\$ 0.94	
		Senior secured note (\$15,000 par due 12/2012)	11.50%	12/13/2005	15,000	14,100	\$ 0.94(2)	
R3 Education, Inc. (formerly known as Equinox EIC)	Medical school operator	Senior secured revolving loan (\$3,850 par due 12/2012)	8.25% (Base Rate + 5.00%/D)	4/3/2007	3,850	3,773	\$ 0.98	
Partners, LLC and MUA Management Company, Ltd.)(7)(8)		Senior secured revolving loan (\$1,250 par due 12/2012)	8.25% (Base Rate + 5.00%/D)	4/3/2007	1,250	1,225	\$ 0.98	
		Senior secured loan (\$3,024 par due 12/2012)	6.46% (Libor + 6.00%/M)	4/3/2007	3,024	2,963	\$ 0.98(2)	
		Senior secured loan (\$14,113 par due 12/2012)	6.46% (Libor + 6.00%/M)	9/21/2007	14,113	13,830	\$ 0.98(2)	
		Senior secured loan (\$7,350 par due 12/2012)	9.09% (Libor + 6.00%/S)	4/3/2007	7,350	7,203	\$ 0.98(3)	
		Common membership interest (26.27% interest)		9/21/2007	15,800	20,785	(5)	
		Preferred stock (800 shares)			200	200	\$ 250.00(5)	
					209,833	218,935		20.00%
<b>Restaurants and Food Services</b>								
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$1,381 par due 11/2013)	5.75% (Base Rate + 2.50%/D)	11/27/2006	1,381	1,313	\$ 0.95	
		Senior secured revolving loan (\$2,005 par due 11/2013)	6.61% (Libor + 3.00% Cash, 0.50% PIK/S)	11/27/2006	2,005	1,905	\$ 0.95(4)	
		Senior secured loan (\$2 par due 11/2012)	12.00% (Base Rate + 7.5%/D)	11/27/2006	2	2	\$ 1.00	
		Senior secured loan (\$1 par due 11/2012)	12.00% (Base Rate + 7.5%/D)	11/27/2006	1	1	\$ 1.00(3)	
		Senior secured loan (\$22,656 par due 11/2012)	11.61% (Libor + 7.50% Cash, 1.00% PIK/S)	11/27/2006	22,912	21,520	\$ 0.94(4)	
		Senior secured loan (\$992 par due 11/2012)	11.61% (Libor + 7.50% Cash, 1.00% PIK/S)	11/27/2006	992	942	\$ 0.95(2)(4)	
		Senior secured loan (\$11,081 par due 11/2012)	11.61% (Libor + 7.50% Cash, 1.00% PIK/S)	11/27/2006	11,075	10,529	\$ 0.95(3)(4)	

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		11/2012)						
		Promissory note	10.00% PIK	6/1/2006	12,067	12,067	\$	1.00(4)
		(\$12,079 par due 11/2016)						
		Warrants to purchase 0.61 shares		6/1/2006			\$	(5)
Encanto Restaurants, Inc.(8)	Restaurant owner and	Junior secured loan (\$21,184 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/2006	21,184	19,084	\$	0.90(2)(4)
	operator	Junior secured loan (\$4,035 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/2006	4,035	3,635	\$	0.90(3)(4)
OTG Management, Inc.	Airport restaurant operator	Junior secured loan (\$15,312 par due 6/2013)	18.00% (Libor + 11.00% Cash, 4.00% PIK/M)	6/19/2008	15,312	15,312	\$	1.00(4)(15)
		Warrants to purchase up to 9 shares of common stock					\$	(5)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Vistar Corporation and Wellspring	Food service distributor	Senior subordinated loan (\$48,625 par due 5/2015)	13.50%	5/23/2008	48,625	46,680	\$ 0.96	
Distribution Corp.		Senior subordinated loan (\$25,000 par due 5/2015)	13.50%	5/23/2008	25,000	24,000	\$ 0.96(2)	
		Class A non-voting common stock (1,366,120 shares)		5/23/2008	7,500	3,500	\$ 2.56(5)	
					172,091	160,490		14.66%
<b>Beverage, Food and Tobacco</b>								
3091779 Nova Scotia Inc.(8)	Baked goods manufacturer	Junior secured loan (Cdn\$14,058 par due 11/2012)	11.50% Cash, 1.50% PIK	11/2/2007	14,904	10,961	\$ 0.74(4)(12)	
		Warrants to purchase 57,545 shares					\$ (5)	
Apple & Eve, LLC and US Juice Partners, LLC(6)	Juice manufacturer	Senior secured revolving loan (\$8,000 par due 10/2013)	7.90% (Libor + 6.00%/M)	10/5/2007	8,000	6,400	\$ 0.80	
		Senior secured loan (\$10,637 par due 10/2013)	6.47% (Libor + 6.00%/M)	10/5/2007	10,637	8,509	\$ 0.80	
		Senior secured loan (\$19,976 par due 10/2013)	6.47% (Libor + 6.00%/M)	10/5/2007	19,976	15,981	\$ 0.80(2)	
		Senior secured loan (\$10,805 par due 10/2013)	6.47% (Libor + 6.00%/M)	10/5/2007	10,805	8,644	\$ 0.80(3)	
		Senior units (50,000 units)		10/5/2007	5,000	2,500	\$ 50.00(5)	
Best Brands Corporation	Baked goods manufacturer	Senior secured loan (\$10,971 par due 12/2012)	10.43% (Libor + 4.50% Cash, 4.50% PIK/M)	2/15/2008	9,501	9,326	\$ 0.86(4)	
		Junior secured loan (\$4,319 par due 6/2013)	10.00% Cash, 8.00% PIK	12/14/2006	4,307	3,883	\$ 0.90(4)	
		Junior secured loan (\$26,400 par due 6/2013)	10.00% Cash, 8.00% PIK	12/14/2006	26,308	23,729	\$ 0.90(2)(4)	
		Junior secured loan (\$12,201 par due 6/2013)	10.00% Cash, 8.00% PIK	12/14/2006	12,164	10,969	\$ 0.90(3)(4)	
Bumble Bee Foods, LLC and BB Co-Invest LP	Canned seafood manufacturer	Senior subordinated loan (\$40,706 par due 11/2018)	16.25% (12.00% Cash, 4.25% Optional PIK)	11/18/2008	40,706	40,706	\$ 1.00(4)	
		Common stock (4,000 shares)		11/18/2008	4,000	4,000	\$ 1,000.00(5)	
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated note (\$5,547 par due 2/2013)	12.00% PIK	2/6/2008	5,547	5,547	\$ 1.00(2)(4)	
		Preferred stock (6,258 shares)		9/1/2006	2,500	2,500	\$ 399.49(5)	
					174,355	153,655		14.03%
<b>Services Other</b>								
American Residential Services, LLC	Plumbing, heating and air-conditioning services	Junior secured loan (\$20,201 par due 4/2015)	10.00% Cash, 2.00% PIK	4/17/2007	20,201	18,180	\$ 0.90(2)(4)	
Diversified Collection	Collections services	Senior secured loan (\$11,809 par due)	8.50% (Libor + 5.75%/M)	2/2/2005	9,715	11,219	\$ 0.95	



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Services, Inc.		8/2011)					
		Senior secured loan (\$4,203 par due 8/2011)	8.50% (Libor + 5.75%/M)	2/2/2005	4,209	3,993	\$ 0.95(3)
		Senior secured loan (\$1,837 par due 2/2011)	11.25% (Libor + 8.50%/M)	2/2/2005	1,837	1,653	\$ 0.90(2)
		Senior secured loan (\$7,125 par due 8/2011)	11.25% (Libor + 8.50%/M)	2/2/2005	7,125	6,412	\$ 0.90(3)
		Preferred stock (14,927 shares)		5/18/2006	169	109	\$ 7.30(5)
		Common stock (114,004 shares)		2/2/2005	295	414	\$ 3.63(5)
GCA Services Group, Inc.	Custodial services	Senior secured loan (\$25,000 par due 12/2011)	12.00%	12/15/2006	25,000	25,000	\$ 1.00(2)
		Senior secured loan (\$2,965 par due 12/2011)	12.00%	12/15/2006	2,965	2,965	\$ 1.00

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$11,186 par due 12/2011)	12.00%	12/15/2006	11,186	11,186	\$ 1.00(3)	
Growing Family, Inc. and GFH Holdings, LLC	Photography services	Senior secured revolving loan (\$1,513 par due 8/2011)	11.34% (Libor + 3.00% Cash, 4.00% PIK/Q)	3/16/2007	1,513	756	\$ 0.50(4)	
		Senior secured loan (\$11,188 par due 8/2011)	13.84% (Libor + 3.50% Cash, 6.00% PIK/Q)	3/16/2007	11,188	5,594	\$ 0.50(4)	
		Senior secured loan (\$372 par due 8/2011)	5.25% (Libor + 3.50% Cash, 6.00% PIK/Q)	3/16/2007	372	186	\$ 0.50	
		Senior secured loan (\$3,575 par due 8/2011)	16.34% (Libor + 6.00% Cash, 6.00% PIK/Q)	3/16/2007	3,575	1,788	\$ 0.50(4)	
		Senior secured loan (\$147 par due 8/2011)	15.50% (Libor + 6.00% Cash, 6.00% PIK/Q)	3/16/2007	147	74	\$ 0.50(4)	
		Common stock (552,430 shares)		3/16/2007	872		\$ (5)	
NPA Acquisition, LLC	Powersport vehicle auction operator	Junior secured loan (\$12,000 par due 2/2013)	8.58% (Libor + 6.75%/M)	8/23/2006	12,000	12,000	\$ 1.00(3)	
		Common units (1,709 shares)		8/23/2006	1,000	2,300	\$ 1,345.82(5)	
Web Services Company, LLC	Laundry service and equipment provider	Senior subordinated loan (\$17,764 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	17,764	17,231	\$ 0.97(4)	
		Senior subordinated loan (\$25,160 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	25,160	24,330	\$ 0.97(2)(4)	
					156,293	145,390		13.28%
<b>Financial</b>								
Carador PLC(6)(8)(9)	Investment company	Ordinary shares (7,110,525 shares)		12/15/2006	9,033	4,266	\$ 0.60(5)	
CIC Flex, LP(9)	Investment partnership	Limited partnership units (1 unit)		9/7/2007	28	28	\$ 28,000.00(5)	
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47% interest)		6/17/2008	1,059	1,059	(5)	
Firstlight Financial Corporation(6)(9)	Investment company	Senior subordinated loan (\$69,910 par due 12/2016)	10.00% PIK	12/31/2006	69,910	62,919	\$ 0.90(4)	
		Common stock (10,000 shares)		12/31/2006	10,000	0	\$ (5)	
		Common stock (30,000 shares)		12/31/2006	30,000	0	\$ (5)	
Ivy Hill Middle Market Credit Fund, Ltd.(7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	8.15% (Libor + 6.00%/Q)	11/20/2007	40,000	36,000	\$ 0.90	
		Subordinated notes (\$16,000 par due 11/2018)		11/20/2007	16,000	14,400	\$ 0.90(5)	
Imperial Capital Group, LLC and Imperial Capital Private	Investment banking services	Limited partnership interest (80% interest)		5/10/2007	584	584	\$ 1.00(5)	
		Common units (7,710 units)		5/10/2007	14,997	14,997	\$ 1,945.14(5)	
		Common units (2,526 units)		5/10/2007	3	3	\$ 1.19(5)	
		Common units (315 units)		5/10/2007			\$ (5)	
Partnership Growth Fund I, LP(9)	Investment partnership	Limited partnership interest (25% interest)		6/16/2006	2,384	2,384	(5)	
				6/5/2008	723	723	(5)	

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Trivergance Capital Partners, LP(9)	Investment partnership	Limited partnership interest (100% interest)						
VSC Investors LLC(9)	Investment company	Membership interest (4.63% interest)		1/24/2008	302	302		(5)
					195,023	137,665		12.57%

**Business Services**

Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior secured loan (\$748 par due 7/2015)	7.50% (Libor + 4.50%/S)	7/31/2008	733	658	\$	0.88(3)
		Senior subordinated loan (\$22,400 par due 7/2016)	11.00% Cash, 2.00% PIK	7/31/2008	22,177	19,040	\$	0.85(2)(4)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Investor Group Services, LLC(6)	Financial services	Senior secured revolving loan (\$750 par due 6/2011)	6.97% (Libor + 5.50%/Q)	6/22/2006	750	750	\$ 1.00	
		Limited liability company membership interest (10.00% interest)		6/22/2006		500	\$ 5,000.00(5)	
Pillar Holdings LLC and PHL Holding Co.(6)	Mortgage services	Senior secured revolving loan (\$375 par due 11/2013)	7.53% (Libor + 5.50%/B)	11/20/2007	375	375	\$ 1.00	
		Senior secured revolving loan (\$938 par due 11/2013)	7.53% (Libor + 5.50%/B)	11/20/2007	938	938	\$ 1.00	
		Senior secured loan (\$7,375 par due 5/2014)	14.50%	7/31/2008	7,375	7,375	\$ 1.00	
		Senior secured loan (\$18,709 par due 11/2013)	7.53% (Libor + 5.50%/B)	11/20/2007	18,709	18,709	\$ 1.00(2)	
		Senior secured loan (\$11,678 par due 11/2013)	7.53% (Libor + 5.50%/B)	11/20/2007	11,678	11,678	\$ 1.00(3)	
		Common stock (85 shares)		11/20/2007	3,768	5,267	\$61,964.71(5)	
Primis Marketing Group, Inc. and Primis Holdings, LLC(6)	Database marketing services	Senior subordinated note (\$10,222 par due 2/2013)	11.00% Cash, 2.50% PIK	8/24/2006	10,222	1,022	\$ 0.10(4)(14)	
		Preferred units (4,000 units)		8/24/2006	3,600		\$ (5)	
		Common units (4,000,000 units)		8/24/2006	400		\$ (5)	
Prommis Solutions, LLC,	Bankruptcy and foreclosure processing services	Senior subordinated note (\$26,007 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	26,007	24,713	\$ 0.95(4)	
E-Default Services, LLC,		Senior subordinated note (\$26,109 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	26,109	24,810	\$ 0.95(2)(4)	
Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.)		Preferred stock (30,000 shares)		4/11/2006	3,000	4,000	\$ 133.33(5)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	250	\$ 1.00(5)	
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$10,000 par due 11/2013)	9.47% (Libor + 7.00%/M)	8/3/2007	10,000	6,000	\$ 0.60(3)	
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,000	6,000	(5)	
					156,091	132,085		12.06%
<b>Retail</b>								
Apogee Retail, LLC	For-profit thrift retailer	Senior secured revolving loan (\$390 par due 3/2012)	7.25% (Base Rate + 4.00%/D)	3/27/2007	390	390	\$ 1.00	
		Senior secured loan (\$10,960 par due 11/2012)	12.00% Cash, 4.00% PIK	5/28/2008	10,960	10,960	\$ 1.00(4)	

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		Senior secured loan (\$2,307 par due 3/2012)	8.71% (Libor + 5.25%/S)	3/27/2007	2,307	2,053	\$	0.89
		Senior secured loan (\$24,637 par due 3/2012)	8.71% (Libor + 5.25%/S)	3/27/2007	24,637	21,927	\$	0.89(2)
		Senior secured loan (\$11,790 par due 3/2012)	8.71% (Libor + 5.25%/S)	3/27/2007	11,790	10,493	\$	0.89(3)
		Senior secured loan (\$4,876 par due 3/2012)	7.64% (Libor + 5.25%/Q)	3/27/2007	4,876	4,340	\$	0.89
Dufry AG(8)	Retail newstand operator	Common stock (39,056 shares)		3/28/2008	3,000	1,050	\$	26.88(5)
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note (\$6,000 par due 8/2014)	10.00% Cash, 2.00% PIK	8/8/2006	6,000	5,700	\$	0.95(4)
		Senior subordinated note (\$22,000 par due 8/2014)	10.00% Cash, 2.00% PIK	8/8/2006	22,000	20,900	\$	0.95(2)(4)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Common stock (1,170,182 shares)		8/8/2006	4,500	5,301	\$ 4.53(5)	
Things Remembered, Inc.	Personalized gifts retailer	Senior secured loan (\$4,506 par due 9/2012)	7.00% (Base Rate + 3.75%/D)	9/28/2006	4,506	3,470	\$ 0.77(3)	
and TRM Holdings Corporation		Senior secured loan (\$25,192 par due 9/2012)	15.00% (Base Rate + 9.75%/D)	9/28/2006	25,189	18,651	\$ 0.74(2)	
		Senior secured loan (\$3,095 par due 9/2012)	15.00% (Base Rate + 9.75%/D)	9/28/2006	3,094	2,291	\$ 0.74	
		Senior secured loan (\$7,273 par due 9/2012)	15.00% (Base Rate + 9.75%/D)	9/28/2006	7,273	5,385	\$ 0.74(3)	
		Preferred stock (80 shares)		9/28/2006	1,800		\$ (5)	
		Common stock (800 shares)		9/28/2006	200		\$ (5)	
					132,522	112,911		10.31%
<b>Environmental Services</b>								
AWTP, LLC	Water treatment services	Junior secured loan (\$402 par due 12/2012)	8.97% (Libor + 7.50% Cash, 1.00% PIK/Q)	12/23/2005	402	322	\$ 0.80(4)	
		Junior secured loan (\$3,018 par due 12/2012)	8.97% (Libor + 7.50% Cash, 1.00% PIK/Q)	12/23/2005	3,018	2,414	\$ 0.80(3)(4)	
		Junior secured loan (\$805 par due 12/2012)	11.48% (Libor + 7.50% Cash, 1.00% PIK/A)	12/23/2005	805	644	\$ 0.80(4)	
		Junior secured loan (\$6,036 par due 12/2012)	11.48% (Libor + 7.50% Cash, 1.00% PIK/A)	12/23/2005	6,036	4,829	\$ 0.80(3)(4)	
		Junior secured loan (\$402 par due 12/2012)	9.35% (Libor + 7.50% Cash, 1.00% PIK/A)	12/23/2005	402	322	\$ 0.80(4)	
		Junior secured loan (\$3,018 par due 12/2012)	9.35% (Libor + 7.50% Cash, 1.00% PIK/A)	12/23/2005	3,018	2,414	\$ 0.80(3)(4)	
Mactec, Inc.	Engineering and environmental services	Class B-4 stock (16 shares)		11/3/2004			\$ 27.00(5)	
		Class C stock (5,556 shares)		11/3/2004		150	\$ 27.00(5)	
Sigma International Group, Inc.	Water treatment parts manufacturer	Junior secured loan (\$1,833 par due 10/2013)	9.55% (Libor + 7.50%/Q)	10/11/2007	1,833	1,558	\$ 0.85(2)	
		Junior secured loan (\$4,000 par due 10/2013)	9.55% (Libor + 7.50%/Q)	10/11/2007	4,000	3,400	\$ 0.85(3)	
		Junior secured loan (\$2,750 par due 10/2013)	7.97% (Libor + 7.50/M)	11/1/2007	2,750	2,338	\$ 0.85(2)	
		Junior secured loan (\$6,000 par due 10/2013)	7.97% (Libor + 7.50/M)	11/1/2007	6,000	5,100	\$ 0.85(3)	
		Junior secured loan (\$917 par due 10/2013)	9.40% (Libor + 7.50%/M)	11/6/2007	917	779	\$ 0.85(2)	
		Junior secured loan (\$2,000 par due 10/2013)	9.40% (Libor + 7.50%/M)	11/6/2007	2,000	1,700	\$ 0.85(3)	
Waste Pro USA, Inc.	Waste management services	Senior subordinated loan (\$25,000 par due 11/2013)	11.50%	11/9/2006	25,000	25,000	\$ 1.00(2)	
		Preferred stock (15,000 shares)	10.00% PIK	11/9/2006	15,000	15,000	\$ 1,000.00(4)	
		Warrants to purchase 682,671 shares		11/9/2006		6,827	\$ 10.00(5)	

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Wastequip, Inc.(6)	Waste management	Senior subordinated loan (\$12,990 par due 2/2015)	10.00% Cash, 2.00% PIK	2/5/2007	12,990	7,715	\$	0.59(4)
	equipment manufacturer	Common stock (13,889 shares)		2/2/2007	1,389	131	\$	9.43(5)
					85,560	80,643		7.37%

**Printing, Publishing and Media**

Canon Communications LLC	Print publications	Junior secured loan (\$11,784 par due 11/2011)	13.00% (Base Rate + 9.75%/D)	5/25/2005	11,784	11,313	\$	0.96(2)(15)
	services	Junior secured loan (\$12,009 par due 11/2011)	13.00% (Base Rate + 9.75%/D)	5/25/2005	12,009	11,529	\$	0.96(3)(15)
Courtside Acquisition Corp.	Community newspaper publisher	Senior subordinated loan (\$34,295 par due 6/2014)	17.00% PIK	6/29/2007	34,295	3,430	\$	0.10(4)(14)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
LVCG Holdings LLC(7)	Commercial printer	Membership interests (56.53% interest)		10/12/2007	6,600	8,500	(5)	
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$2,736 par due 3/2012)	8.25% (Base Rate + 5.00%/D)	3/2/2006	2,736	2,462	\$ 0.90(15)	
		Senior secured loan (\$8,623 par due 3/2012)	7.50% (Base Rate + 4.25%/D)	3/2/2006	8,623	7,761	\$ 0.90(3)(15)	
		Preferred stock (9,344 shares)		3/2/2006	2,000		\$ (5)	
The Teaching Company, LLC and	Education media provider	Senior secured loan (\$18,000 par due 9/2012)	11.70%	9/29/2006	18,000	17,100	\$ 0.95(2)	
The Teaching Company		Senior secured loan (\$10,000 par due 9/2012)	11.70%	9/29/2006	10,000	9,500	\$ 0.95(3)	
Holdings, Inc.(11)		Preferred stock (29,969 shares)		9/29/2006	2,997	3,996	\$ 133.34(5)	
		Common stock (15,393 shares)		9/29/2006	3	4	\$ 0.26(5)	
					109,047	75,595		6.90%
<b>Manufacturing</b>								
Arrow Group Industries, Inc.	Residential and outdoor shed manufacturer	Senior secured loan (\$5,616 par due 4/2010)	6.46% (Libor + 5.00%/Q)	3/28/2005	5,647	5,372	\$ 0.96(3)(15)	
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$9,018 par due 5/2011)	8.25% (Libor + 4.25%/A)	5/16/2006	9,018	8,567	\$ 0.95(3)(15)	
		Senior secured loan (\$626 par due 5/2011)	6.75% (Base Rate + 3.50%/D)	5/16/2006	626	595	\$ 0.95(3)(15)	
		Senior secured loan (\$536 par due 5/2011)	8.25% (Libor + 4.25%/A)	5/16/2006	536	509	\$ 0.95(3)(15)	
		Senior secured loan (\$1,523 par due 5/2011)	10.00% (Libor + 6.00%/A)	5/16/2006	1,523	1,447	\$ 0.95(3)(15)	
		Senior secured loan (\$81 par due 5/2011)	10.00% (Libor + 6.00%/A)	5/16/2006	81	77	\$ 0.95(3)(15)	
		Senior secured loan (\$4,537 par due 5/2011)	10.00% Cash, 3.00% PIK	5/16/2006	4,546	4,319	\$ 0.95(2)(4)	
		Senior secured loan (\$241 par due 5/2011)	10.00% Cash, 3.00% PIK	5/16/2006	241	229	\$ 0.95(2)(4)	
Qualitor, Inc.	Automotive aftermarket components supplier	Senior secured loan (\$1,756 par due 12/2011)	5.46% (Libor + 4.00%/Q)	12/29/2004	1,752	1,664	\$ 0.95(3)	
		Senior secured loan (\$5 par due 12/2011)			5	5	\$ 1.00(3)	
		Junior secured loan (\$5,000 par due 6/2012)	8.46% (Libor + 7.00%/Q)	12/29/2004	5,000	4,750	\$ 0.95(3)	
Reflexite Corporation(7)	Developer and manufacturer of high-visibility reflective products	Senior subordinated loan (\$10,253 par due 2/2015)	11.00% Cash, 3.00% PIK	2/28/2008	10,253	10,253	\$ 1.00(4)	
		Common stock (1,821,860 shares)		3/28/2006	27,435	35,500	\$ 19.49(5)	
Saw Mill PCG Partners LLC	Precision components manufacturer	Common units (1,000 units)		2/2/2007	1,000		\$ (5)	
UL Holding Co., LLC	Petroleum product manufacturer	Common units (50,000 units)		4/25/2008	500	750	\$ 15.00(5)	
		Common units (50,000 units)		4/25/2008			\$ (5)	
Universal Trailer Corporation(6)	Livestock and specialty trailer manufacturer	Common stock (74,920 shares)		10/8/2004	7,930		\$ (5)	



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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Aerospace &amp; Defense</b>								
AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (\$7,898 par due 10/2013)	4.97% (Libor + 4.50%/M)	11/8/2007	7,799	7,121	\$ 0.90(3)	
ILC Industries, Inc.	Industrial products provider	Junior secured loan (\$12,000 par due 8/2012)	11.50%	6/27/2006	12,000	12,000	\$ 1.00(3)	
Thermal Solutions LLC and TSI Group, Inc.	Thermal management and electronics packaging manufacturer	Senior secured loan (\$871 par due 3/2011)	3.92% (Libor + 3.50%/M)	3/28/2005	871	836	\$ 0.96(3)	
		Senior secured loan (\$2,765 par due 3/2012)	4.42% (Libor + 4.00%/M)	3/28/2005	2,765	2,461	\$ 0.89(3)	
		Senior subordinated notes (\$2,117 par due 9/2012)	11.50% Cash, 2.75% PIK	3/28/2005	2,117	2,043	\$ 0.97(4)	
		Senior subordinated notes (\$3,342 par due 9/2012)	11.50% Cash, 2.75% PIK	3/28/2005	3,342	3,225	\$ 0.96(2)(4)	
		Senior subordinated notes (\$2,679 par due 3/2013)	11.50% Cash, 2.50% PIK	3/21/2006	2,679	2,599	\$ 0.97(2)(4)	
		Preferred stock (71,552 shares)		3/28/2005	716	716	\$ 10.00(5)	
		Common stock (1,460,246 shares)		3/28/2005	15	15	\$ 0.01(5)	
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Junior secured loan (\$16,000 par due 7/2014)	8.96% (Libor + 7.50%/Q)	1/17/2008	16,000	15,200	\$ 0.95	
		Junior secured loan (\$12,000 par due 7/2014)	8.96% (Libor + 7.50%/Q)	1/17/2008	12,000	11,400	\$ 0.95(3)	
		Common stock (246,279 shares)		1/17/2008	2,100	1,680	\$ 6.82(5)	
					62,404	59,296		5.42%
<b>Consumer Products Non-Durable</b>								
Innovative Brands, LLC	Consumer products and personal care manufacturer	Senior secured loan (\$9,901 par due 9/2011)	14.50%	10/12/2006	9,901	9,901	\$ 1.00	
		Senior secured loan (\$9,139 par due 9/2011)	14.50%	10/12/2006	9,139	9,139	\$ 1.00(3)	
Making Memories Wholesale, Inc.(6)	Scrapbooking branded products manufacturer	Senior secured loan (\$21,509 par due 3/2011)	10.00% (Base Rate + 5.00%/D)	5/5/2005	11,953	12,087	\$ 0.56(14)	
		Senior subordinated loan (\$10,465 par due 5/2012)	12.00% Cash, 4.00% PIK	5/5/2005	10,465		\$ (4)(14)	
		Preferred stock (4,259 shares)		5/5/2005	3,759		\$ (5)	
Shoes for Crews, LLC	Safety footwear and slip-related mat manufacturer	Senior secured revolving loan (\$1,000 par due 7/2010)	5.25% (Base Rate + 2.00%/D)	10/8/2004	1,000	1,000	\$ 1.00	
		Senior secured loan (\$572 par due 7/2010)	5.31% (Libor + 3.50%/S)	10/8/2004	572	572	\$ 1.00(3)	
		Senior secured loan (\$88 par due 7/2010)	4.96% (Libor + 3.50%/Q)	10/8/2004	88	88	\$ 1.00(3)	
The Thymes, LLC(7)	Cosmetic products manufacturer	Preferred stock (6,283 shares)	8.00% PIK	6/21/2007	6,283	5,026	\$ 799.94(4)	
		Common stock (5,400 shares)		6/21/2007			\$ (5)	
Wear Me Apparel, LLC(6)	Clothing manufacturer	Senior subordinated notes (\$23,985 par due 4/2013)	17.50% PIK	4/2/2007	24,035	12,055	\$ 0.50(4)(14)	
		Common stock (10,000 shares)		4/2/2007	10,000		\$ (5)	

87,195 49,868

4.55%

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Telecommunications</b>								
American Broadband Communications, LLC	Broadband communication	Senior subordinated loan (\$32,048 par due 11/2014)	10.00% Cash, 6.00% PIK	2/8/2008	32,048	32,048	\$ 1.00(4)	
Broadband Holding Company	services	Senior subordinated loan (\$8,087 par due 11/2014)	10.00% Cash, 6.00% PIK	11/7/2007	8,087	8,087	\$ 1.00(4)	
		Warrants to purchase 170 shares		11/7/2007			\$ (5)	
					40,135	40,135		3.67%
<b>Cargo Transport</b>								
The Kenan Advantage Group, Inc.	Fuel transportation provider	Senior subordinated notes (\$25,266 par due 12/2013)	9.50% Cash, 3.50% PIK	12/15/2005	25,260	24,000	\$ 0.95(2)(4)	
		Senior secured loan (\$2,426 par due 12/2011)	4.46% (Libor + 3.00%/Q)	12/15/2005	2,425	2,183	\$ 0.90(3)	
		Preferred stock (10,984 shares)	8.00% PIK	12/15/2005	1,371	1,732	\$ 157.68(4)(5)	
		Common stock (30,575 shares)		12/15/2005	31	41	\$ 1.34(5)	
					29,087	27,956		2.55%
<b>Containers-Packaging</b>								
Industrial Container Services, LLC(6)	Industrial container manufacturer, reconditioner and servicer	Senior secured revolving loan (\$1,198 par due 9/2011)	5.75% (Base Rate + 2.50%/D)	6/21/2006	1,198	1,198	\$ 1.00	
		Senior secured revolving loan (\$1,239 par due 9/2011)	4.47% (Libor + 4.00%/M)	6/21/2006	1,239	1,239	\$ 1.00	
		Senior secured loan (\$42 par due 9/2011)	4.47% (Libor + 4.00%/B)	9/30/2005	42	42	\$ 1.00(2)	
		Senior secured loan (\$516 par due 9/2011)	4.46% (Libor + 4.00%/M)	6/21/2006	516	516	\$ 1.00(2)	
		Senior secured loan (\$7,902 par due 9/2011)	4.46% (Libor + 4.00%/M)	6/21/2006	7,902	7,902	\$ 1.00(3)	
		Senior secured loan (\$85 par due 9/2011)	5.20% (Libor + 4.00%/M)	6/21/2006	85	85	\$ 1.00(2)	
		Senior secured loan (\$1,309 par due 9/2011)	5.20% (Libor + 4.00%/M)	6/21/2006	1,309	1,309	\$ 1.00(3)	
		Senior secured loan (\$263 par due 9/2011)	5.20% (Libor + 4.00%/M)	6/21/2006	263	263	\$ 1.00(2)	
		Senior secured loan (\$4,028 par due 9/2011)	5.20% (Libor + 4.00%/M)	6/21/2006	4,028	4,028	\$ 1.00(3)	
		Senior secured loan (\$105 par due 9/2011)	5.88% (Libor + 4.00%/M)	6/21/2006	105	105	\$ 1.00(2)	
		Senior secured loan (\$1,611 par due 9/2011)	5.88% (Libor + 4.00%/M)	6/21/2006	1,611	1,611	\$ 1.00(3)	
		Common stock (1,800,000 shares)		9/29/2005	1,800	9,100	\$ 5.06(5)	
					20,098	27,398		2.50%
<b>Computers and Electronics</b>								
				7/13/2006	3,300	2,970	\$ 0.90(2)	

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RedPrairie Corporation	Software manufacturer	Junior secured loan (\$3,300 par due 1/2013)	9.21% (Libor + 6.50%/Q)					
		Junior secured loan (\$12,000 par due 1/2013)	9.21% (Libor + 6.50%/Q)	7/13/2006	12,000	10,800	\$	0.90(3)
X-rite, Incorporated	Color management	Junior secured loan (\$3,098 par due 7/2013)	13.63% (Libor + 10.38%/D)	7/6/2006	3,098	3,098	\$	1.00(15)
	solutions provider	Junior secured loan (\$7,744 par due 7/2013)	13.63% (Libor + 10.38%/D)	7/6/2006	7,744	7,744	\$	1.00(3)(15)
					26,142	24,612		2.25%

**Health Clubs**

Athletic Club Holdings, Inc.(13)	Premier health club operator	Senior secured loan (\$1,000 par due 10/2013)	4.97% (Libor + 4.5%/M)	10/11/2007	1,000	880	\$	0.88
		Senior secured loan (\$1,750 par due 10/2013)	8.88% (Libor + 4.5%/S)	10/11/2007	1,750	1,540	\$	0.88

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$12,486 par due 10/2013)	5.01% (Libor + 4.5%/M)	10/11/2007	12,486	10,988	\$ 0.88(2)	
		Senior secured loan (\$11,487 par due 10/2013)	5.01% (Libor + 4.5%/M)	10/11/2007	11,487	10,109	\$ 0.88(3)	
		Senior secured loan (\$14 par due 10/2013)	6.75% (Base Rate + 3.50/D)	10/11/2007	14	12	\$ 0.86(2)	
		Senior secured loan (\$13 par due 10/2013)	6.75% (Base Rate + 3.50/D)	10/11/2007	13	11	\$ 0.85(3)	
					26,750	23,540		2.07%
<b>Grocery</b>								
Planet Organic Health Corp.(8)	Organic grocery store operator	Junior secured loan (\$860 par due 7/2014)	6.01% (Libor + 5.50%/M)	7/3/2007	860	817	\$ 0.95	
		Junior secured loan (\$10,250 par due 7/2014)	6.01% (Libor + 5.50%/M)	7/3/2007	10,250	9,738	\$ 0.95(3)	
		Senior subordinated loan (\$10,900 par due 7/2012)	11.00% Cash, 2.00% PIK	7/3/2007	10,900	9,845	\$ 0.90(2)(4)	
					22,010	20,400		1.86%
<b>Consumer Products Durable</b>								
Direct Buy Holdings, Inc. and Direct Buy Investors, LP(6)	Membership-based buying club franchisor and operator	Senior secured loan (\$2,281 par due 11/2012)	4.97% (Libor + 4.50%/B)	12/14/2007	2,189	1,861	\$ 0.82	
		Partnership interests (19.31% interest)		11/30/2007	10,000	6,500	(5)	
					12,189	8,361		0.76%
<b>Housing Building Materials</b>								
HB&G Building Products	Synthetic and wood product manufacturer	Senior subordinated loan (\$8,956 par due 3/2011)	13.00% Cash, 6.00% PIK	10/8/2004	8,966	2,251	\$ 0.25(2)(4)(14)	
		Common stock (2,743 shares)		10/8/2004	753		\$ (5)	
		Warrants to purchase 4,464 shares		10/8/2004	653		\$ (5)	
					10,372	2,251		0.00%
Total					\$2,267,593	\$1,972,977		

(1) Other than our investments in R3 Education, Inc., HCP Acquisition Holdings, LLC, Ivy Hill Middle Market Credit Fund, Ltd., LVCG Holdings LLC, Reflexite Corporation and The Thymes, LLC, we do not "Control" any of our portfolio companies, as defined in the Investment Company Act. In general, under the Investment Company Act, we would "Control" a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments are subject to legal restrictions on sales which as of December 31, 2008 represented 180% of the Company's net assets.

(2) These assets are owned by the Company's wholly owned subsidiary Ares Capital CP, are pledged as collateral for the CP Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the CP Funding Facility (see Note 7 to the consolidated financial statements).

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- (3) Pledged as collateral for the ARCC CLO. Unless otherwise noted, all other investments are pledged as collateral for the Revolving Credit Facility (see Note 7 to the consolidated financial statements).
- (4) Has a payment-in-kind interest feature (see Note 2 to the consolidated financial statements).
- (5) Non-income producing at December 31, 2008.
- (6) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a

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management agreement). Transactions during the period for the year ended December 31, 2008 in which the issuer was an Affiliate (but not a portfolio company that we "Control") are as follows (in thousands):

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
Apple & Eve, LLC and US Juice Partners, LLC	\$ 11,500	\$ 10,814	\$	\$ 4,634	\$	\$	\$ 43	\$ 40	\$ (12,383)
Carador, PLC	\$	\$	\$	\$	\$	\$ 825	\$	\$	\$ (3,479)
Campus Management Corp. and Campus Management Acquisition Corp.	\$ 69,193	\$ 1,768	\$	\$ 5,367	\$ 1,540	\$	\$ 112	\$	\$ 3,048
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$ 4,719	\$ 56,822	\$	\$ 2,573	\$	\$	\$ 340	\$ 100	\$ 1,382
Daily Candy, Inc.	\$	\$ 11,872	\$10,806	\$ 735	\$	\$	\$	\$ 1,208	\$
Direct Buy Holdings, Inc. and Direct Buy Investors LP	\$	\$ 219	\$	\$ 192	\$	\$	\$	\$ 9	\$ (3,828)
Firstlight Financial Corporation	\$	\$	\$	\$ 5,854	\$	\$	\$ 750	\$	\$ (36,991)
Imperial Capital Group, LLC	\$ 584	\$	\$	\$	\$	\$	\$	\$	\$
Industrial Container Services, LLC	\$ 6,939	\$ 16,677	\$	\$ 1,710	\$	\$	\$ 120	\$	\$ 4,100
Investor Group Services, LLC	\$ 1,250	\$ 1,500	\$	\$ 24	\$	\$	\$ 55	\$	\$ 500
Making Memories Wholesale, Inc.	\$ 5,942	\$ 1,114	\$	\$ 199	\$	\$	\$	\$	\$ (6,668)
Pillar Holdings LLC and PHL Holding Co.	\$ 15,807	\$ 600	\$31,865	\$ 3,404	\$ 281	\$	\$ 167	\$	\$ 1,500
Primis Marketing Group, Inc. and Primis Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (7,565)
Universal Trailer Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$ (700)
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (4,000)
Wastequip, Inc.	\$	\$	\$	\$ 1,424	\$	\$	\$	\$	\$ (3,318)
Wear Me Apparel, LLC	\$	\$	\$	\$ 2,416	\$	\$	\$ 13	\$	\$ (14,055)

(7)

As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). In addition, as defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the year ended December 31, 2008 in which the issuer was both an Affiliate and a portfolio company that we Control are as follows (in thousands):

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
HCP Acquisition Holdings, LLC	\$ 8,567	\$	\$	\$	\$	\$	\$	\$	\$ (2,067)
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$	\$	\$ 5,427	\$	\$	\$ 1,528	\$	\$ (5,600)
LVCG Holdings, LLC	\$	\$	\$	\$	\$	\$	\$ 100	\$	\$ (1,900)
R3 Education, Inc.	\$ 62,600	\$ 69,089	\$	\$ 3,521	\$ 2,900	\$	\$ 65	\$	\$ 4,393
Reflexite Corporation	\$ 10,239	\$	\$	\$ 928	\$ 100	\$	\$ 10	\$	\$ (19,166)
The Thymes, LLC	\$	\$	\$1,450	\$ 544	\$	\$ 133	\$	\$	\$ (1,257)

(8)

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

(9)

Non-registered investment company.

(10)

A majority of the variable rate loans to our portfolio companies bear interest at a rate that may be determined by reference to either Libor or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, we have provided the interest rate in effect at December 31, 2008.

(11)

In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$22.2 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

(12)



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Principal amount denominated in Canadian dollars has been translated into U.S. dollars (see Note 2 to the consolidated financial statements).

- (13) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$25.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.
- (14) Loan was on non-accrual status as of December 31, 2008.
- (15) Loan includes interest rate floor feature.

See accompanying notes to consolidated financial statements.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**For the Six Months Ended June 30, 2009 (unaudited)**  
**(dollar amounts in thousands, except per share data)**

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Accumulated Undistributed Net Investment Income (Loss)	Accumulated Undistributed Net Realized Gain (Loss) on Investments, Foreign Currency Transactions and Extinguishment of Debt	Net Unrealized Loss on Investments and Foreign Currency Transactions	Total Stockholders' Equity
Balance at December 31, 2008	97,152,820	\$ 97	\$ 1,395,958	\$ (7,637)	(124)	\$ (293,415)	\$ 1,094,879
Net increase in stockholders' equity resulting from operations				62,148	23,967	(16,328)	69,787
Dividend declared (\$0.77 per share)				(50,224)	(24,584)		(74,808)
Purchase of shares in connection with dividend reinvestment plan				(1,136)			(1,136)
Balance at June 30, 2009	97,152,820	\$ 97	\$ 1,395,958	\$ 3,151	\$ (741)	\$ (309,743)	\$ 1,088,722

See accompanying notes to consolidated financial statements.

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(dollar amounts in thousands)

	<b>For the six months ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES:</b>		
Net increase in stockholders' equity resulting from operations	\$ 69,787	\$ 12,438
Adjustments to reconcile net increase in stockholders' equity resulting from operations:		
Realized gain on extinguishment of debt	(26,543)	
Net realized gains (losses) from investments	2,644	(216)
Net unrealized gains (losses) from investments and foreign currency transactions	16,328	49,812
Net accretion of discount on securities	(720)	(835)
Increase in accrued payment-in-kind dividends and interest	(22,196)	(12,879)
Amortization of debt issuance costs	2,389	450
Depreciation	338	204
Proceeds from sale and redemption of investments	161,986	227,154
Purchase of investments	(136,728)	(578,824)
Changes in operating assets and liabilities:		
Interest receivable	(3,148)	(858)
Other assets	321	64
Management and incentive fees payable	15,298	3,653
Accounts payable and accrued expenses	1,841	(77)
Interest and facility fees payable	(1,646)	(2,128)
<b>Net cash used in operating activities</b>	<b>79,951</b>	<b>(302,042)</b>
<b>FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock		259,970
Borrowings on debt	246,700	520,000
Repayments on credit facility payable	(250,247)	(353,500)
Credit facility financing costs	(2,840)	(112)
Dividends paid in cash	(116,650)	(68,411)
<b>Net cash provided by financing activities</b>	<b>(123,037)</b>	<b>357,947</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(43,086)</b>	<b>55,905</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>89,383</b>	<b>21,142</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 46,297</b>	<b>\$ 77,047</b>
<b>Supplemental Information:</b>		
Interest paid during the period	\$ 12,100	\$ 18,401
Taxes paid during the period	\$ 658	\$ 1,416
Dividends declared during the period	\$ 74,808	\$ 71,333

See accompanying notes to consolidated financial statements.

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

**As of June 30, 2009 (unaudited)**

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

**1. ORGANIZATION**

Ares Capital Corporation (the "Company" or "ARCC" or "we") is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a business development company under the Investment Company Act of 1940 (the "Investment Company Act"). We were incorporated on April 16, 2004 and were initially funded on June 23, 2004. On October 8, 2004, we completed our initial public offering (the "IPO"). On the same date, we commenced substantial investment operations.

The Company has elected to be treated as a regulated investment company, or a "RIC", under subchapter M of the Internal Revenue Code of 1986, as amended (the "Code") and operates in a manner so as to qualify for the tax treatment applicable to RICs. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants, and, to a lesser extent, in equity investments in private middle market companies.

We are externally managed by Ares Capital Management LLC (the "investment adviser"), an affiliate of Ares Management LLC ("Ares Management"), an independent international investment management firm. Ares Operations LLC ("Ares Administration" or the "administrator"), an affiliate of Ares Management, provides the administrative services necessary for us to operate.

Interim financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2009.

**2. SIGNIFICANT 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.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison of the portfolio company's securities to 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 valuations currently assigned.

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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 valuation conclusions are then documented and discussed by our management.

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 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).

### ***Interest Income Recognition***

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Discounts and premiums on securities purchased are accreted/amortized 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.

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. As of June 30, 2009, nine loans or 6.2% of total investments at amortized cost (or 2.1% at fair value), were placed on non-accrual status. As of December 31, 2008, six loans or 4.4% of total investments at amortized cost (or 1.6% at fair value), were placed on non-accrual status.

### ***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. For the three and six months ended June 30, 2009, \$11,474 and \$22,196, respectively, in PIK income was recorded. For the three and six months ended June 30, 2008, \$7,452 and \$12,879, respectively, in PIK income was recorded.

### ***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, consulting, loan guarantees, commitments, and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

#### ***Foreign Currency Translation***

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

- (1) 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***

The Company does not utilize hedge accounting and marks its derivatives to market through operations.

#### ***Offering Expenses***

The Company's offering costs are charged against the proceeds from equity offerings when received. For the six months ended June 30, 2009, there were no equity offerings. For the six months ended June 30, 2008, the Company incurred approximately \$1,245 of offering costs.

#### ***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***

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 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. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions 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 months ended June 30, 2009, no amount was recorded for U.S. federal excise tax. For the six months ended June 30, 2009, a net benefit of \$30 was recorded for U.S. Federal excise tax. For the three months ended June 30, 2008, the Company recorded a provision of \$135 for U.S. Federal excise tax. For the six months ended June 30, 2008, the Company recorded a benefit of approximately \$299 for U.S. Federal excise tax.

Certain of our wholly owned subsidiaries are subject to U.S. Federal and state income taxes. For the three and six months ended June 30, 2009, we recorded tax expenses of approximately \$78 and \$139, respectively, for these subsidiaries. For the three and six months ended June 30, 2008, we recorded tax provisions of approximately \$3 and \$115, respectively, for these subsidiaries.

***Dividends***

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 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 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 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*

On October 10, 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, or "FSP 157-3". FSP 157-3 provides an illustrative example of how to determine the fair value of a financial asset in an inactive market. FSP 157-3 does not change the fair value measurement principles set forth in SFAS 157 (see Note 8 for a description of SFAS 157). Since adopting SFAS 157 in January 2008, our process for determining the fair value of our investments has been, and continues to be, consistent with the guidance provided in the example in FSP 157-3. As a result, the adoption of FSP 157-3 did not affect our process for determining the fair value of our investments and did not have a material effect on our financial position or results of operations. See Note 8 for more information.

In April 2009, the FASB issued Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, or "FSP 157-4". FSP 157-4 provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability, and identifying transactions that are not orderly. In those circumstances, further analysis and significant adjustment to the transaction or quoted prices may be necessary to estimate fair value. FSP 157-4 reaffirms fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. FSP 157-4 has been adopted by the Company and will be effective for reporting periods ending after June 15, 2009. The Company's adoption of FSP 157-4 did not have a significant impact on the Company's financial statements. See Note 8 for more information.

In May 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 165, *Subsequent Events*, or ("SFAS 165", which addresses accounting and disclosure requirements related to subsequent events. SFAS 165 requires management to evaluate subsequent events through the date the financial statements are either issued or available to be issued, depending on the company's expectation of whether it will widely distribute its financial statements to its shareholders and other financial statement users. Companies are required to disclose the date through which subsequent events have been evaluated. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009 and should be applied prospectively. The adoption of SFAS 165 did not have a material effect on our financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfer of Financial Assets* or "SFAS 166", which amends the guidance in SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. It eliminates the qualifying special-purpose entities ("QSPEs") concept, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the derecognition criteria, revises how retained interests are initially measured, and removes the guaranteed mortgage securitization recharacterization provisions. SFAS 166 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. SFAS 166 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. SFAS 166's disclosure requirements must be applied to transfers that occurred before and after its effective date. Early adoption is prohibited. We are currently evaluating the effect that the provisions of SFAS 166 may have on our financial condition and results of operations.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*, or "SFAS 167", 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 a variable interest entity's (VIE's) primary beneficiary 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. SFAS 167 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, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. SFAS 167 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 is prohibited. We are currently evaluating the effect that the provisions of SFAS 167 may have on our financial condition and results of operations.

### 3. AGREEMENTS

#### *Investment Advisory and Management Agreement*

The Company is party to an investment advisory and management agreement (the "investment advisory and management agreement") with Ares Capital Management. Subject to the overall supervision of our board of directors, Ares Capital Management provides investment advisory services to the Company. For providing these services, Ares Capital Management receives a fee from us, consisting of two components – a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.5% based on the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

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

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and/or unrealized capital losses. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 2.00% per quarter. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for our investment adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net

investment income. Our pre-incentive fee net investment income used to calculate this part of the incentive fee is also included in the amount of our total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

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

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

100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.50% in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.50%) as the "catch-up" provision. The "catch-up" is meant to provide our investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeds 2.50% in any calendar quarter; and

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

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

The second part of the incentive fee, the "Capital Gains Fee", is determined and payable in arrears as of the end of each calendar year (or, upon termination of the investment advisory and management agreement, as of the termination date), and is calculated at the end of each applicable year by subtracting (a) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) our cumulative aggregate realized capital gains, in each case calculated from October 8, 2004. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to 20.0% of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee for such year.

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

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

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

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

For the three and six months ended June 30, 2009, we incurred \$7,496 and \$14,994, respectively, in base management fees and \$7,987 and \$15,537, respectively, in incentive management fees related to pre-incentive fee net investment income. For the three and six months ended June 30,

2009, we accrued no incentive management fees related to realized capital gains. As of June 30, 2009, \$48,287 was unpaid and included in management and incentive fees payable in the accompanying consolidated balance sheet. Included in this \$48,287 was \$40,791 in incentive management fees related to the twelve months ended June 30, 2009 that have been deferred pursuant to the investment advisory and management agreement.

For the three and six months ended June 30, 2008, we incurred \$7,679 and \$14,766, respectively, in base management fees and \$9,015 and \$15,508, respectively, in incentive management fees related to pre-incentive fee net investment income. For the three and six months ended June 30, 2008, we accrued no incentive management fees related to net realized capital gains. As of June 30, 2008, \$16,694 was unpaid and included in management and incentive fees payable in the accompanying consolidated balance sheet.

#### *Administration Agreement*

We are also party to a separate administration agreement, the "administration agreement," with our administrator, Ares Administration. Our board of directors approved the continuation of our administration agreement on May 4, 2009, which extended the term of the agreement until June 1, 2010. Pursuant to the administration agreement, Ares Administration furnishes us with office equipment and clerical, bookkeeping and record keeping services. Under the administration agreement, Ares Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Ares Administration assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the administration agreement, Ares Administration also provides, on our behalf, managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the administration agreement are equal to an amount based upon our allocable portion of Ares Administration's overhead in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers (including our chief compliance officer, chief financial officer, secretary and treasurer) and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60-days' written notice to the other party.

For the three and six months ended June 30, 2009, we incurred \$1,092 and \$2,096, respectively, in administrative fees. As of June 30, 2009, \$1,092 was unpaid and included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

For the three and six months ended June 30, 2008, we incurred \$365 and \$900, respectively, in administrative fees.

**4. EARNINGS PER SHARE**

The following information sets forth the computations of basic and diluted net increase in stockholders' equity per share resulting from the operations for the three and six months ended June 30, 2009:

	<b>Three months ended June 30, 2009</b>	<b>Six months ended June 30, 2009</b>
Numerator for basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 34,753	\$ 69,787
Denominator for basic and diluted net increase in stockholders' equity resulting from operations per share:	97,152,820	97,152,820
Basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 0.36	\$ 0.72

The following information sets forth the computations of basic and diluted net increase in stockholders' equity per share resulting from operations for the three and six months ended June 30, 2008:

	<b>Three months ended June 30, 2008</b>	<b>Six months ended June 30, 2008</b>
Numerator for basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 3,272	\$ 12,438
Denominator for basic and diluted net increase in stockholders' equity resulting from operations per share:	90,125,629	82,097,395
Basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 0.04	\$ 0.15

In accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share ("SFAS 128"), the weighted average shares of common stock outstanding used in computing basic and diluted net increase in stockholders' equity resulting from operations per share for the three and six months ended June 30, 2008 has 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 transferable rights offering.

**5. INVESTMENTS**

Under the Investment Company Act, we are required to separately identify non-controlled investments where we own more than 5% of a portfolio company's outstanding voting securities as "affiliated companies." In addition, under the Investment Company Act, we are required to separately identify investments where we own more than 25% of a portfolio company's outstanding voting securities as "control affiliated companies." We had no existing control relationship with any of the portfolio companies identified as "affiliated companies" or "control affiliated companies" prior to making the indicated investment.

For the three months ended June 30, 2009, the Company funded \$63.0 million aggregate principal amount of senior term debt and \$6.5 million of investments in equity securities.

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In addition, for the three months ended June 30, 2009, \$53.4 million aggregate principal amount of senior term debt was redeemed. Additionally, \$29.2 million aggregate principal amount of senior term debt and \$4.0 million of senior subordinated debt were sold.

As of June 30, 2009, investments and cash and cash equivalents consisted of the following:

	<b>Amortized</b>	
	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 46,297	\$ 46,297
Senior term debt	1,143,155	1,042,660
Senior subordinated debt	757,893	626,551
Equity securities	316,116	243,029
Collateralized loan obligations	55,812	50,231
 Total	 \$ 2,319,273	 \$ 2,008,768

As of December 31, 2008, investments and cash and cash equivalents consisted of the following:

	<b>Amortized</b>	
	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 89,383	\$ 89,383
Senior term debt	1,165,460	1,055,089
Senior subordinated debt	737,072	619,491
Equity securities	309,061	247,997
Collateralized loan obligations	56,000	50,400
 Total	 \$ 2,356,976	 \$ 2,062,360

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

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The industrial and geographic compositions of our portfolio at fair value at June 30, 2009 and December 31, 2008 were as follows:

Industry	June 30, 2009	December 31, 2008
Health Care	19.1%	20.2%
Education	10.3	11.1
Restaurants and Food Services	8.2	8.1
Beverage/Food/Tobacco	7.8	7.8
Other Services	7.4	7.4
Financial	7.1	7.0
Business Services	6.7	6.7
Retail	5.8	5.7
Manufacturing	4.6	3.8
Environmental Services	3.8	4.1
Computers/Electronics	3.3	1.2
Printing/Publishing/Media	3.2	3.8
Aerospace and Defense	3.1	3.0
Consumer Products	2.7	3.0
Telecommunications	2.1	2.0
Cargo Transport	1.4	1.4
Containers/Packaging	1.2	1.4
Health Clubs	1.2	1.2
Grocery	1.0	1.0
Homebuilding	0.0	0.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Geographic Region	June 30, 2009	December 31, 2008
Mid-Atlantic	21.9%	21.0%
Southeast	21.9	22.2
Midwest	21.0	20.6
West	18.2	18.3
International	13.4	14.1
Northeast	3.6	3.8
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**6. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2009 and December 31, 2008, the Company had the following commitments to fund various revolving senior secured and subordinated loans:

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Total revolving commitments	\$ 287,200	\$ 419,000
Less: funded commitments	(89,000)	(139,600)
<b>Total unfunded commitments</b>	<b>198,200</b>	<b>279,400</b>
Less: commitments substantially at discretion of the Company	(16,000)	(32,400)
Less: unavailable commitments due to borrowing base or other covenant restriction	(60,100)	(64,500)
<b>Total net adjusted unfunded revolving commitments</b>	<b>\$ 122,100</b>	<b>\$ 182,500</b>

Of the total commitments as of June 30, 2009, \$160,400 extend beyond the maturity date of our Revolving Credit Facility (as defined in Note 7). Additionally, \$109,000 of the total commitments, or \$34,000 of the net adjusted unfunded commitments, are scheduled to expire in 2009. Included within the total commitments as of June 30, 2009 are commitments to issue up to \$15,600 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, 2009, the Company had \$10,300 in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability. Of these letters of credit, \$4,900 expire on September 30, 2009, \$300 expire on January 31, 2010, \$200 expire on February 28, 2010, \$1,500 expire on March 31, 2010 and \$3,400 expire on July 31, 2010. These letters of credit may be extended under substantially similar terms for additional one-year terms at the Company's option until the Revolving Credit Facility, under which the letters of credit were issued, matures on December 28, 2010.

As of June 30, 2009 and December 31, 2008, the Company was subject to subscription agreements to fund equity investments in private equity investment partnerships, substantially all at the discretion of the Company, as follows:

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Total private equity commitments	\$ 428,300	\$ 428,300
Total unfunded private equity commitments	\$ 421,800	\$ 423,600

**7. BORROWINGS**

In accordance with the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of June 30, 2009, our asset coverage for borrowed amounts was 224%.



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Our debt obligations consisted of the following as of June 30, 2009 and December 31, 2008:

	June 30, 2009		December 31, 2008	
	Outstanding	Total Available(1)	Outstanding	Total Available(1)
Revolving Credit Facility	\$ 375,045	\$ 525,000	\$ 480,486	\$ 510,000
CP Funding Facility	225,000	225,000	114,300	350,000
Debt Securitization	279,210	279,210	314,000	314,000
	\$ 879,255	\$ 1,029,210	\$ 908,786	\$ 1,174,000

(1) Subject to borrowing base and leverage restrictions.

The weighted average interest rate of all our debt obligations as of June 30, 2009 and December 31, 2008 was 1.98% and 3.03%, respectively.

### ***CP Funding Facility***

In October 2004, we formed Ares Capital CP Funding LLC ("Ares Capital CP"), a wholly owned subsidiary of the Company, through which we established a revolving facility, referred to as the "CP Funding Facility," that, as amended, allowed Ares Capital CP to issue up to \$350,000 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, reduced the availability from \$350,000 to \$225,000 (with a reduction in the outstanding balance required by each of December 31, 2010 and December 31, 2011) and decreased the advance rates applicable to certain types of eligible loans. In addition, the interest rate charged on the CP Funding Facility was increased from the commercial paper rate plus 2.50% to the commercial paper, Eurodollar or adjusted Eurodollar rate, as applicable, plus 3.50% and the commitment fee requirement was removed. The Company also paid a renewal fee of 1.25% of the total facility amount, or \$2,813. As of June 30, 2009, there was \$225,000 outstanding under the CP Funding Facility and the Company continues to be in compliance with all of the limitations and requirements of the CP Funding Facility. As of December 31, 2008, there was \$114,300 outstanding under the CP Funding Facility.

The CP Funding Facility is secured by all of the assets held by Ares Capital CP, which as of June 30, 2009 consisted of 43 investments.

The interest charged on the VFC is payable quarterly and as of June 30, 2009, the rate in effect was one month LIBOR, which was 0.31%. As of December 31, 2008, the rate in effect was the commercial paper rate which was 2.3271%. For the three and six months ended June 30, 2009, the average interest rates (i.e. rate in effect plus the spread) were 3.70% and 3.66%, respectively. For the three and six months ended June 30, 2009, the average outstanding balances were \$177,932 and \$135,495, respectively. For the three and six months ended June 30, 2008, the average interest rates (i.e. rate in effect plus the spread) were 3.77% and 4.33%, respectively. For the three and six months ended June 30, 2008, the average outstanding balances were \$27,315 and \$69,815, respectively.

For the three and six months ended June 30, 2009, the interest expense incurred on the CP Funding Facility was \$1,648 and \$2,480, respectively. For the three and six months ended June 30, 2008, the interest expense incurred on the CP Funding Facility was \$271 and \$1,324, respectively. Cash paid for interest expense during the six months ended June 30, 2009 and 2008 was \$2,701 and \$2,391, respectively.

Prior to May 7, 2009, the Company was required to pay a commitment fee for any unused portion of the CP Funding Facility equal to 0.5% per annum for any unused portion of the CP Funding

Facility. Prior to July 22, 2008, the commitment fee was 0.125% per annum calculated based on an amount equal to \$200,000 less the borrowings outstanding under the CP Funding Facility. For the three and six months ended June 30, 2009, the commitment fees incurred on the CP Funding Facility were \$122 and \$443, respectively. For the three and six months ended June 30, 2008, the commitment fees incurred on the CP Funding Facility were \$55 and \$91, respectively.

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

In December 2005, we entered into a senior secured revolving credit facility referred to as "Revolving Credit Facility", under which, as amended, the lenders have agreed to extend credit to the Company in an aggregate principal amount not exceeding \$525,000 at any one time outstanding. The Revolving Credit Facility expires on December 28, 2010 and with certain exceptions is secured by substantially all of the assets in our portfolio (other than investments held by Ares Capital CP under the CP Funding Facility and those held as a part of the Debt Securitization, discussed below) which as of June 30, 2009 consisted of 177 investments.

The Revolving Credit Facility also includes an "accordion" feature that allows us to increase the size of the Revolving Credit Facility to a maximum of \$765,000 under certain circumstances. The Revolving Credit Facility also includes usual and customary events of default for senior secured revolving credit facilities of this nature. As of June 30, 2009, there was \$375,045 outstanding under the Revolving Credit Facility and the Company continues to be in compliance with all of the limitations and requirements of the Revolving Credit Facility. As of December 31, 2008, there was \$480,486 outstanding under the Revolving Credit Facility.

The interest charged under the Revolving Credit Facility is generally based on LIBOR (one, two, three or six month) plus 1.00%. As of June 30, 2009, the one, two, three and six month LIBOR were 0.31%, 0.41%, 0.60% and 1.11%, respectively. As of December 31, 2008, the one, two, three and six month LIBOR were 0.44%, 1.10%, 1.43% and 1.75%, respectively. For the three and six months ended June 30, 2009, the average interest rate was 1.83% and 2.19%, respectively, the average outstanding balance was \$423,069 and \$457,590, respectively, and the interest expense incurred was \$1,939 and \$5,012, respectively. For the three and six months ended June 30, 2008, the average interest rate was 4.11% and 4.68%, respectively, the average outstanding balance was \$402,063 and \$371,597, respectively, and the interest expense incurred was \$4,117 and \$8,677, respectively. Cash paid for interest expense during the six months ended June 30, 2009 and 2008 was \$6,311 and \$9,518, respectively. The Company is also required to pay a commitment fee of 0.20% for any unused portion of the Revolving Credit Facility. For the three and six months ended June 30, 2009, the commitment fee incurred was \$101 and \$202, respectively. For the three and six months ended June 30, 2008, the commitment fee incurred was \$185 and \$257, respectively.

The amount available for borrowing under the Revolving Credit Facility is reduced by any standby letters of credit issued through the Revolving Credit Facility. As of June 30, 2009 and December 31, 2008, the Company had \$21,600 and \$16,700, respectively, in standby letters of credit issued through the Revolving Credit Facility.

As of June 30, 2009, the Company had a non-U.S. borrowing on the Revolving Credit Facility denominated in Canadian dollars. As of June 30, 2009 and December 31, 2008, unrealized appreciation on this borrowing was \$2,805 and \$3,365, respectively.

### ***Debt Securitization***

In July 2006, through our wholly owned subsidiary, ARCC CLO 2006 LLC ("ARCC CLO"), we completed a \$400,000 debt securitization (the "Debt Securitization") and issued approximately \$314,000 principal amount of asset-backed notes (including \$50,000 of revolving notes, all of which were drawn down as of June 30, 2009) (the "CLO Notes") to third parties that were secured by a pool of middle

market loans that have been purchased or originated by the Company. The CLO Notes are included in the June 30, 2009 consolidated balance sheet. We retained approximately \$86,000 of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization (the "Retained Notes"). During the six months ended June 30, 2009, we repurchased, in several open market transactions, \$34,790 of CLO Notes consisting of \$14,000 of the Class B and \$20,790 of the Class C notes for a total purchase price of \$8,247. As a result of these purchases, we recognized a \$26,543 gain on the extinguishment of debt and as of June 30, 2009, we held an aggregate principal amount of \$120,790 of CLO Notes, in total. The CLO Notes mature on December 20, 2019, and, as of June 30, 2009, there is \$279,210 outstanding under the Debt Securitization (excluding the Retained Notes). The blended pricing of the CLO Notes, excluding fees, is approximately 3-month LIBOR plus 27 basis points.

The classes, amounts, ratings and interest rates (expressed as a spread to 3-month LIBOR) of the CLO Notes are as follows:

Class	Amount	Rating (S&P/Moody's)	LIBOR Spread (basis points)
A-1A	\$ 75,000	AAA/Aaa	25
A-1A VFN	50,000(1)	AAA/Aaa	28
A-1B	14,000	AAA/Aaa	37
A-2A	75,000	AAA/Aaa	22
A-2B	33,000	AAA/Aaa	35
B	9,000	AA/Ba1	43
C	23,210	A/B1	70
Total	\$279,210		

(1)

Revolving class, all of which was drawn as of June 30, 2009.

As of June 30, 2009, there were 69 investments securing the notes. The interest charged under the Debt Securitization is based on 3-month LIBOR, which as of June 30, 2009 was 0.60% and as of December 31, 2008 was 1.43%. For the three and six months ended June 30, 2009, the effective average interest rate was 1.59% and 1.63%, respectively, the average outstanding balance was \$279,210 and \$289,638, respectively, and the interest expense incurred was \$1,107 and \$2,356, respectively. For the three and six months ended June 30, 2008, the effective average interest rate was 2.93% and 4.00%, respectively, and the interest expense incurred was \$2,295 and \$6,265, respectively. Cash paid for interest expense during the six months ended June 30, 2009 and 2008 was \$2,629 and \$6,492, respectively. The Company is also required to pay a commitment fee of 0.175% for any unused portion of the Class A-1A VFN Notes. There were no commitment fees incurred for the three and six months ended June 30, 2009 and 2008 on these notes.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the company adopted SFAS No. 159, *the Fair Value Option for Financial Assets and Liabilities* ("SFAS 159"), which provides companies the option to report selected financial assets and liabilities at fair value. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. SFAS 159 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the SFAS 159 option to report selected financial assets and liabilities at fair value. As a result, with the exception of the line items entitled "other assets" and "debt," which are reported at cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the line items

entitled "interest receivable," "receivable for open trades," "payable for open trades," "accounts payable and accrued expenses," "management and incentive fees payable" and "interest and facility fees payable" approximate fair value due to their short maturity.

Effective January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which expands the application of fair value accounting. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure of fair value measurements. SFAS 157 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. SFAS 157 requires the Company to assume that the portfolio investment is sold in a principal market to market participants, or in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with SFAS 157, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with SFAS 157, these inputs are summarized in the three broad levels listed below:

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

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

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

In addition to using the above inputs in investment valuations, we continue to employ the valuation policy approved by our board of directors that is consistent with SFAS 157 (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. Our valuation policy considers the fact that because there is not a readily available market value for most of the investments in our portfolio, the fair value of the investments must typically be determined using unobservable inputs.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other 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 valuations currently assigned.

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The following table presents fair value measurements of cash and cash equivalents and investments as of June 30, 2009:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 46,297	\$46,297	\$	\$
Investments	\$ 1,962,471	\$	\$26,035	\$ 1,936,436

The following tables present changes in investments that use Level 3 inputs for the three and six months ended June 30, 2009:

	Three months ended June 30, 2009
Balance as of March 31, 2009	\$ 1,945,464
Net realized and unrealized gains (losses)	1,230
Net purchases, sales or redemptions	(10,258)
Net transfers in and/or out of Level 3	
<b>Balance as of June 30, 2009</b>	<b>\$ 1,936,436</b>

	Six months ended June 30, 2009
Balance as of December 31, 2008	\$ 1,862,462
Net realized and unrealized gains (losses)	(19,431)
Net purchases, sales or redemptions	7,905
Net transfers in and/or out of Level 3	85,500
<b>Balance as of June 30, 2009</b>	<b>\$ 1,936,436</b>

As of June 30, 2009, the net unrealized loss on the investments that use Level 3 inputs was \$301,383.

Following are the carrying and fair values of our debt instruments as of June 30, 2009 and December 31, 2008. Fair value is estimated by discounting remaining payment using applicable current market rates which take into account changes in the Company's marketplace credit ratings.

	June 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving Credit Facility	\$375,045	\$362,000	\$480,486	\$462,000
CP Funding Facility	225,000	225,000	114,300	113,000
Debt Securitization	279,210	192,000	314,000	148,000
	\$879,255	\$779,000	\$908,786	\$723,000

### 9. RELATED PARTY TRANSACTIONS

In accordance with the investment advisory and management agreement, we bear all costs and expenses of the operation of the Company and reimburse the investment adviser for all such costs and expenses incurred in the operation of the Company. For the three and six months ended June 30, 2009, the investment adviser incurred such expenses totaling \$527 and \$944, respectively. For the three and six months ended June 30, 2008, the investment adviser incurred such expenses totaling \$605 and \$1,006, respectively. As of June 30, 2009, \$48 was unpaid and included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

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We rent office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, we have entered into a sublease agreement with Ares Management whereby Ares Management subleases approximately 25% of certain office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. For the three and six months ended June 30, 2009, such amounts payable to the Company totaled \$67 and \$134, respectively. For the three and six months ended June 30, 2008, such amounts payable to the Company totaled \$51 and \$120, respectively. As of June 30, 2009, there were no unpaid amounts.

As of June 30, 2009, Ares Investments, an affiliate of Ares Management (the sole member of our investment adviser) owned 2,859,882 shares of the Company's common stock representing approximately 2.9% of the total shares outstanding as of June 30, 2009.

See Notes 3 and 10 for descriptions of other related party transactions.

### 10. IVY HILL FUNDS

On November 19, 2007, we established a middle market credit fund, Ivy Hill Middle Market Credit Fund, Ltd. ("Ivy Hill I"), which is managed by our affiliate, Ivy Hill Asset Management, L.P. ("IHAM"). IHAM receives a 0.50% management fee on the average total assets of Ivy Hill I as compensation for managing this fund. As of June 30, 2009, the total assets of Ivy Hill I were approximately \$370,000. For the three and six months ended June 30, 2009, the Company earned \$395 and \$883, respectively, in management fees. For the three and six months ended June 30, 2008, the Company earned \$384 and \$581, respectively, in management fees. Ivy Hill I primarily invests in first and second lien bank debt of middle market companies. Ivy Hill I was initially funded with \$404,000 of capital, including a \$56,000 investment by the Company consisting of \$40,000 of Class B notes and \$16,000 of subordinated notes. For the three and six months ended June 30, 2009, the Company earned \$1,369 and \$3,022, respectively, from its investments in Ivy Hill I. For the three and six months ended June 30, 2008, the Company earned \$1,581 and \$2,593, respectively, from its investments in Ivy Hill I.

Ivy Hill I purchased investments from the Company of \$3,980 and \$12,980 during the three and six months ended June 30, 2009, respectively, and may from time to time buy additional investments from the Company. There was a loss of \$20 recognized by the Company on these transactions.

On November 5, 2008, the Company established a second middle market credit fund, Ivy Hill Middle Market Credit Fund II, Ltd. ("Ivy Hill II"), which is also managed by IHAM. IHAM receives a 0.50% management fee on the average total assets of Ivy Hill II as compensation for managing this fund. Ivy Hill II primarily invests in second lien and subordinated bank debt of middle market companies. Ivy Hill II was established with an initial commitment of \$250,000 of subordinated notes, of which \$125,000 has been funded, and may grow over time with leverage. Ivy Hill II purchased \$27,500 of investments from the Company during the six months ended June 30, 2009. The Company recorded a loss of \$1,388 on these transactions. As of June 30, 2009, the total assets of Ivy Hill II were approximately \$123,000. For the three and six months ended June 30, 2009, the Company earned \$274 and \$353, respectively, in management fees.

Our affiliate, IHAM, is party to a separate services agreement, referred to herein as the "services agreement," with Ares Capital Management. Pursuant to the services agreement, Ares Capital Management provides IHAM with office facilities, equipment, clerical, bookkeeping and record keeping services, services of investment professionals and others to perform investment advisory, research and related services, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Under the services agreement, IHAM will reimburse Ares Capital Management for all of the costs associated with such services, including Ares Capital Management's allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the services agreement. The services agreement

may be terminated by either party without penalty upon 60-days' written notice to the other party. For the three and six months ended June 30, 2009, IHAM incurred such expenses payable to the investment adviser of \$282 and \$538, respectively. No such expenses were payable for the three and six months ended June 30, 2008.

During the three months ended June 30, 2009, because of a shift in activity from being primarily a manager with no dedicated employees and of funds in which the Company has invested debt and equity, to a manager with individuals dedicated to managing an increasing number of third party funds for which the Company has limited or no investment, we have concluded that GAAP requires the financial results of IHAM to be reported as a portfolio company in our schedule of investments rather than as a consolidated subsidiary in the Company's financial results. For the three months ended June 30, 2009, the Company made an initial equity investment of \$3,816 into IHAM and also recognized an unrealized gain of \$8,000.

## 11. DERIVATIVE INSTRUMENTS

In October 2008, we entered into a two-year interest rate swap agreement to mitigate our exposure to adverse fluctuations in interest rates 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. As of June 30, 2009 and December 31, 2008, the 3-month LIBOR was 0.60% and 1.43%, respectively. For the three and six months ended June 30, 2009, we recognized \$132 and \$121, respectively, in unrealized appreciation related to this swap agreement. As of June 30, 2009 and December 31, 2008, this swap agreement had a fair value of \$(2,043) and \$(2,164), respectively, which is included in the "accounts payable and other liabilities" in the accompanying consolidated balance sheet.

## 12. STOCKHOLDERS' EQUITY

There were no sales of equity securities during the six months ended June 30, 2009.

The following table summarizes the total shares issued and proceeds we received net of underwriter, dealer manager and offering costs for the six months ended June 30, 2008 (in millions, except per share data):

	Shares issued	Offering price per share	Proceeds net of dealer manager and offering costs
April 2008 public offering	24.2	\$ 11.00	\$ 260.0
Total for the six months ended June 30, 2008	24.2		\$ 260.0

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**13. DIVIDENDS**

The following table summarizes our dividends declared during the six months ended June 30, 2009 and 2008 (in millions, except per share data):

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>	<b>Total Amount</b>
May 7, 2009	June 15, 2009	June 30, 2009	\$ 0.35	\$ 34.1
March 2, 2009	March 16, 2009	March 31, 2009	\$ 0.42	\$ 40.8
Total declared for the six months ended June 30, 2009			\$ 0.77	\$ 74.9
May 8, 2008	June 16, 2008	June 30, 2008	\$ 0.42	\$ 40.8
February 28, 2008	March 17, 2008	March 31, 2008	\$ 0.42	\$ 30.5
Total declared for the six months ended June 30, 2008			\$ 0.84	\$ 71.3

During the six months ended June 30, 2009, as part of the Company's dividend reinvestment plan for our common stockholders, we purchased 1,209,869 shares of our common stock at an average price of \$5.94 in the open market in order to satisfy part of the reinvestment portion of our dividends.

**14. FINANCIAL HIGHLIGHTS**

The following is a schedule of financial highlights for the six months ended June 30, 2009 and 2008:

<b>Per Share Data:</b>	<b>For the six months ended</b>	
	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Net asset value, beginning of period(1)	\$ 11.27	\$ 15.47
Issuance of common stock		(1.19)
Effect of antidilution		0.08
Net investment income for period(2)	0.63	0.76
Net realized and unrealized gains for period(2)	0.09	(0.61)
Net increase in stockholders' equity	0.72	0.15
Distributions from net investment income	(0.65)	(0.82)
Distributions from net realized capital gains on securities	(0.13)	(0.02)
Total distributions to stockholders	(0.78)	(0.84)
Net asset value at end of period(1)	\$ 11.21	\$ 13.67
Per share market value at end of period	\$ 8.06	\$ 10.08
Total return based on market value(3)	39.65%	(25.36)%
Total return based on net asset value(4)	6.37%	0.98%
Shares outstanding at end of period	97,152,820	97,152,820
<b>Ratio/Supplemental Data:</b>		
Net assets at end of period	\$ 1,088,722	\$ 1,328,548
Ratio of operating expenses to average net assets(5)(6)	9.77%	8.75%
Ratio of net investment income to average net assets(5)(7)	11.52%	10.09%
Portfolio turnover rate(5)	17%	47%

(1)

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



(2)

Weighted average basic per share data.

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- (3) For the six months ended June 30, 2009, the total return based on market value equals the decrease of the ending market value at June 30, 2009 of \$8.06 per share over the ending market value at December 31, 2008 of \$6.33 per share, plus the declared dividends of \$0.77 per share for the six months ended June 30, 2009, divided by the market value at December 31, 2008. For the six months ended June 30, 2008, the total return based on market value equals the decrease of the ending market value at June 30, 2008 of \$10.08 per share over the ending market value at December 31, 2007 of \$14.63 per share, plus the declared dividends of \$0.84 per share for the six months ended June 30, 2008, divided by the market value at December 31, 2007. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (4) For the six months ended June 30, 2009, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.77 per share for the six months ended June 30, 2009, divided by the beginning net asset value during the period. For the six months ended June 30, 2008, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.84 per share for the six months ended June 30, 2008, divided by the beginning net asset value during the period. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan and the issuance of common stock in connection with any equity offerings. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (5) The ratios reflect an annualized amount.
- (6) For the six months ended June 30, 2009, the ratio of operating expenses to average net assets consisted of 2.78% of base management fees, 2.87% of incentive management fees, 2.39% of the cost of borrowing and other operating expenses of 1.74%. For the six months ended June 30, 2008, the ratio of operating expenses to average net assets consisted of 2.40% of base management fees, 2.52% of incentive management fees, 2.78% of the cost of borrowing and other operating expenses of 1.05%. These ratios reflect annualized amounts.
- (7) The ratio of net investment income to average net assets excludes income taxes related to realized gains.

## 15. SUBSEQUENT EVENTS

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 \$200,000 at any one time outstanding. The CP Funding II Facility is scheduled to expire on July 21, 2012 (plus two one-year extension options, subject to mutual consent) and the interest charged on the CP Funding II Facility is based on LIBOR plus 4.00%. We are required to pay a commitment fee on any unused portion of the CP Funding II Facility of between 0.50% and 2.50% depending on the usage level and paid a structuring fee of 1.5% of the total facility amount, or \$3,000.

**PROSPECTUS**

**\$400,000,000**

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

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Ares Capital Corporation is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a business development company under the Investment Company Act of 1940. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior 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, an independent international investment management firm that as of March 31, 2009 managed investment funds with approximately \$27.5 billion of committed capital. 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 June 22, 2009, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$7.89 per share. The net asset value per share of our common stock at March 31, 2009 (the last date prior to the date of this prospectus on which we determined net asset value) was \$11.20.

**Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 20 of this prospectus, including the risk of leverage.**

We may offer, from time to time, in one or more offerings or series, up to \$400,000,000 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 (i) in connection with a rights offering to our existing stockholders, (ii) with the prior approval of the majority of our common stockholders or (iii) under such circumstances as the Securities and Exchange Commission (the "SEC") may permit. This prospectus and the accompanying prospectus supplement concisely provide important information you should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

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

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The date of this prospectus is June 26, 2009.

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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, up to \$400,000,000 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.

## PROSPECTUS SUMMARY

*This summary highlights some of the information 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 subsidiaries; "Ares Capital Management" or "investment adviser" refers to Ares Capital Management LLC; "Ares Administration" refers to Ares Operations LLC; and "Ares" refers to Ares Partners Management Company LLC and its subsidiary companies, including Ares Management LLC.*

## THE COMPANY

Ares Capital Corporation, 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. 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 (earnings before interest, taxes, depreciation and amortization) of between \$10 million and \$250 million.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. 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 debt investments have ranged between \$10 million and \$100 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with our capital availability. We also, to a lesser extent, make equity investments. Our equity investments have generally been less than \$20 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these companies.

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.

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 or lower than "BBB-" by Standard & Poor's Corporation). 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.

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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 11 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 100 investment professionals and to the approximately 150 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance, 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 the 30% basket.

In addition to making investments in the Ares Capital portfolio, our affiliate, Ivy Hill Asset Management L.P. ("Ivy Hill Management"), manages two unconsolidated senior debt funds, Ivy Hill Middle Market Credit Fund, Ltd. ("Ivy Hill I") and Ivy Hill Middle Market Credit Fund II, Ltd. ("Ivy Hill II" and, together with Ivy Hill I, the "Ivy Hill Funds").

### About Ares

Founded in 1997, Ares is an independent international investment management firm with approximately \$27.5 billion of total committed capital and over 250 employees as of March 31, 2009.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the 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 and Ares' private debt middle market financing activities in Europe, Ares Capital Europe ("ACE"). 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 a variety of funds and investment vehicles that managed approximately \$17.6 billion of committed capital as of March 31, 2009, 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 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"), which together managed approximately \$5.9 billion of committed capital as of March 31, 2009. ACOF generally makes private equity investments in companies in amounts substantially larger than the private equity investments anticipated to be made by the Company. 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 30 investment professionals led by the 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 600 investments in over 30 different industries and have made investments in over 1,600 companies since inception. Ares Capital Management's investment committee has nine members, including Founding Members of Ares.

### **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 severe 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.

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 current 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.

## **COMPETITIVE ADVANTAGES**

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

### **Existing investment platform**

As of March 31, 2009, Ares managed approximately \$27.5 billion of committed capital in the related asset classes of 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' 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 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 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 600 companies, and provide access to an extensive network of relationships and special 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 18 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.

**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 1,600 companies 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 concerning these industries 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. The principals of Ares have extensive experience 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 the economic cycle 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 larger investments than many of our competitors. The ability to underwrite, syndicate and hold larger investments (i) increases flexibility, (ii) may increase net fee income and earnings through syndication, (iii) broadens market relationships and deal flow and (iv) allows us to optimize our portfolio composition. 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 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. Our focus on generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and results in active portfolio management of investments. Moreover, by leading the investment process, our investment adviser is able to secure controlling positions in credit tranches 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 junior 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 "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. Until constraints on raising new capital ease, we intend to pursue other avenues of liquidity such as adjusting the pace of our investments, becoming more selective in evaluating investment opportunities, pursuing asset sales, and/or recycling lower yielding investments. We also intend to pursue additional 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. Moreover, if current levels of market disruption and volatility continue or worsen, 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, the stocks of BDCs as an industry have been trading at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. As a result of the deterioration of the market, several of our peers are no longer active in the market and are winding down their investments, have defaulted on their indebtedness, have decreased their distributions to stockholders or have announced share repurchase programs. We cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

See "Risk Factors Risks Relating to Our Business."

## LIQUIDITY

We are party to a JPM Revolving Facility (as defined herein) that provides for up to \$525.0 million of borrowings and up to \$765.0 million if we exercise the "accordion" feature, which expires on December 28, 2010. In addition, our wholly owned subsidiary Ares Capital CP (as defined herein) is party to a separate CP Funding Facility (as defined herein) (together with the JPM Revolving Facility, the "Facilities") that, as amended, provides for up to \$225.0 million of borrowings, and which expires on May 7, 2012, subject to execution of definitive documentation with respect to the Wachovia Revolving Facility (as defined herein) on or before October 19, 2009. As of June 22, 2009, we had \$151.0 million available for borrowing under our Facilities. We also have outstanding \$279.2 million of CLO Notes (as defined herein) that mature on December 20, 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources."

On May 7, 2009, we entered into a commitment to establish the Wachovia Revolving Facility pursuant to which Wachovia Bank N.A. will extend credit to our wholly owned subsidiary Ares Capital CP II (as defined herein) in an aggregate principal amount not exceeding \$200.0 million at any one time outstanding. It is anticipated that the Wachovia Revolving Facility will expire three years after the closing thereof (plus two one-year options, subject to mutual consent). Entry into the Wachovia Revolving Facility is subject to various conditions, including the negotiation and execution of definitive documentation. No assurance can be given that both sides will execute definitive documentation, that

the definitive documentation will reflect the terms described herein or that the Wachovia Revolving Facility will be entered into at all.

## **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 20 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 are currently 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 continue to 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.

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 restrictions that restrict our ability to raise capital, the JPM Revolving Facility and the CP Funding Facility contain, and it is expected that the Wachovia Revolving Facility will contain, various covenants which, if not complied with, could accelerate repayment under these facilities, thereby materially and adversely affecting our liquidity, financial condition and results of operations.

We operate in a highly competitive market for investment opportunities.

We will be subject to corporate-level income tax if we fail to qualify as a RIC.

We may have difficulty paying our required distributions 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.

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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.

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

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.

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

The Company 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 continue to 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 control 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.

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

**Risks Relating to Offerings Pursuant to this Prospectus**

Our shares of common stock currently trade at a discount from net asset value and may continue to do so in the future, which limits 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.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the 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 incur immediate dilution upon the closing of such offering.

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

There is a risk that you may receive shares of our common stock as dividends.

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.



## OFFERINGS

We may offer, from time to time, up to \$400,000,000 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 (i) in connection with a rights offering to our existing stockholders, (ii) with the prior approval of the majority of our common stockholders or (iii) 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 stockholders. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus."

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, (i) investing in portfolio companies in accordance with our investment objective and strategies and market conditions and (ii) 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 ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses, out of assets legally available for distribution. See "Risk Factors Risks Relating to our Business We will be subject to corporate-level income tax if we are unable to qualify as a RIC" and "Price Range of Common Stock and Distributions."

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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."
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' assessment of market and other factors at the time of any proposed borrowing.
Management arrangements	Ares Capital Management serves as our investment adviser. Ares Administration serves as our administrator. For a description of Ares Capital Management, Ares Administration, 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 <a href="http://www.arescapitalcorp.com">www.arescapitalcorp.com</a> . The SEC also maintains a website at <a href="http://www.sec.gov">www.sec.gov</a> that contains this information.

## 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. 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 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.

<b>Stockholder transaction expenses (as a percentage of offering price):</b>	
Sales load paid by us	(1)
Offering expenses borne by us	(2)
Dividend reinvestment plan expenses	None (3)
<b>Total stockholder transaction expenses paid by us</b>	<b>(4)</b>
<b>Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):</b>	
Management fees	2.82%(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)	2.82%(7)
Interest payments on borrowed funds	2.46%(8)
Other expenses	1.55%(9)
Acquired fund fees and expenses	0.12%(10)
<b>Total annual expenses (estimated)</b>	<b>9.77%(11)</b>

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- (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.
- (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 March 31, 2009.
- (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 and that the management fee will remain at 1.5% as set forth in our current investment advisory and management agreement. We may from time to time decide it is appropriate to change the terms of the agreement. Under the Investment Company Act, any material change to our investment advisory and management agreement must be submitted to stockholders for approval. The 2.82% 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 three months ended March 31, 2009 and assumes that the incentive fees earned at the end of the 2009 calendar year will be based on the actual realized capital gains as of March 31, 2009, computed net of realized capital losses and unrealized capital depreciation. It also assumes that this fee will remain constant although it is



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based on our performance and will not be paid unless we achieve 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 0.61% of our weighted net assets (2.43% 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 March 31, 2009.

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 for each calendar year ending on or after December 31, 2004, 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 expenses based on actual interest and credit facility expense incurred for the three months ended March 31, 2009. During the three months ended March 31, 2009, our average borrowings were \$885.4 million and cash paid for interest expense was \$7.2 million. We had outstanding borrowings of \$902.6 million at March 31, 2009. 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 investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."

- (9) Includes our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Administration in performing its obligations under the administration agreement. Such expenses are based on annualized "Other expenses" for the three months ended March 31, 2009. 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 in as of March 31, 2009. 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% to net profits. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and 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 \$1.1 billion for the three months ended March 31, 2009.
- (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 our net assets 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. If the "Total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, our "Total annual expenses" would be 5.21% of consolidated total assets.

**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 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)	\$ 71	\$ 209	\$ 342	\$ 648

- (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, \$81; 3 years, \$238; 5 years, \$386; and 10 years, \$722. 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

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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, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

**SELECTED FINANCIAL AND OTHER DATA**

The following selected financial and other data for the years ended December 31, 2008, 2007, 2006 and 2005, and for the period from June 23, 2004 (inception) through December 31, 2004 are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this prospectus. The selected financial and other data for the three months ended March 31, 2009 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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 Three Months Ended March 31, 2009, As of and For the Years Ended December 31, 2008, 2007, 2006 and 2005 and As of and For the Period June 23, 2004 (inception) Through December 31, 2004

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

	As of and For the Three Months Ended March 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	As of and For the Period June 23, 2004 (inception) Through December 31, 2004
Total Investment Income	\$ 56,016	\$ 240,461	\$ 188,873	\$ 120,021	\$ 41,850	\$ 4,381
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	4,834	(266,447)	(4,117)	13,064	14,727	475
Total Expenses	25,785	113,221	94,751	58,458	14,569	1,666
Income Tax Expense (Benefit), Including Excise Tax	31	248	(826)	4,931	158	
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	35,034	\$ (139,455)	\$ 90,832	\$ 69,695	\$ 41,851	\$ 3,190
Per Share Data:						
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:						
Basic(1):	\$ 0.36	\$ (1.56)	\$ 1.34	\$ 1.58	\$ 1.75	\$ 0.28
Diluted(1):	\$ 0.36	\$ (1.56)	\$ 1.34	\$ 1.58	\$ 1.75	\$ 0.28
Cash Dividend Declared:	\$ 0.42	\$ 1.68	\$ 1.66	\$ 1.64	\$ 1.30	\$ 0.30
Total Assets	\$ 2,044,929	\$ 2,091,333	\$ 1,829,405	\$ 1,347,991	\$ 613,645	\$ 220,456
Total Debt	\$ 902,619	\$ 908,786	\$ 681,528	\$ 482,000	\$ 18,000	\$ 55,500
Total Stockholders' Equity	\$ 1,088,071	\$ 1,094,879	\$ 1,124,550	\$ 789,433	\$ 569,612	\$ 159,708
Other Data:						
Number of Portfolio Companies at Period End(2)	92	91	78	60	38	20
Principal Amount of Investments Purchased(3)	84,770	\$ 925,945	\$ 1,251,300	\$ 1,087,507	\$ 504,299	\$ 234,102
Principal Amount of Investments Sold and Repayments(4)	79,244	\$ 485,270	\$ 718,695	\$ 430,021	\$ 108,415	\$ 52,272
Total Return Based on Market Value(5)	(16.75)%	(45.25)%	(14.76)%	29.12%	(10.60)%	31.53%
Total Return Based on Net Asset Value(6)	3.20%	(11.17)%	8.98%	10.73%	12.04%	(1.80)%
Weighted Average Yield of Debt and Income Producing Equity Securities at Fair Value(7):	12.10%	12.79%	11.68%	11.95%	11.25%	12.36%
Weighted Average Yield of Debt and Income Producing Equity Securities at Amortized Cost(7):	11.18%	11.73%	11.64%	11.63%	11.40%	12.25%

(1) In accordance with Statement of Financial Accounting Standards 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)

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

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- (3) The information presented for the period June 23, 2004 (inception) through December 31, 2004 includes \$140.8 million of the assets purchased from Royal Bank of Canada and excludes \$9.7 million of publicly traded fixed income securities.
- (4) The information presented for the period June 23, 2004 (inception) through December 31, 2004 excludes \$9.7 million of publicly traded fixed income securities.
- (5) Total return based on market value for the three months ended March 31, 2009 equals the decrease of the ending market value at March 31, 2009 of \$4.84 per share over the ending market value at December 31, 2008 of \$6.33 per share, plus the declared dividends of \$0.42 per share for the three months ended March 31, 2009, divided by the market value at December 31, 2008. 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 for the period June 23, 2004 (inception) through December 31, 2004 equals the increase of the ending market value at December 31, 2004 of \$19.43 per share over the offering price of \$15.00 per share plus the declared dividend of \$0.30 per share (includes return of capital of \$0.01 per share) for holders of record on December 27, 2004, divided by the offering price. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (6) Total return based on net asset value for the three months ended March 31, 2009 equals the change in net asset value during the period plus the declared dividends of \$0.42 per share for the three months ended March 31, 2009, divided by the beginning net asset value during the period. 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 for the period June 23, 2004 (inception) through December 31, 2004 equals the change in net asset value during the period plus the declared dividend of \$0.30 per share (includes return of capital of \$0.01 per share) for holders of record on December 27, 2004, divided by the beginning net asset value. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (7) 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)**

	<b>2009</b>
	<b>Q1</b>
Total Investment Income	\$56,016
Net investment income before net realized and unrealized gain (losses) and incentive compensation	\$37,750
Incentive compensation	\$ 7,550
Net investment income before net realized and unrealized gain (losses)	\$30,200
Net realized and unrealized gains (losses)	\$ 4,834
Net increase (decrease) in stockholders' equity resulting from operations	\$35,034
Basic and diluted earnings per common share	\$ 0.36
Net asset value per share as of the end of the quarter	\$ 11.20

	<b>2008</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
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	\$ 0.13
Net asset value per share as of the end of the quarter	\$ 11.27	\$ 12.83	\$ 13.67	\$ 15.17

	<b>2007</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total Investment Income	\$ 53,828	\$47,931	\$47,399	\$39,715
Net investment income before net realized and unrealized gain (losses) and incentive compensation	\$ 33,677	\$29,875	\$31,220	\$23,699
Incentive compensation	\$ 6,573	\$ 5,966	\$ 6,229	\$ 4,755
Net investment income before net realized and unrealized gain (losses)	\$ 27,104	\$23,909	\$24,991	\$18,944
Net realized and unrealized gains (losses)	\$(16,353)	\$ (984)	\$ 8,576	\$ 4,645
Net increase (decrease) in stockholders' equity resulting from operations	\$ 10,752	\$22,924	\$33,567	\$23,589
Basic and diluted earnings per common share	\$ 0.15	\$ 0.32	\$ 0.48	\$ 0.44
Net asset value per share as of the end of the quarter	\$ 15.47	\$ 15.74	\$ 15.84	\$ 15.34

## 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 are currently 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 continue to have, a negative impact on our business and operations.**

Beginning in 2007 and continuing as of the date of this prospectus, 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 United States federal government, these events have contributed to worsening general economic conditions that are materially and adversely impacting the broader financial and credit markets and reducing the availability of debt and equity capital for the market as a whole and financial services firms in particular. These conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, 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. In addition, our ability to incur indebtedness 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 continued inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Moreover, current market conditions may 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. For example, if we do not enter into the Wachovia Revolving Facility on or before October 19, 2009, the administrative agent or the trustee may elect to exercise various remedies, including the sale of all or a portion of the collateral securing the CP Funding Facility after providing us with at least 90-days prior notice of its intention to sell collateral. 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.

Given the extreme volatility and dislocation in the capital markets, many BDCs are facing 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 continue to 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 (including a failure to enter into the Wachovia Revolving Facility), and any required sale of all or a portion of our investments as a result, 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 do not continue to qualify 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 impact 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 the members of Ares Capital Management's 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 investment committee. The departure of any of the members of Ares Capital Management's 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 managerial assistance to our portfolio companies on behalf of our administrator. 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.

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

We will need to periodically access the capital markets to raise cash to fund new investments. In order to maintain our RIC status, we must distribute to our stockholders on a timely basis an amount equal to at least 90% of our ordinary income and net short-term capital gain in excess of net long-term capital loss, if any, reduced by deductible expenses, for each year and, as a result, such earnings are not available to fund investment originations. We must continue to borrow from financial institutions and issue additional securities to fund our growth. Unfavorable economic conditions like the ones we are currently experiencing 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 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' assessment 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 debt securities or preferred stock, which we refer to collectively as "senior securities," and/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. 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. As of March 31, 2009, our asset coverage for senior securities was 221%.

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 the common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and, in certain instances, our stockholders approve such sale. Any such sale would be dilutive to existing stockholders. 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.

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 securitize successfully our loan portfolio could limit our ability to grow our business and fully execute our business strategy. The securitization market is subject to changing market conditions (including the recent, unprecedented dislocation of the securitization and finance markets generally) and we may not be able to access this market when we would otherwise deem appropriate. Moreover, the successful securitization of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests may be those that are riskier and more apt to generate losses. The Investment Company Act may also impose restrictions on the structure of any securitization.

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

As of March 31, 2009, we had \$902.6 million of outstanding borrowings under our Facilities and \$279.2 million of CLO Notes (as defined herein). In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our March 31, 2009 total assets of at least 1.31%. The weighted average interest rate charged on our borrowings as of March 31, 2009 was 1.97%. 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. 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' assessment of market and other factors at the time of any proposed borrowing.

Our Facilities and the CLO 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 and results of operations.

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 senior debt securities to banks, insurance companies and other lenders. Holders of such senior 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 leveraged. 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 leveraged. 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.



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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 interest rate of 1.97% and assumes (i) our total value of net assets as of March 31, 2009; (ii) \$902.6 million debt outstanding as of March 31, 2009 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)	-30%	-20%	-11%	-2%	8%	17%	27%

(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 March 31, 2009 to obtain an assumed return to us. From this amount, the interest expense calculated by multiplying the interest rate of 1.97% times the \$902.6 million debt is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of March 31, 2009 to determine the "Corresponding Return to Common Stockholders."

**In addition to regulatory restrictions that restrict our ability to raise capital, the JPM Revolving Facility and the CP Funding Facility contain, and it is expected that the Wachovia Revolving Facility will contain, various covenants which, if not complied with, could accelerate repayment under these Facilities, thereby materially and adversely affecting our liquidity, financial condition and results of operations.**

The agreements governing the Facilities 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.

In addition, it is anticipated that the Wachovia Revolving Facility will require us to comply with various covenants customary for similar securitized facilities.

As of the date of this prospectus, we are in compliance with the covenants of our Facilities. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. For example, during the quarter ended March 31, 2009, net unrealized depreciation in our portfolio increased and, depending on the condition of the public debt and equity markets and pricing levels subsequent to this period, net unrealized depreciation in our portfolio may continue to increase in the future. Any such further 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 our Facilities. Failure to comply with these covenants would result in a default under the Facilities which, if we were unable to obtain a waiver from the lenders under the Facilities, could accelerate repayment under the Facilities and thereby have a material adverse impact on our business, financial condition and results of operations.

**We operate in a highly competitive market for investment opportunities.**

A number of entities compete with us to make the types of investments that we make in middle market companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, 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, our seasoned management team, our experience and focus on middle market companies, our disciplined investment philosophy, our extensive industry focus and our 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 will be subject to corporate-level income tax if we fail to qualify as a RIC.**

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. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To qualify as a RIC under the Code, we must meet certain income source, asset diversification and annual distribution requirements.

The annual distribution requirement for a RIC is satisfied if we distribute to our stockholders on a timely basis an amount equal to at least 90% of our ordinary income and net short-term capital gain in excess of net long-term capital loss, if any, reduced by deductible expenses, 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. 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.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to (i) dispose of certain investments quickly or (ii) 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 under the Code 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 corporate 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 "Material U.S. Federal Income Tax Considerations Taxation as a RIC."

**We may have difficulty paying our required distributions 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 and deferred payment securities.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to distribute an amount equal to at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses, 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 corporate-level income tax. See "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.

**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 our 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. However, we may use additional independent valuation firms to value our investments more frequently as determined in good faith by our board of directors to the extent necessary to reflect significant events affecting the value of our investments. 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.

**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 the best interests of us or our stockholders 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, Kissick and Sachs each are and, will continue to be, Founding Members of Ares with 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.

Although other Ares funds generally have different primary investment objectives than Ares Capital, they may from time to time invest in asset classes similar to those targeted by Ares Capital. In addition, Ares is not restricted from raising an investment fund with investment objectives similar to that of Ares Capital. Any such funds may also, from time to time, invest in asset classes similar to those targeted by Ares Capital. 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.

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 the Company's total assets, such as decisions as to whether to incur indebtedness.

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.

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Our investment advisory and management agreement automatically 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. 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 Administration, an affiliate of Ares Capital Management, furnishes us with administrative services and we pay Ares Administration our allocable portion of overhead and other expenses incurred by Ares Administration in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers and their respective staffs.

Our affiliate, Ivy Hill Management, is party to a services agreement, referred to herein as the "services agreement," with Ares Capital Management, pursuant to which Ares Capital Management provides Ivy Hill Management with the facilities, investment advisory services and administrative services necessary for the operations of Ivy Hill Management. Ivy Hill Management reimburses Ares Capital Management for the costs associated with such services, including Ares Capital Management's allocable portion of overhead and the cost of its officers and respective staff on performing its obligations under the services agreement.

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 LLC ("Ares Management") whereby Ares Management subleases approximately 25% of the 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.

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

Our stockholders may have conflicting investment, tax and other objectives with respect to their investments in us. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of our investments, the structure or the acquisition of our investments, and the timing of 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.

**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 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. 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.

**Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.**

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. Accordingly, any change in these laws or regulations, or their interpretation, or any failure by us to comply with these laws or regulations may adversely affect our business.

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

Our primary focus in making investments differs from those of other private funds that are or have been managed by Ares' investment professionals. Further, investors in Ares Capital are not acquiring an interest in other Ares 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 private funds.

Further, we are prohibited under the Investment Company Act from knowingly participating in certain transactions with our 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 affiliate for purposes of the Investment Company Act and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The Investment Company Act also prohibits "joint" transactions with an 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 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).

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 and there can be no assurance that the application for exemptive relief will be granted by the SEC. Accordingly, we cannot assure you that the Company will be permitted to co-invest with funds managed by Ares, other than in the limited circumstances currently permitted by regulatory guidance.

## **RISKS RELATING TO OUR INVESTMENTS**

### **Price declines and illiquidity in the corporate debt markets have adversely affected, and may continue to 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. 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. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The continuing unprecedented declines in prices and liquidity in the corporate debt markets have resulted in significant net unrealized depreciation in our portfolio. 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 continue to 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 is 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 current cycle and, in turn, may be unable to satisfy their financial obligations (including their loans to us) over the coming months.



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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 are likely to increase and the value of our portfolio is likely to 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 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 underperformed 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.

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

preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes although it has not yet received such income;

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.

**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 control 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 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, 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.

#### **RISKS RELATING TO OFFERINGS PURSUANT TO THIS PROSPECTUS**

**Our shares of common stock currently trade at a discount from net asset value and may continue to do so in the future, which limits 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. As of the date of this prospectus, the stocks of BDCs as an industry, including shares of our common stock, have been trading 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 distribution requirement 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 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 been experiencing extreme volatility and disruption for more than 18 months. In recent months, the volatility and disruption have reached unprecedented levels and we have experienced greater than usual stock price volatility. The price of the common stock that will prevail in the market after an offering pursuant to this prospectus may be higher or lower than the price you pay. 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 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 business development companies 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.

**Stockholders may incur dilution 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 2009 Annual Stockholders Meeting, our stockholders approved two proposals designed to allow us to access the capital markets in ways that we would otherwise be unable to as a result of restrictions that, absent stockholder approval, apply to BDCs under the Investment Company Act. Specifically, our stockholders have authorized us to sell or otherwise issue (1) shares of our common stock below its then current net asset value per share in one or more offerings subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of our then outstanding common stock) and (2) 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). 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 our net asset value per share. 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 the Company would incur expenses in connection with any issuance of such securities, such issuance could result in a dilution of 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 Stockholders may incur dilution 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 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.

**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, stockholders that do not participate in the dividend reinvestment plan will experience dilution over time.

**There is a risk that you may receive shares of our common stock as dividends.**

We have the ability to declare a large portion of a dividend for the purpose of fulfilling our RIC distribution requirements 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, 2009) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would 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. Stockholders who elect to receive cash may experience greater dilution than other stockholders if we elect to distribute our common stock as a dividend.

**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.**

Upon issuance, our publicly issued debt securities will 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:

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 supply of debt securities trading in the secondary market, if any;

the redemption or repayment features, if any, of these debt securities;

the level, direction and volatility of market interest rates generally; and

market rates of interest higher or lower than rates borne by the debt securities.

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

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

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

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

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

**FORWARD-LOOKING STATEMENTS**

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

our future operating results;

our business prospects and the prospects of our portfolio companies;

the return or impact of investments that we expect to make;

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 recover unrealized losses;

our ability to access alternative debt markets and additional capital;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

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. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this prospectus.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any

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forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

You should understand that under Sections 27A(b)(2)(B) of the Securities Act of 1933 (the "Securities Act") and Section 21E(b)(2)(B) of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus.

## 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 (i) the JPM Revolving Facility (\$374.0 million outstanding as of June 22, 2009), (ii) the CP Funding Facility (\$225.0 million outstanding as of June 22, 2009), and (iii) the CLO Notes under the Debt Securitization (\$279.0 million of CLO Notes outstanding as of June 22, 2009). The interest charged on the indebtedness incurred under the JPM Revolving Facility is based on LIBOR (one, two, three or six month) plus 1.00%, generally. As of June 22, 2009, the one, two, three and six month LIBOR were 0.32%, 0.45%, 0.61% and 1.16%, respectively. The JPM Revolving Facility expires on December 28, 2010. The interest charged on the indebtedness incurred under the CP Funding Facility is based on the one-month LIBOR plus 3.5% and is payable quarterly. The CP Funding Facility is scheduled to expire on May 7, 2012 (subject to execution of definitive documentation with respect to the Wachovia Revolving Facility on or before October 19, 2009). As of June 22, 2009, the blended pricing of the CLO Notes, excluding fees, was approximately three-month LIBOR plus 27 basis points. The CLO Notes mature on December 20, 2019. 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.

**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." Our common stock has historically traded at prices both above and below its net asset value. 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 currently trade at a discount from net asset value and may continue to do so in the future, which limits our ability to raise additional equity capital."

The following table sets forth the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock as reported on The NASDAQ Global Select Market, the closing sales price as a percentage of net asset value and the dividends declared by us for each fiscal quarter since our initial public offering. On June 22, 2009, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$7.89 per share, which represented a discount of approximately 30% to the net asset value per share reported by us as of March 31, 2009.

	Net Asset Value(1)	Price Range		High Sales Price to Net Asset Value(2)	Low Sales Price to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
<b>Year ended December 31, 2007</b>						
First Quarter	\$ 15.34	\$20.46	\$17.82	133.4%	116.2%	\$ 0.41
Second Quarter	\$ 15.84	\$18.84	\$16.85	118.9%	106.4%	\$ 0.41
Third Quarter	\$ 15.74	\$17.53	\$14.92	111.4%	94.8%	\$ 0.42
Fourth Quarter	\$ 15.47	\$17.47	\$14.40	112.9%	93.1%	\$ 0.42
<b>Year ended December 31, 2008</b>						
First Quarter	\$ 15.17	\$14.39	\$12.14	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
<b>Year ending December 31, 2009</b>						
First Quarter	\$ 11.20	\$ 7.39	\$ 3.21	66.0%	28.7%	\$ 0.42
Second Quarter (through June 22, 2009)	\$ *	\$ 8.31	\$ 4.53	*%	*%	\$ 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 declared in the relevant quarter.
- (4) Includes an additional cash dividend of \$0.10 per share.
- \* Net asset value has not yet been calculated for this period.

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

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The following table summarizes our dividends declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
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
Total declared for 2009			\$ 0.77

To maintain our RIC status, we must timely distribute an amount equal to at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses, 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 (i) 98% of our ordinary income for the calendar year, plus (ii) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year plus (iii) any ordinary income and net 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 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 three months ended March 31, 2009 was approximately \$0.03 million and \$0.1 million for the year ended December 31, 2008. 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 three months ended March 31, 2009, the years ended December 31, 2008, 2007, 2006 and 2005, and the period June 23, 2004 (inception) through December 31, 2004, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	<b>For the Three Months Ended March 31, 2009</b>	<b>For the Year Ended December 31, 2008</b>	<b>For the Year Ended December 31, 2007</b>	<b>For the Year Ended December 31, 2006</b>	<b>For the Year Ended December 31, 2005</b>	<b>For the Period June 23, 2004 (inception) Through December 31, 2004</b>
Earnings to Fixed Charges(1)	6.3	(2.8)	3.4	5.0	28.5	24.2

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 9.3 for the three months ended March 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, 25.6 for the year ended December 31, 2005 and 22.5 for the period June 23, 2004 (inception) through December 31, 2004.

**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 Financial and Other Data and our financial statements and notes thereto appearing elsewhere in this prospectus or the accompanying prospectus supplement.*

**OVERVIEW**

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

We are externally managed by Ares Capital Management, an affiliate of Ares Management, an independent international investment management firm, pursuant to the investment advisory and management agreement. Ares Administration, 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, 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 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.

**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 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.

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 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 continue to 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 valuation conclusions are then documented and discussed by our management.

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 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 March 31, 2009).

#### ***Interest Income Recognition***

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Discounts and premiums on securities purchased are accreted/amortized 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.

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 investment, 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, consulting, loan guarantees, commitments, and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

#### ***Foreign Currency Translation***

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

- (1) 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***

The Company does not utilize hedge accounting and marks its derivatives to market through operations.

#### ***Offering Expenses***

The Company's 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***

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 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. The Company among other things has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes.

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

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

***Dividends***

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 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 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***

On October 10, 2008, FASB Staff Position No. 157-3 *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, or "FSP 157-3", was issued. FSP 157-3 provides an illustrative example of how to determine the fair value of a financial asset in an inactive market. FSP 157-3 does not change the fair value measurement principles set forth in SFAS 157 (see Note 8 to the consolidated financial statements for the period ended March 31, 2009 for a description of SFAS 157). Since adopting SFAS 157 in January 2008, our process for determining the fair value of our investments has been, and continues to be, consistent with the guidance provided in the example in FSP 157-3. As a result, the adoption of FSP 157-3 did not affect our process for determining the fair value of our investments and did not have a material effect on our financial position or results of operations. See Note 8 to the consolidated financial statements for the period ended March 31, 2009 for more information.

In April 2009, the Financial Accounting Standards Board issued Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, or "FSP 157-4." FSP 157-4 provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability, and identifying transactions that are not orderly. In those circumstances, further analysis and significant adjustment to the transaction or quoted prices may be necessary to estimate fair value. FSP 157-4 reaffirms fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. FSP 157-4 has been adopted by the Company and will be effective for reporting periods ending after June 15, 2009. The Company's adoption of FSP 157-4 did not have a significant impact on the Company's financial statements. See Note 8 to the consolidated financial statements for the period ended March 31, 2009 for more information.

**PORTFOLIO AND INVESTMENT ACTIVITY**

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

	Three Months Ended		Year Ended December 31,		
	March 31,		2008	2007	2006
	2009	2008	2008	2007	2006
<b>New investment commitments(1):</b>					
New portfolio companies	\$ 3.1	\$ 164.5	\$600.5	\$ 1,091.6	\$ 812.5
Existing portfolio companies	34.7	139.6	305.0	256.0	297.5
<b>Total new investment commitments</b>	<b>37.8</b>	<b>304.1</b>	<b>905.5</b>	<b>1,347.6</b>	<b>1,110.0</b>
<b>Less:</b>					
Investment commitments exited	103.9	131.9	430.3	654.1	404.9
<b>Net investment commitments</b>	<b>\$ (66.1)</b>	<b>\$ 172.2</b>	<b>\$475.2</b>	<b>\$ 693.5</b>	<b>\$ 705.1</b>
<b>Principal amount of investments purchased:</b>					
Senior term debt	\$ 52.4	\$ 275.5	\$529.2	\$ 886.7	\$ 726.4
Senior subordinated debt	31.6	37.0	336.3	187.1	249.4
Equity and other	0.8	14.1	60.4	177.6	111.7
<b>Total</b>	<b>\$ 84.8</b>	<b>\$ 326.6</b>	<b>\$925.9</b>	<b>\$ 1,251.4</b>	<b>\$ 1,087.5</b>
<b>Principal amount of investments sold or repaid:</b>					
Senior term debt	\$ 44.7	\$ 153.9	\$448.8	\$ 608.3	\$ 255.5
Senior subordinated debt	34.5		29.0	89.8	99.2
Equity and other		1.0	7.4	20.6	75.3
<b>Total</b>	<b>\$ 79.2</b>	<b>\$ 154.9</b>	<b>\$485.2</b>	<b>\$ 718.7</b>	<b>\$ 430.0</b>
Number of new investment commitments(2)	6	13	39	47	54
Average new investment commitments amount	\$ 6.3	\$ 23.4	\$ 23.2	\$ 28.7	\$ 19.0
Weighted average term for new investment commitments (in months)	59	67	66	69	69
Weighted average yield of debt and income producing securities at fair value funded during the period(3)	10.67%	11.88%	12.57%	11.51%	11.76%
Weighted average yield of debt and income producing securities at amortized cost funded during the period(3)	10.95%	11.88%	12.58%	11.53%	11.76%
Weighted average yield of debt and income producing securities at fair value sold or repaid during the period(3)	15.31%	9.61%	9.49%	11.67%	11.39%
Weighted average yield of debt and income producing securities at amortized cost sold or repaid during the period(3)	14.77%	9.67%	9.79%	11.72%	11.95%

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

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

(3) When we refer to the "weighted average yield at fair value" herein, 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" herein, 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.





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The investment adviser employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, the investment adviser grades the credit status of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended to reflect 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 in our portfolio. This portfolio company is performing above expectations and the trends and risk factors are generally favorable, including a potential exit. Investments graded 3 involve a level of risk that is similar to the risk at the time of origination. This portfolio company is performing as expected and the risk factors are neutral to favorable. All new investments are initially assessed a grade of 3. Investments graded 2 involve a portfolio company performing below expectations and indicates that the investment's risk has increased materially since origination. This portfolio company may be out of compliance with debt covenants, however, payments are generally not more than 120 days past due. For investments graded 2, our investment adviser increases procedures to monitor the portfolio company and will write down the fair value of the investment if it is deemed to be impaired. An investment grade of 1 indicates that the portfolio company is performing materially below expectations and that the investment risk has substantially increased since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Investments graded 1 are not anticipated to be repaid in full. Our investment adviser employs half-point increments to reflect underlying trends in portfolio company operating or financial performance, as well as the general outlook. As of March 31, 2009, the weighted average investment grade of the investments in our portfolio was 2.9 with 5.7% of total investments at amortized cost (or 2.0% at fair value) on non-accrual status. The weighted average investment grade of the investments in our portfolio as of December 31, 2008 was 2.9. The distribution of the grades of our portfolio companies as of March 31, 2009 and December 31, 2008 is as follows (dollar amounts in thousands):

	As of March 31, 2009		As of December 31, 2008	
	Fair Value	Number of Companies	Fair Value	Number of Companies
Grade 1	\$ 42,895	8	\$ 48,192	8
Grade 2	194,733	10	180,527	9
Grade 3	1,619,448	68	1,632,136	68
Grade 4	112,028	6	112,122	6
	\$ 1,969,104	92	\$ 1,972,977	91

The weighted average yields of the following portions of our portfolio as of March 31, 2009 and December 31, 2008 were as follows:

	As of March 31, 2009		As of December 31, 2008	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt and income producing securities	12.10%	11.18%	12.79%	11.73%
Total portfolio	10.65%	9.18%	11.24%	9.78%
Senior term debt	11.06%	10.13%	12.01%	10.85%
Senior subordinated debt	14.28%	13.23%	14.78%	13.69%
Income producing equity securities	9.42%	10.28%	8.42%	9.30%
First lien senior term debt	9.35%	8.82%	10.80%	9.99%
Second lien senior term debt	13.63%	11.99%	13.75%	12.04%

**RESULTS OF OPERATIONS***For the three months ended March 31, 2009 and March 31, 2008*

Operating results for the three ended March 31, 2009 and 2008 are as follows (in thousands):

	For the three months ended March 31,	
	2009	2008
Total investment income	\$ 56,016	\$ 52,207
Total expenses	25,785	26,556
Net investment income before income taxes	30,231	25,651
Income tax expense (benefit), including excise tax	31	(322)
Net investment income	30,200	25,973
Net realized gains	24,708	199
Net unrealized losses	(19,874)	(17,006)
Net increase in stockholders' equity resulting from operations	\$ 35,034	\$ 9,166

Net income can vary substantially from period to period for 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 March 31, 2009, total investment income increased \$3.8 million, or 7%, over the three months ended March 31, 2008. For the three months ended March 31, 2009, total investment income consisted of \$52.3 million in interest income from investments, \$1.2 million in capital structuring service fees, \$0.4 million in dividend income, \$1.1 million in other income and \$0.7 million management fees. Interest income from investments increased \$6.5 million, or 14%, to \$52.3 million for the three months ended March 31, 2009 from \$45.9 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 fair value, for the quarter increased from \$1.8 billion for the three months ended March 31, 2008 to \$2.0 billion for the comparable period in 2009. Capital structuring service fees decreased \$2.7 million, or 68%, to \$1.2 million for the three months ended March 31, 2009 from \$3.9 million for the comparable period in 2008. The decrease in capital structuring service fees was primarily due to the decrease in new investment commitments for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

**Operating Expenses**

For the three months ended March 31, 2009, total expenses decreased \$0.8 million, or 3%, over the three months ended March 31, 2008. Interest expense and credit facility fees decreased \$3.3 million, or 34%, to \$6.6 million for the three months ended March 31, 2009 from \$9.9 million for the comparable period in 2008, primarily due to the lower average cost of debt. The average cost of debt for the three months ended March 31, 2009 was 2.96% compared to the average cost of debt of 5.10% for the comparable period in 2008 due to the significant decrease in LIBOR over the period. There were \$885.4 million in average outstanding borrowings during the three months ended March 31, 2009 compared to average outstanding borrowings of \$753.4 million in the comparable period in 2007. The decrease in total expenses was partially offset by the increase in base management fees and incentive fees. Base management fees increased \$0.4 million, or 6%, to \$7.5 million for the three months ended March 31, 2009 from \$7.1 million for the comparable period in 2008, primarily due to the increase in the size of the portfolio. Incentive fees related to pre-incentive fee net investment income increased \$1.1 million, or 16%, to \$7.6 million for the three months ended March 31, 2009 from \$6.5 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.

**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 three months ended March 31, 2009 and 2008, the Company recognized \$0.1 million and \$0.4 million, respectively, of benefits for federal excise tax.

Certain of our wholly owned subsidiaries are subject to U.S. federal and state income taxes. For the three months ended March 31, 2009 and 2008, we recorded tax provisions of approximately \$0.1 million for these subsidiaries.

**Net Unrealized Gains/Losses**

For the three months ended March 31, 2009, the Company had net unrealized losses of \$19.9 million, which was comprised of \$39.3 million in unrealized depreciation, \$18.0 million in unrealized appreciation and \$1.4 million relating to the reversal of prior period net unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation during the three months ended March 31, 2009 were as follows (in millions):

<b>Portfolio Company</b>	<b>Unrealized Appreciation (Depreciation)</b>
Apple and Eve, LLC	\$ 5.6
Best Brands Corporation	3.8
Capella Healthcare, Inc	1.7
Prommis Solutions, LLC	1.6
Magnacare, Inc.	1.5
Booz Allen Hamilton, Inc.	1.2
GG Merger Sub I, Inc.	0.9
Lakeland Finance, LLC	0.7
Industrial Container Services, LLC	(0.5)
Universal Lubricants, LLC	(0.7)
DSI Renal, Inc.	(0.7)
LVCG Holdings, LLC	(0.8)
Savers, Inc.	(0.9)
Web Services Company, LLC	(0.9)
VOTC Acquisition Corp.	(1.0)
The Teaching Company, LLC	(1.0)
Summit Business Media, LLC	(1.0)
OTG Management, Inc.	(1.1)
Making Memories Wholesale, Inc.	(1.1)
HB&G Building Products	(1.4)
Wastequip, Inc.	(1.4)
National Print Group, Inc.	(1.6)
Carador PLC	(1.6)
Courtside Acquisition Corp.	(1.7)
Things Remembered, Inc.	(1.8)
Direct Buy Holdings, Inc.	(2.5)
AWTP, LLC	(2.7)
Growing Family, Inc.	(3.4)
Reflexite Corporation	(8.1)
Other	(2.4)
<b>Total</b>	<b>\$ (21.3)</b>

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For the three months ended March 31, 2008, the Company had net unrealized losses of \$17.0 million, which primarily consisted of \$30.1 million of unrealized depreciation less \$13.0 million of unrealized appreciation and \$0.2 million relating to the reversal of prior period realized and unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation during the three months ended March 31, 2008 were as follows (in millions):

Portfolio Company	Unrealized Appreciation (Depreciation)
Reflexite, Inc.	\$ 7.3
Equinox EIC Partners, LLC	5.0
Wastequip, Inc.	(0.7)
Universal Trailer Corporation	(0.7)
RedPrairie Corporation	(0.7)
X-rite Incorporated	(0.8)
Making Memories Wholesale, Inc.	(0.9)
Sigma International Group, Inc.	(0.9)
GG Merger Sub I, Inc.	(0.9)
National Print Group, Inc.	(1.0)
Abingdon Investments Limited	(1.6)
Apple & Eve, LLC	(2.3)
Growing Family, Inc.	(2.5)
CT Technologies Intermediate Holdings, Inc.	(2.6)
Courtside Acquisition Corp.	(3.3)
Primis Marketing Group, Inc.	(3.5)
MPBP Holdings, Inc.	(5.7)
Other	(1.2)
<b>Total</b>	<b>\$ (17.0)</b>

### Net Realized Gains/Losses

During the three months ended March 31, 2009, the Company repurchased \$34.8 million of the CLO Notes resulting in a \$26.5 million gain on the extinguishment of debt. The Company also had \$77.4 million of sales and repayments resulting in \$1.8 million of net realized losses. These sales and repayments included \$36.5 million of loans sold to the Ivy Hill Funds, the two middle market credit funds managed by our affiliate Ivy Hill Management (see Note 10 to the consolidated financial statements for the period ended March 31, 2009 for more detail on the Ivy Hill Funds). Net realized losses on investments were comprised of \$0.1 million of gross realized gains and \$1.9 million of gross realized losses. The most significant realized gains and losses on investments for the three months ended March 31, 2009 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)
Diversified Collection Services, Inc.	\$ 0.1
Heartland Dental Care, Inc.	(0.2)
Bumble Bee Foods, LLC	(0.2)
Campus Management Corp.	(0.5)
Capella Healthcare, Inc.	(1.0)
<b>Total</b>	<b>\$ (1.8)</b>

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During the three months ended March 31, 2008, the Company had \$155.2 million of sales and repayments resulting in \$0.2 million of net realized gains.

### *For the years ended December 31, 2008, 2007 and 2006*

Operating results for the years ended December 31, 2008, 2007 and 2006 are as follows (in thousands):

	<b>For the year ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Total Investment Income	\$ 240,461	\$ 188,873	\$ 120,021
Total Expenses	113,221	94,750	58,458
Net Investment Income Before Income Taxes	127,240	94,123	61,563
Income Tax Expense (Benefit), Including Excise Tax	248	(826)	4,931
Net Investment Income	126,992	94,949	56,632
Net Realized Gains	6,371	6,544	27,616
Net Unrealized Losses	(272,818)	(10,661)	(14,553)
Net (Decrease) Increase in Stockholders' Equity Resulting From Operations	\$(139,455)	\$ 90,832	\$ 69,695

### **Investment Income**

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.

For the year ended December 31, 2007, total investment income increased \$68.9 million, or 57%, from the year ended December 31, 2006. Interest income from investments increased \$64.1 million, or 65%, to \$162.4 million for the year ended December 31, 2007 from \$98.3 million for the comparable period in 2006. The increase in interest income from investments was primarily due to the increase in the overall size of the portfolio. The average investments, at fair value, for the year increased to \$1.5 billion for the year ended December 31, 2007 from \$871.0 million for the comparable period in 2006. Capital structuring service fees increased \$2.0 million, or 12%, to \$18.0 million for the year ended December 31, 2007 from \$16.0 million for the comparable period in 2006. The increase in capital structuring service fees was primarily due to the increased amount of new investments made. The amount of new investments made increased to \$1.3 billion during the year ended December 31, 2007 from \$1.1 billion for the comparable period in 2006.

### **Operating Expenses**

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.

For the year ended December 31, 2007, total expenses increased \$36.3 million, or 62%, from the year ended December 31, 2006. Base management fees increased \$9.9 million, or 72%, to \$23.5 million for the year ended December 31, 2007 from \$13.6 million for the comparable period in 2006, primarily due to the increase in the size of the portfolio. Incentive fees related to pre-incentive fee net investment income increased \$7.5 million, or 46%, to \$23.5 million for the year ended December 31, 2007 from \$16.1 million for the comparable period in 2006, primarily due to the increase in the size of the portfolio and the related increase in net investment income. Interest expense and credit facility fees increased \$18.3 million, or 99%, to \$36.9 million for the year ended December 31, 2007 from \$18.6 million for the comparable period in 2006, primarily due to the significant increase in the outstanding borrowings. The average outstanding borrowings during the year ended December 31, 2007 was \$567.9 million compared to average outstanding borrowings of \$262.4 million for the comparable period in 2006. The increase in total expenses was partially offset by the decline in incentive fees related to realized gains. There were no incentive fees related to realized gains during the year ended December 31, 2007 compared to \$3.4 million for the year ended December 31, 2006, due to gross unrealized depreciation offsetting net realized gains for the period. Net realized gains were \$6.6 million during the year ended December 31, 2007 whereas gross unrealized depreciation recognized was \$61.2 million.

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

For the years ended December 31, 2008, 2007 and 2006 provisions of approximately \$0.1 million, \$0.1 million and \$0.6 million respectively, were recorded for federal excise tax.

For the year ended December 31, 2008, we recorded a tax provision of approximately \$0.1 for our wholly owned subsidiaries that are subject to U.S. federal and state income taxes. For the year ended December 31, 2007, we recorded a tax benefit of approximately \$0.9 million for these subsidiaries. For the year ended December 31, 2006, we recorded a tax provision of \$4.4 million for these subsidiaries.

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

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

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gross realized gains and \$0.2 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)
Hudson Group, Inc.	\$ 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

During the year ended December 31, 2006, the Company had \$457.7 million of sales and repayments resulting in \$27.6 million of net realized gains. Net realized gains were comprised of \$27.7 million of gross realized gains and \$0.1 million of gross realized losses. The most significant realized gains and losses during the year ended December 31, 2006 were as follows (in millions):

Portfolio Company	Realized Gain (Loss)
CICQ, LP	\$ 18.6
United Site Services, Inc.	4.5
GCA Services Group, Inc.	1.0
Other	3.5
Total	\$ 27.6

### Net Unrealized Gains/Losses

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):

<b>Portfolio Company</b>	<b>Unrealized Appreciation (Depreciation)</b>
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)
<b>Total</b>	<b>\$ (269.0)</b>

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

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

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

For the year ended December 31, 2006, the Company had net unrealized losses of \$14.6 million, which was comprised of \$9.2 million in unrealized appreciation, \$8.9 million in unrealized depreciation and \$14.9 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, 2006 were as follows (in millions):

Portfolio Company	Unrealized Appreciation (Depreciation)
CICQ, LP	\$ 4.0
Universal Trailer Corporation	3.4
Varel Holdings, Inc.	1.0
Making Memories Wholesale, Inc.	(2.4)
Berkshire/Benchcraft Holdings LLC	(6.5)
Other	0.8
<b>Total</b>	<b>\$ 0.3</b>

### 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, advances from the CP Funding Facility and JPM Revolving Facility as well as cash flows from operations.

As of March 31, 2009, the Company had \$48.0 million in cash and cash equivalents and \$902.6 million in total indebtedness outstanding. Subject to leverage restrictions, the Company had approximately \$251.6 million available for additional borrowings under the Facilities as of March 31, 2009. As of December 31, 2008, the Company had \$89.4 million in cash and cash equivalents and \$908.8 million in total indebtedness outstanding. Subject to leverage restrictions, the Company had

approximately \$265.2 million available for additional borrowings under the Facilities as of December 31, 2008.

Due to volatility in global markets, the availability of capital and access to capital markets has been limited. Until constraints on raising new capital ease, we intend to pursue other avenues of liquidity such as adjusting the pace of our investments, becoming more selective in evaluating investment opportunities to ensure appropriate risk-adjusted returns, pursuing asset sales, and/or recycling lower yielding investments. As the global liquidity situation evolves, we will continue to monitor and adjust our funding approach accordingly. However, given the unprecedented nature of the volatility in the global markets, there can be no assurances that these activities will be successful. Moreover, if current levels of market disruption and volatility continue or worsen, we could face materially higher financing costs. Consequently, our operating strategy could be materially and adversely affected. 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.

For example, as described elsewhere in this prospectus, our failure to enter into the Wachovia Revolving Facility on or before October 19, 2009 could have a material adverse impact on our business, financial condition and results of operations.

### Equity Offerings

There were no sales of equity securities during the three months ended March 31, 2009.

As of March 31, 2009, total market capitalization for the Company was \$0.5 billion compared to \$0.6 billion as of December 31, 2008.

On April 28, 2008, we completed a transferable rights offering, issuing 24,228,030 shares at a subscription price of \$11.0016 per share, less dealer manager fees of \$0.22 per share. Net proceeds after deducting the dealer manager fees and estimated offering expenses were approximately \$259.8 million. Ares Investments LLC ("Ares Investments"), an affiliate of the investment adviser, purchased 1,643,215 shares in the rights offering, bringing its total shares owned to 2,859,882 shares of common stock, representing approximately 2.9% of our total shares outstanding as of December 31, 2008.

The following table summarizes the total shares issued and proceeds we received net of underwriter, dealer manager and offering costs for the years ended December 31, 2008, 2007 and 2006 (in millions, except per share data):

	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
<b>2008</b>			
April 2008 public offering	24.2	\$ 11.00	\$ 259.8
Total for the year ended December 31, 2008	24.2		\$ 259.8
<b>2007</b>			
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
<b>2006</b>			
December 2006 public offering	2.7	\$ 18.50	\$ 49.8
July 2006 public offering	10.8	\$ 15.67	162.0
Total for the year ended December 31, 2006	13.5		\$ 211.8

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Part of the proceeds from our public offerings in 2008, 2007 and 2006 were used to repay outstanding indebtedness. The remaining unused portions of the proceeds from our public offerings were used to fund investments in portfolio companies in accordance with our investment objective and strategies and market conditions.

As of December 31, 2008, total market capitalization for the Company was \$0.6 billion compared to \$1.1 billion as of December 31, 2007.

### Debt Capital Activities

Our debt obligations consisted of the following as of March 31, 2009 and December 31, 2008 (in millions):

	As of March 31, 2009	As of December 31, 2008
JPM Revolving Facility	\$ 495.1	\$ 480.5
CP Funding Facility	128.3	114.3
Debt Securitization	279.2	314.0
	\$ 902.6	\$ 908.8

The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of March 31, 2009 were 1.97% and 4.3 years, respectively. The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of December 31, 2008 were 3.03% and 4.9 years, respectively.

The ratio of total debt outstanding to stockholders' equity as of March 31, 2009 remained unchanged from December 31, 2008 and was 0.83:1.00.

A summary of our contractual payment obligations as of December 31, 2008 are as follows (in millions):

	Total	Payments Due by Period			After 5 years
		Less than 1 year	1-3 years	4-5 years	
JPM Revolving Facility	\$480.5	\$	\$ 480.5	\$	\$
CP Funding Facility	114.3	114.3			
Debt Securitization	314.0				314.0
<b>Total Debt</b>	<b>\$908.8</b>	<b>\$ 114.3</b>	<b>\$ 480.5</b>	<b>\$</b>	<b>\$314.0</b>

In accordance with the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of March 31, 2009, our asset coverage for borrowed amounts was 221%. As of December 31, 2008, our asset coverage for borrowed amounts was 220%.

### CP Funding Facility

In October 2004, we formed Ares Capital CP Funding LLC ("Ares Capital CP"), a wholly owned subsidiary of the Company, through which we established a revolving facility, referred to as the "CP Funding Facility," that, as amended, allows Ares Capital CP to issue up to \$225 million of variable funding certificates. On May 7, 2009, we entered into an amendment to our revolving facility with Wachovia Capital Markets, LLC and each of the other parties thereto. The amendment, 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, reduced the availability from \$350 million to

\$225 million (with a reduction in the outstanding balance required by each of May 7, 2010 and May 7, 2011) and decreased the advance rates applicable to certain types of eligible loans. In addition, pursuant to the amendment, an indirect, wholly owned subsidiary of the Company, Ares Capital CP Funding II LLC ("Ares Capital CP II"), guaranteed the obligations of Ares Capital CP under the CP Funding Facility, and it is expected that such guaranty will be secured by the assets of Ares Capital CP II pursuant to the definitive documentation for a new revolving facility (the "Wachovia Revolving Facility") described below. Ares Capital CP also agreed to guaranty the future obligations of Ares Capital CP II under the Wachovia Revolving Facility. While documentation for the amendment has been executed, the extended term of the CP Funding Facility is subject to execution of definitive documentation with respect to the Wachovia Revolving Facility on or before October 19, 2009.

In connection with the amendment to the CP Funding Facility, the commitment fee requirement was removed and the Company and Ares Capital CP also agreed to increase the interest rate payable on funding from the commercial paper rate, Eurodollar or adjusted Eurodollar rate, as applicable, plus 250 basis points to the commercial paper rate, Eurodollar or adjusted Eurodollar rate, as applicable, plus 350 basis points. Additionally, a renewal fee of \$2.8 million, or 1.25% of the total facility amount, was paid.

Also on May 7, 2009, the Company entered into a commitment with Wachovia Bank N.A. ("Wachovia") to establish the Wachovia Revolving Facility pursuant to which Wachovia will extend credit to Ares Capital CP II in an aggregate principal amount not to exceed \$200 million at any one time outstanding.

Entry into the Wachovia Revolving Facility is subject to various conditions, including the negotiation and execution of definitive documentation. No assurance can be given that Wachovia, the Company and Ares Capital CP II will execute definitive documentation, that the definitive documentation will reflect the terms described herein or that the Wachovia Revolving Facility will be entered into at all. It is anticipated that the Wachovia Revolving Facility will expire three years after the closing thereof (plus two one-year options, subject to mutual consent) and will bear interest at LIBOR, plus 400 basis points. It is further anticipated that the commitment fee for unused portions of the Wachovia Revolving Facility will be between 0.50% and 2.50%, depending on the amount of unused funds. A structuring fee of \$3.0 million, or 1.5% of the total facility amount, will be payable to Wachovia on the closing of the Wachovia Revolving Facility and the obligations of Ares Capital CP II under the Wachovia Revolving Facility will be guaranteed by, and secured by the assets of, Ares Capital CP.

It is anticipated that the definitive documentation for the Wachovia Revolving Facility will require both the Company and Ares Capital CP II to make representations and warranties regarding the collateral as well as their businesses and properties and require each of them to comply with various covenants, servicing procedures, limitations on acquiring and disposing of assets, reporting requirements and other customary requirements for similar securitized credit facilities. It is also anticipated that the definitive documentation will include usual and customary events of default for securitized credit facilities of such nature, including allowing Wachovia, upon a default, to pursue its rights in the collateral directly with Ares Capital CP II, as borrower, and Ares Capital CP, as guarantor.

As of March 31, 2009, there was \$128.3 million outstanding under the CP Funding Facility and the Company continues to be in compliance with all of the limitations and requirements of the CP Funding Facility. As of December 31, 2008 there was \$114.3 million outstanding under the CP Funding Facility.

The CP Funding Facility was initially scheduled to expire on July 21, 2009. On May 7, 2009, as part of the amendment to the CP Funding Facility, we extended the maturity of the CP Funding Facility to May 7, 2012 (subject to execution of definitive documentation of the Wachovia Revolving Facility described above).

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The CP Funding Facility is secured by all of the assets held by Ares Capital CP, which as of March 31, 2009 consisted of 44 investments, and guaranteed by the assets of Ares Capital CP II. See Note 7 to our consolidated financial statements for the period ended March 31, 2009 for more detail on the CP Funding Facility.

### ***JPM Revolving Facility***

In December 2005, we entered into a senior secured revolving credit facility, referred to as the JPM Revolving Facility, under which, as amended, the lenders have agreed to extend credit to the Company in an aggregate principal amount not exceeding \$525.0 million at any one time outstanding. The JPM Revolving Facility expires on December 28, 2010 and with certain exceptions is secured by substantially all of the assets in our portfolio (other than investments held by Ares Capital CP and Ares Capital CP II under the CP Funding Facility and those held as a part of the Debt Securitization, discussed below), which as of March 31, 2009 consisted of 180 investments.

The JPM Revolving Facility also includes an "accordion" feature that allows us to increase the size of the JPM Revolving Facility to a maximum of \$765.0 million under certain circumstances. On January 21, 2009, we partially exercised the accordion feature of the JPM Revolving Facility, increasing the total amount available for borrowing from \$510.0 million to \$525.0 million. As of and March 31, 2009, and December 31, 2008, there was \$495.1 million and \$480.5 million outstanding, respectively, under the JPM Revolving Facility and the Company continues to be in compliance with all of the limitations and requirements of the JPM Revolving Facility. See Note 7 to our consolidated financial statements for the period ended March 31, 2009 for more detail on the JPM Revolving Facility.

### ***Debt Securitization***

In July 2006, through our wholly owned subsidiary, ARCC CLO 2006 LLC ("ARCC CLO"), we completed a \$400.0 million debt securitization (the "Debt Securitization") and issued approximately \$314.0 million principal amount of asset-backed notes (including \$50.0 million of revolving notes, all of which were drawn down as of March 31, 2009) (the "CLO Notes") to third parties that were secured by a pool of middle market loans that have been purchased or originated by the Company. The CLO Notes are included in the March 31, 2009 consolidated balance sheet. We retained approximately \$86.0 million of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization (the "Retained Notes"). As of March 31, 2009, there were 69 investments securing the CLO Notes.

The CLO Notes mature on December 20, 2019. As of March 31, 2009, and December 31, 2008, there was \$279.2 million and \$314.0 million outstanding, respectively, under the Debt Securitization (excluding the Retained Notes). See Note 7 to our consolidated financial statements for the period ended March 31, 2009 for more detail on the Debt Securitization. In February 2009, we purchased, in open market transactions, a total of \$27.0 million of our outstanding debt securities under the Debt Securitization for \$6.6 million.

In addition, as of March 31, 2009, we had a long-term issuer rating of Ba1 from Moody's Investor Service and a long-term counterparty credit rating from Standard & Poor's Ratings Service of BBB.

### **PORTFOLIO VALUATION**

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 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.

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 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 continue to 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 valuation conclusions are then documented and discussed by our management.

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

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based on the input of our management and audit committee and independent valuation firms.

Effective January 1, 2008, the Company adopted SFAS 157, which expands the application of fair value accounting for investments (see Note 9 to the consolidated financial statements).

### OFF BALANCE SHEET ARRANGEMENTS

As of March 31, 2009 and December 31, 2008, the Company had the following commitments to fund various revolving senior secured and subordinated loans (in millions):

	As of March 31, 2009	As of December 31, 2008
Total revolving commitments	\$ 366.4	\$ 419.0
Less: funded commitments	(150.9)	(139.6)
<b>Total unfunded commitments</b>	<b>215.5</b>	<b>279.4</b>
Less: commitments substantially at discretion of the Company	(11.5)	(32.4)
Less: unavailable commitments due to borrowing base or other covenant restriction	(64.7)	(64.5)
 Total net adjusted unfunded revolving commitments	 \$ 139.3	 \$ 182.5

Of the total commitments as of March 31, 2009, \$210.5 million extend beyond the maturity date for our JPM Revolving Facility. Additionally, \$139.0 million of the total commitments or \$51.2 million of the net adjusted unfunded commitments are scheduled to expire in 2009. Included within the total commitments as of March 31, 2009 are commitments to issue up to \$15.6 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 March 31, 2009, the Company had \$12.3 million in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability. Of these letters of credit, \$8.1 million expire on September 30, 2009, \$0.3 million expire on January 31, 2010, \$3.7 million expire on February 28, 2010 and \$0.2 million expire on August 31, 2010. These letters of credit may be extended under substantially similar terms for additional one-year terms at the Company's option until the JPM Revolving Facility, under which the letters of credit were issued, matures on December 28, 2010.

As of March 31, 2009 and December 31, 2008, the Company was subject to subscription agreements to fund equity investments in private equity investment partnerships, substantially all at the discretion of the Company, as follows (in millions):

	As of March 31, 2009	As of December 31, 2008
Total private equity commitments	\$ 428.3	\$ 428.3
Total unfunded private equity commitments	\$ 422.5	\$ 423.6



**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 spread 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 March 31, 2009, approximately 57% of the investments at fair value in our portfolio were at fixed rates while approximately 31% were at variable rates and 12% were non-interest earning. Additionally, 6% of the investments at fair value or 21% of the investments at fair value with variable rates contain interest rate floor features. The Debt Securitization, the CP Funding Facility and the JPM Revolving Facility all feature variable 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.

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. We believe that this agreement will enable us to mitigate interest rate risk and remain match funded.

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 March 31, 2009 balance sheet, the following table shows the impact on net income of base rate changes in interest rates 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 of the consolidated financial statements for the period ended March 31, 2009 (in millions):

<b>Basis Point Change</b>	<b>Interest Income</b>	<b>Interest Expense</b>	<b>Net Income</b>
Up 300 basis points	\$ 20.4	\$ 24.8	\$ (4.4)
Up 200 basis points	\$ 13.6	\$ 16.6	\$ (3.0)
Up 100 basis points	\$ 6.8	\$ 8.3	\$ (1.5)
Down 100 basis points	\$ (4.6)	\$ (7.8)	\$ 3.2
Down 200 basis points	\$ (6.5)	\$ (8.1)	\$ 1.6
Down 300 basis points	\$ (7.7)	\$ (8.1)	\$ 0.4

Based on our December 31, 2008 balance sheet, the following table shows the impact on net income of base rate changes in interest rates assuming no changes in our investment and borrowing

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structure and reflecting the effect of our interest rate swap agreement described above and in Note 10 of the consolidated financial statements for the year ended December 31, 2008 (in millions):

<b>Basis Point Change</b>	<b>Interest Income</b>	<b>Interest Expense</b>	<b>Net Income</b>
Up 300 basis points	\$ 21.4	\$ 25.0	\$ (3.6)
Up 200 basis points	\$ 14.2	\$ 16.7	\$ (2.5)
Up 100 basis points	\$ 7.1	\$ 8.3	\$ (1.2)
Down 100 basis points	\$ (6.2)	\$ (8.3)	\$ 2.1
Down 200 basis points	\$ (11.2)	\$ (15.1)	\$ 3.9
Down 300 basis points	\$ (14.7)	\$ (17.0)	\$ 2.3

**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 the Company commenced operations and as of March 31, 2009. The report of our independent registered public accounting firm on the senior securities table of December 31, 2008, 2007, 2006, 2005 and 2004 is attached as an exhibit to the registration statement of which this prospectus is a part. The " " indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
<b>Debt Securitization</b>				
Fiscal 2009 (as of March 31, 2009, unaudited)	\$ 279,210	\$ 682.22		
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
<b>CP Funding Facility</b>				
Fiscal 2009 (as of March 31, 2009, unaudited)	\$ 128,300	\$ 313.49		
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
Fiscal 2004	\$ 55,500	\$ 3,877.62	\$	N/A
<b>JPM Revolving Facility</b>				
Fiscal 2009 (as of March 31, 2009, unaudited)	\$ 495,109	\$ 1,209.75		
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

(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 Debt Securitization, CP Funding Facility and the JPM Revolving Facility, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each.

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

(4) Not applicable, as none of our current senior securities are registered for public trading.

## BUSINESS

### GENERAL

Ares Capital Corporation, 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. 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.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. 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 debt investments have ranged between \$10 million and \$100 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with our capital availability. We also, to a lesser extent, make equity investments. Our equity investments have generally been less than \$20 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these companies.

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.

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 or lower than "BBB-" by Standard & Poor's Corporation). 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 11 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 100 investment professionals and to the approximately 150 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance, 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 the 30% basket.

In addition to making investments in the Ares Capital portfolio, our affiliate, Ivy Hill Management, manages two unconsolidated senior debt funds, the Ivy Hill Funds.

#### **About Ares**

Founded in 1997, Ares is an independent international investment management firm with approximately \$27.5 billion of total committed capital and over 250 employees as of March 31, 2009.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the 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 and ACE. 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 a variety of funds and investment vehicles that managed approximately \$17.6 billion of committed capital as of March 31, 2009, 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 ACOF, which has managed approximately \$5.9 billion of committed capital as of March 31, 2009. ACOF generally makes private equity investments in companies in amounts substantially larger than the private equity investments anticipated to be made by the Company. 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 30 investment professionals led by the 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 600 investments in over 30 different industries and have made investments in over 1,600 companies since inception. Ares Capital Management's investment committee has nine members, including Founding Members of Ares.

## **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 severe dislocation in the credit markets has resulted in reduced competition, a widening of interest spreads, increasing fees and generally more conservative capital structures and deal terms.

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 are 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 current 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.

## **COMPETITIVE ADVANTAGES**

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

### **Existing investment platform**

As of March 31, 2009, Ares managed approximately \$27.5 billion of committed capital in the related asset classes of 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' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

### **Seasoned management team**

John Kissick, Antony Ressler, Bennett Rosenthal and David Sachs serve on Ares Capital Management's investment committee and have an average of over 20 years 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 had 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 600 companies and provide access to an extensive network of relationships and special 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 18 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. Our 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 appropriate 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 1,600





companies 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 concerning these industries 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. The principals of Ares have extensive experience 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 the economic cycle 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 larger investments than many of our competitors. The ability to underwrite, syndicate and hold larger investments (i) increases flexibility, (ii) may increase net fee income and earnings through syndication, (iii) broadens market relationships and deal flow and (iv) allows us to optimize our portfolio composition. 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 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. Our focus on generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and results in active portfolio management of investments. Moreover, by leading the investment process, our investment adviser is able to secure controlling positions in credit tranches 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 junior 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 the Company will be permitted to co-invest with funds managed by Ares. See "Risk Factors Risks Relating to Our Business The Company may not replicate Ares' historical success and our ability to enter into transactions with Ares and our other affiliates is restricted."

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant respects. As a BDC and a RIC for tax purposes, the Company is dependent on its ability to raise capital through the issuance of its common stock. RICs generally must distribute substantially all of their earnings to stockholders as dividends in order to preserve their status as RICs, which prevents the Company 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 the Company to finance its 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 \$10 million to \$100 million on average, although the investment size may be more or less than this range and depending on capital availability. Our equity investments have generally been less than \$20 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these companies. 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.

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.

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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 100 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 March 31, 2009 and December 31, 2008 were as follows:

Industry	As of March 31, 2009	As of December 31, 2008
Health Care	19.8%	20.2%
Education	11.6	11.1
Restaurants	8.1	8.1
Beverage/Food/Tobacco	8.1	7.8
Other Services	7.1	7.4
Financial	7.0	7.0
Business Services	6.7	6.7
Retail	5.6	5.7
Manufacturing	4.4	3.8
Environmental Services	3.9	4.1
Printing/Publishing/Media	3.5	3.8
Aerospace and Defense	3.0	3.0
Consumer Products	2.8	3.0
Telecommunications	2.1	2.0
Cargo Transport	1.4	1.4
Containers/Packaging	1.3	1.4
Computers/Electronics	1.2	1.2
Health Clubs	1.2	1.2
Grocery	1.1	1.0
Homebuilding	0.1	0.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Geographic Region	March 31, 2009	December 31, 2008
Mid-Atlantic	22.0%	21.0%
Southeast	20.8	22.2
Midwest	20.7	20.6
West	17.9	18.3
International	14.8	14.1
Northeast	3.8	3.8
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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.

### Managed funds portfolio

Our affiliate, Ivy Hill Management, manages an unconsolidated middle market credit fund, Ivy Hill I, in exchange for a 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 the Company consisting of \$40.0 million of Class B notes and \$16.0 million of subordinated notes.

Ivy Hill I purchased \$9.0 million and \$68.0 million of investments from the Company for the three months ended March 31, 2009 and year ended December 31, 2008, respectively.

On November 5, 2008, we established a second unconsolidated middle market credit fund, Ivy Hill II, which is also managed by Ivy Hill Management in exchange for a 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 \$27.5 million and \$7.5 million of investments from the Company for the three months ended March 31, 2009 and the year ended December 31, 2008, respectively. The Ivy Hill Funds may, from time to time, buy additional loans from the Company.

Ivy Hill Management is party to the services agreement with Ares Capital Management. Pursuant to the services agreement, Ares Capital Management provides Ivy Hill Management with office facilities, equipment, clerical, bookkeeping and record keeping services, services of investment professionals and others to perform investment advisory, research and related services, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Ivy Hill Management reimburses Ares Capital Management for all of the costs associated with such services, including Ares Capital Management's allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the services agreement. The services agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

### INVESTMENT SELECTION

Ares' investment philosophy was developed over the past 18 years and has remained consistent and relevant throughout a number of economic cycles. In managing the Company, 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;

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 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 their economic incentives;

an analysis of business strategy and industry trends; and

an in-depth examination of capital structure, financial results and projections.



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

### **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 to be 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 Mr. Arougheti and the 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 the Company's 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 consensus of the investment committee, including a majority of the members of Ares serving on the investment committee.

### **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. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure. 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.

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We generally require financial covenants and terms that require an issuer to reduce leverage, thereby enhancing credit quality. These methods include: (i) maintenance leverage covenants requiring a decreasing ratio of indebtedness to cash flow; (ii) maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures; and (iii) 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. In general, our equity investments are not control-oriented investments and in many cases we acquire equity securities as part of a group of private equity investors in which we are not the lead investor. Our equity investments have generally been less than \$20 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these companies. In many cases, we will also obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

### **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 March 31, 2009, of our 92 funded portfolio companies, we were entitled to board seats or board observation rights on 41% of the operating companies in our portfolio or 59% of our total portfolio at fair value.

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 credit status of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended to reflect 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 in our portfolio. This portfolio company is performing above expectations and the trends and risk factors are generally favorable, including a potential exit. Investments graded 3 involve a level of risk that is similar to the risk at the time of origination. This portfolio company is performing as expected and the risk factors are neutral to favorable. All new investments are initially assessed a

grade of 3. Investments graded 2 involve a portfolio company performing below expectations and indicates that the investment risk has increased materially since origination. This portfolio company may be out of compliance with debt covenants, however, payments are generally not more than 120 days past due. For investments graded 2, our investment adviser increases procedures to monitor the portfolio company and will write down the fair value of the investment if it is deemed to be impaired. An investment grade of 1 indicates that the portfolio company is performing materially below expectations and that the investment risk has substantially increased since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Investments graded 1 are not anticipated to be repaid in full. Our investment adviser employs half-point increments to reflect underlying trends in portfolio company operating or financial performance, as well as the general outlook. As of March 31, 2009, the weighted average investment grade of the investments in our portfolio was 2.9 with 5.7% of total investments at amortized cost (or 2.0% at fair value) and eight loans were past due or on non-accrual status.

#### **MANAGERIAL ASSISTANCE**

As a BDC, we offer, and must provide upon request, managerial assistance to 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. Until constraints on raising new capital ease, we intend to pursue other avenues of liquidity such as adjusting the pace of our investments, becoming more selective in evaluating investment opportunities, pursuing asset sales, and/or recycling lower yielding investments. We also intend to pursue additional 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. Moreover, if current levels of market disruption and volatility continue or worsen, 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, the stocks of BDCs as an industry have been trading at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. As a result of the deterioration of the market, several of our peers are no longer active in the market and are winding down their investments, have defaulted on their indebtedness, have decreased their distributions to stockholders or have announced share repurchase programs. We cannot assure you that the market pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

See "Risk Factors Risks Relating to Our Business."

## **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 Administration, pursuant to the terms of the investment advisory and management agreement and the administration agreement. Each of our executive officers described under "Management" is an employee of Ares Administration and/or Ares Capital Management. Our day-to-day investment operations 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 30 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 Administration 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, 22<sup>nd</sup> 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.

## **LEGAL PROCEEDINGS**

Neither we nor Ares Capital Management are currently subject to any material legal proceedings.

## PORTFOLIO COMPANIES

Our investment adviser employs an investment rating system to categorize our investments. See "Business Ongoing Relationships With and Monitoring of Portfolio Companies." As of March 31, 2009, the weighted average investment grade of the debt in our portfolio was 2.9 with 5.7% of total investments at amortized cost (or 2.0% at par value) and eight loans were past due or on non-accrual status. As of March 31, 2009, the weighted average yield of debt and income producing equity securities at fair value in our portfolio was approximately 12.10% (11.18% at amortized cost) (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 debt and income producing equity 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 March 31, 2009. 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 (i) 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 (ii) 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 our portfolio companies. We may also receive rights to observe the meetings of our portfolio companies' boards of directors.

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**PORTFOLIO COMPANIES**  
**As of March 31, 2009**  
**(dollar amounts in thousands)**

Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value
3091779 Nova Scotia Inc. 1 Valleybrook Dr., Suite 203 Don Mills, Ontario M3B 2S7	Baked goods manufacturer	Junior secured loan Common stock warrants	11.50% Cash, 1.50% PIK	11/3/2012 11/3/2012	2.25%	\$ 10,642 (2)
ADF Capital, Inc. & ADF Restaurant Group, LLC 165 Passaic Avenue Fairfield, NJ 07004	Restaurant owner and operator	Senior secured revolving loan Senior secured revolving loan Senior secured loan Senior secured loan Senior secured loan Promissory note Common stock warrants	5.75% (Base Rate + 2.50%/D) 4.935% (Libor + 3.00% Cash, 0.50% PIK/Q) 9.935% (Libor + 7.50% Cash, 1.00% PIK/Q) 9.935% (Libor + 7.50% Cash, 1.00% PIK/Q) 9.935% (Libor + 7.50% Cash, 1.00% PIK/Q) 10.00% PIK	11/27/2013 11/27/2013 11/27/2012 11/27/2012 11/27/2012 11/27/2016		\$ 1,485(3) \$ 1,827(3) \$ 21,521 \$ 943 \$ 10,529 \$ 12,406 87.72% \$ (2)
American Broadband Communications, LLC and American Broadband Holding Company 401 N. Tryon Street, 10th Floor Charlotte, NC 28202	Broadband communication services	Senior subordinated loan Senior subordinated loan Common stock warrants	18.00% (10.00% Cash, 8.00% PIK) 18.00% (10.00% Cash, 8.00% PIK)	11/7/2014 11/7/2014	17.00%	\$ 32,680 \$ 8,246 (2)

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value
American Renal Associates, Inc. 5 Cherry Hill Drive, Suite 120 Danvers, MA 01923	Dialysis provider	Senior secured loan	4.48% (Libor + 3.25%/Q)	12/31/2010		\$ 1,443
		Senior secured loan	4.48% (Libor + 3.25%/Q)	12/13/2011		\$ 5,705
		Senior secured loan	5.00% (Base Rate + 1.75%/D)	12/13/2011		\$ 19
		Senior secured loan	4.48% (Libor + 3.25%/Q)	12/13/2011		\$ 166
		Senior secured loan	4.48% (Libor + 3.25%/Q)	12/13/2011		\$ 262
		Senior secured loan	4.69% (Libor + 3.25%/Q)	12/13/2011		\$ 1,655
		Senior secured loan	4.69% (Libor + 3.25%/Q)	12/13/2011		\$ 2,620
		Senior secured revolving loan		12/31/2010		\$ (4)
American Residential Services, LLC 860 Ridge Lake Blvd A3-1860 Memphis, TN 38120	Plumbing, heating and air-conditioning services	Junior secured loan	10.00% Cash, 2.00% PIK	4/1/2015		\$ 18,280
AP Global Holdings, Inc. 1043 North 47th Avenue Phoenix, AZ 85043	Safety and security equipment manufacturer	Senior secured loan	5.02% (Libor + 4.50%/M)	10/26/2013		\$ 7,247
Apple & Eve, LLC and US Juice Partners, LLC(19) 2 Seaview Blvd Port Washington, NY 11050	Juice manufacturer	Senior secured revolving loan	6.51% (Libor + 6.00%/M)	10/1/2013		\$ 2,760(5)
		Senior secured revolving loan	6.94% (Libor + 6.00%/B)	10/1/2013		\$ 4,140(5)
		Senior secured revolving loan	6.95% (Libor + 6.00%/M)	10/1/2013		\$ 2,300(5)
		Senior secured revolving loan	6.97% (Libor + 6.00%/M)	10/1/2013		\$ 2,300(5)
		Senior secured loan	6.96% (Libor + 6.00%/M)	10/1/2013		\$ 8,689
		Senior secured loan	6.96% (Libor + 6.00%/M)	10/1/2013		\$ 18,327
		Senior secured loan	6.96% (Libor + 6.00%/M)	10/1/2013		\$ 10,982
Senior units				8.74%	\$ 2,500	
Apogee Retail, LLC 1387 Cope Ave E Maplewood, MN 55109	For-profit thrift retailer	Senior secured revolving loan	7.25% (Base Rate + 4.00%/D)	3/27/2012		\$ 1,170(6)
		Senior secured loan	12.00% Cash, 4.00% PIK	11/28/2012		\$ 11,070
		Senior secured loan	8.71% (Libor + 5.25%/M)	3/27/2012		\$ 2,025
		Senior secured loan	8.71% (Libor + 5.25%/M)	3/27/2012		\$ 21,626
		Senior secured loan	8.71% (Libor + 5.25%/M)	3/27/2012		\$ 10,349
		Senior secured loan	6.49% (Libor + 5.25%/Q)	3/27/2012		\$ 4,291
Arrow Group Industries, Inc. 1680 Route 23 North Wayne, NJ 07470	Residential and outdoor shed manufacturer	Senior secured loan	6.46% (Libor + 5.00%/Q)	4/1/2010		\$ 5,335
Athletic Club Holdings, Inc. 5201 East Tudor Road Anchorage, AL 99507	Premier health club operator	Senior secured loan	5.02% (Libor + 4.50%/M)	10/11/2013		\$ 880
		Senior secured loan	8.88% (Libor + 4.50%/S)	10/11/2013		\$ 1,540
		Senior secured loan	5.02% (Libor + 4.50%/M)	10/11/2013		\$ 10,998
		Senior secured loan	5.02% (Libor + 4.50%/M)	10/11/2013		\$ 10,117
		Senior secured loan	6.75% (Base Rate + 3.50%/Q)	10/11/2013		\$ 3
		Senior secured loan	6.75% (Base Rate + 3.50%/Q)	10/11/2013		\$ 3
AWTP, LLC 2080 Lunt Avenue Elk Grove Village, IL 60007	Water treatment services	Junior secured loan	11.5% (Libor + 7.50% Cash, 1.00% PIK/D)	12/22/2012		\$ 241
		Junior secured loan	11.5% (Libor + 7.50% Cash, 1.00% PIK/D)	12/22/2012		\$ 1,811
		Junior secured loan	13.48% (Libor + 7.50% Cash, 1.00% PIK/A)	12/22/2012		\$ 483
		Junior secured loan	13.48% (Libor + 7.50% Cash, 1.00% PIK/A)	12/22/2012		\$ 3,622
		Junior secured loan	11.35% (Libor + 7.50% Cash, 1.00% PIK/A)	12/22/2012		\$ 241
		Junior secured loan	11.35% (Libor + 7.50% Cash, 1.00% PIK/A)	12/22/2012		\$ 1,811
		Junior secured loan	11.35% (Libor + 7.50% Cash, 1.00% PIK/A)	12/22/2012		\$ 1,811
Best Brands Corporation 1765 Yankee Doodle Road Eagan, MN 55121	Baked goods manufacturer	Senior secured loan	7.75% (Libor + 5.00% Cash, 2.25% PIK/M)	12/12/2012		\$ 12,407
		Junior secured loan	10.00% Cash, 8.00% PIK	6/30/2013		\$ 4,196
		Junior secured loan	10.00% Cash, 8.00% PIK	6/30/2013		\$ 25,532
		Junior secured loan	10.00% Cash, 8.00% PIK	6/30/2013		\$ 11,795
		Junior secured loan	10.00% Cash, 8.00% PIK	6/30/2013		\$ 11,795

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Booz Allen Hamilton, Inc. 8283 Greensboro Drive McLean, VA 22102	Strategy and technology consulting services	Senior secured loan	7.50% (Libor + 4.50%/S)	7/31/2015	\$ 728
		Senior subordinated loan	11.00% Cash, 2.00% PIK	7/31/2016	\$ 20,160
		Senior subordinated loan	11.00% Cash, 2.00% PIK	7/31/2016	\$ 225
Bumble Bee Foods, LLC and BB Co-Invest LP 9655 Granite Ridge Dr. Suite 100 San Diego, CA 92123	Canned seafood manufacturer	Senior subordinated loan	16.25% (12.00% Cash, 4.25%	11/18/2015	\$ 31,100
		Common stock	Optional PIK)		2.16% \$ 4,000
Campus Management Corp. and Campus Management Acquisition Corp.(19) c/o Leeds Equity Partners, LLC 350 Park Avenue, 23rd Floor New York, NY 10022	Education software developer	Senior secured loan	10.00 Cash, 3.00% PIK	8/8/2013	\$ 8,221
		Senior secured loan	10.00 Cash, 3.00% PIK	8/8/2013	\$ 25,299
		Senior secured loan	10.00 Cash, 3.00% PIK	8/8/2013	\$ 8,946
		Preferred stock	8.00% PIK		14.62% \$ 12,177
Canon Communications LLC 11444 W. Olympic Blvd. Los Angeles, CA 90064	Print publications services	Junior secured loan	12.17% (Libor + 10.75%/M)	11/30/2011	\$ 11,138
		Junior secured loan	12.17% (Libor + 10.75%/M)	11/30/2011	\$ 11,350

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value
Capella Healthcare, Inc. Two Corporate Center, Suite 200 501 Corporate Center Drive Franklin, TN 37067	Acute care hospital operator	Junior secured loan	13.00%	2/28/2016		\$ 55,200
		Junior secured loan	13.00%	2/28/2016		\$ 23,000
Carador, PLC(19) Georges Quay House 43 Townend Street Dublin 2, Ireland	Investment company	Ordinary shares			5.08%	\$ 2,666
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(19) 8901 Farrow Rd Columbia, SC 29203	Healthcare analysis services	Preferred stock	14.00% PIK		20.00%	\$ 7,312
		Common stock			5.90%	\$ 5,382
		Common stock			20.00%	\$
Charter Baking Company, Inc. 3300 Walnut Street Unit C Boulder, CO 80301	Baked goods manufacturer	Senior subordinated note	12.00% PIK	2/6/2013		\$ 5,704
		Preferred stock			3.05%	\$ 2,500
CIC Flex, LP 60 South Sixth Street, Suite 3720 Minneapolis, MN 55402	Investment partnership	Limited partnership units			14.28%	\$ 34
Covestia Capital Partners, LP 11111 Santa Monica Blvd , Suite 1620 Los Angeles, CA 90025	Investment partnership	Limited partnership interest			46.67%	\$ 1,059
Courtside Acquisition Corp. 1700 Broadway New York, NY 10019	Community newspaper publisher	Senior subordinated loan	17.00% PIK	6/29/2014		\$ 1,715
Direct Buy Holdings, Inc. and Direct Buy Investors LP(19) 8450 Broadway Merrillville, IN 46410	Membership-based buying club franchisor and operator	Senior secured loan	5.46% (Libor + 4.50%/B)	11/30/2012		\$ 1,824
		Partnership interests			19.31%	\$ 4,000
Diversified Collection Services, Inc. 333 North Canyons Pkwy. Livermore, CA 94551	Collections services	Senior secured loan	8.00% (Libor + 4.75%/M)	8/4/2011		\$ 10,787
		Senior secured loan	8.00% (Libor + 4.75%/M)	8/4/2011		\$ 3,839
		Senior secured loan	10.75% (Libor + 7.50%/M)	2/4/2011		\$ 1,745
		Senior secured loan	10.75% (Libor + 7.50%/M)	8/4/2011		\$ 6,769
		Preferred stock			0.56%	\$ 109
		Common stock			0.56%	\$ 414
DSI Renal, Inc. 511 Union Street Suite 1800 Nashville, TN 37219	Dialysis provider	Senior secured revolving loan	6.25% (Base Rate + 3.00%/D)	3/31/2013		\$ 127(7)
		Senior secured revolving loan	5.50% (Libor + 5.00%/M)	3/31/2013		\$ 3,168(7)
		Senior secured revolving loan	5.47% (Libor + 5.00%/M)	3/31/2013		\$ 1,008(7)
		Senior secured revolving loan	5.56% (Libor + 5.00%/M)	3/31/2013		\$ 1,037(7)
		Senior secured revolving loan	5.56% (Libor + 5.00%/M)	3/31/2013		\$ 1,440(7)
		Senior subordinated note	16.00% PIK	4/7/2014		\$ 22,742
		Senior subordinated note	16.00% PIK	4/7/2014		\$ 20,982
Senior subordinated note	16.00% PIK	4/7/2014		\$ 9,385		
ELC Acquisition Corporation 2 Lower Ragsdale Drive Monterey, CA 93940	Developer, manufacturer and retailer of educational products	Senior secured loan	4.27% (Libor + 3.75%/M)	11/29/2012		\$ 156
		Junior secured loan	7.52% (Libor + 7.00%/M)	11/29/2013		\$ 7,083
Emerald Performance Materials, LLC 2020 Front Street, Suite 100 Cuyahoga Falls, OH 44221	Polymers and performance materials	Senior secured loan	8.25% (Libor + 4.25%/A)	5/22/2011		\$ 8,296
		Senior secured loan	8.25% (Libor + 4.25%/M)	5/22/2011		\$ 432
		Senior secured loan	8.25% (Libor + 4.25%/A)	5/22/2011		\$ 493



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	manufacturer	Senior secured loan	10.00% (Libor + 6.00%/A)	5/22/2011	\$ 1,401
		Senior secured loan	10.00% (Libor + 6.00%/A)	5/22/2011	\$ 75
		Senior secured loan	10.00% Cash, 3.00% PIK	5/22/2011	\$ 4,362
		Senior secured loan	10.00% Cash, 3.00% PIK	5/22/2011	\$ 232
Encanto Restaurants, Inc. c/o Harvest Partners, Inc. 280 Park Avenue, 33rd Floor New York, NY 10017	Restaurant owner and operator	Junior secured loan	7.50% Cash, 3.50% PIK	8/2/2013	\$ 19,389
		Junior secured loan	7.50% Cash, 3.50% PIK	8/2/2013	\$ 3,693
Firstlight Financial Corporation(19) 1700 E. Putnum Ave. Old Greenwich, CT 06870	Investment company	Senior subordinated loan	8.00% PIK	12/31/2016	\$ 64,160
		Common stock			20.00% \$
		Common stock			100.00% \$
GCA Services Group, Inc. 1350 Euclid Ave, Suite 1500 Cleveland, OH 44115	Custodial services	Senior secured loan	12.00%	12/31/2011	\$ 23,927
		Senior secured loan	12.00%	12/31/2011	\$ 2,838
		Senior secured loan	12.00%	12/31/2011	\$ 10,706
GG Merger Sub I, Inc. 4130 Parklake Avenue, Suite 400 Raleigh, NC 27612	Drug testing services	Senior secured loan	5.32% (Libor + 4.00%/Q)	12/13/2014	\$ 9,630
		Senior secured loan	5.32% (Libor + 4.00%/Q)	12/13/2014	\$ 10,200

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value	
Growing Family, Inc. and GFH Holdings, LLC 3613 Mueller Road Saint Charles, MO 63301	Photography services	Senior secured revolving loan	8.42% (Libor + 3.00% Cash, 4.00% PIK/M)	8/23/2011		\$ 454(8)	
		Senior secured loan	13.84% (Libor + 3.50% Cash, 6.00% PIK/Q)	8/23/2011		\$ 3,355	
		Senior secured loan	11.25% (Libor + 3.50% Cash, 6.00%PIK/D)	8/23/2011		\$ 111	
		Senior secured loan	16.34% (Libor + 6.00% Cash, 6.00% PIK/Q)	8/23/2011		\$ 1,073	
		Senior secured loan	18.00% (Libor + 6.00% Cash, 6.00% PIK/Q)	8/23/2011		\$ 44	
		Common stock				8.43%	\$
HB&G Building Products P.O. Box 589 Troy, AL 36081	Synthetic and wood product manufacturer	Senior subordinated loan	13.00% Cash, 6.00% PIK	3/7/2011		\$ 896	
		Common stock				2.39%	\$
		Warrants to purchase common stock				3.89%	\$ (2)
HCP Acquisition Holdings, LLC c/o Halyard Capital Fund II, LP(20) 600 Fifth Avenue, 17th Floor New York, NY 10020	Healthcare compliance advisory services	Class A units			26.06%	\$ 6,125	
Heartland Dental Care, Inc. 1200 Network Centre Drive, Suite 2 Effingham, IL 62401	Dental services	Senior subordinated note	11.00% Cash, 3.25% PIK	7/30/2014		\$ 32,717	
Dufry AG (fka Hudson Group, Inc. and Advent-Hudson, LLC) Hardstrasse 95 CH 4020 Basel Switzerland	Retail newstand operator	Common stock			0.67%	\$ 589	
ILC Industries, Inc. 105 Wilbur Place Bohemia, NY 11716	Industrial products provider	Junior secured loan	11.50%	8/24/2012		\$ 12,000	
Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP(19) 2000 Avenue of the Stars, 9th Floor S Los Angeles, CA 90067	Investment banking services	Limited partnership interest			80.00%	\$ 790	
		Common units			5.00%	\$ 14,997	
		Common units			5.00%	\$ 3	
		Common units			4.99%	\$	
Industrial Container Services, LLC(19) 1540 Greenwood Avenue Montebello, CA 90640	Industrial container manufacturer, reconitioner and servicer	Senior secured revolving loan	4.52% (Libor + 4.00%/M)	9/30/2011		\$ 1,202(9)	
		Senior secured loan	4.52% (Libor + 4.00%/S)	9/30/2011		\$ 16	
		Senior secured loan	4.52% (Libor + 4.00%/M)	9/30/2011		\$ 488	
		Senior secured loan	4.52% (Libor + 4.00%/M)	9/30/2011		\$ 7,477	
		Senior secured loan	4.56% (Libor + 4.00%/M)	9/30/2011		\$ 83	
		Senior secured loan	4.56% (Libor + 4.00%/M)	9/30/2011		\$ 1,269	
		Senior secured loan	4.56% (Libor + 4.00%/M)	9/30/2011		\$ 255	
		Senior secured loan	4.56% (Libor + 4.00%/M)	9/30/2011		\$ 3,908	
		Senior secured loan	4.53% (Libor + 4.00%/M)	9/30/2011		\$ 102	
		Senior secured loan	4.53% (Libor + 4.00%/M)	9/30/2011		\$ 1,563	
Common stock				8.88%	\$ 9,100		
Innovative Brands, LLC 4729 East Union Hills Drive, Suite #103 Phoenix, AZ 85050	Consumer products and personal care manufacturer	Senior secured loan	14.50%	9/22/2011		\$ 9,823	
		Senior secured loan	14.50%	9/22/2011		\$ 9,067	
Instituto de Banca y Comercio, Inc. Calle Santa Ana 1660 Santurce, PR 00909-2309	Private school operator	Senior secured loan	8.50% (Libor + 6.00%/M)	3/15/2014		\$ 12,000	
		Senior secured loan	8.50% (Libor + 6.00%/M)	3/15/2014		\$ 7,247	
		Senior secured loan	8.50% (Libor + 6.00%/M)	3/15/2014		\$ 4,975	
		Senior secured loan	8.50% (Libor + 6.00%/M)	3/15/2014		\$ 11,790	
		Senior subordinated loan	10.50% Cash, 3.50% PIK	6/15/2014		\$ 40,309	

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		Senior secured revolving loan		3/15/2014	\$	(10)
		Preferred stock			3.83%	\$ 2,146
		Common stock			3.70%	\$ 214
		Preferred stock			4.00%	\$ 1,820
		Common stock			4.00%	\$ 1,820
Investor Group Services, LLC(19) 2020 Front Street, Suite 100 Boston, MA 02116	Financial services	Senior secured revolving loan	6.72% (Libor + 5.50%/Q)	6/22/2011	\$	500(11)
		Limited liability company membership interest			10.00%	\$ 500
Ivy Hill Middle Market Credit Fund, Ltd.(20) 2000 Avenue of the Stars, 12th Floor Los Angeles, CA 90067	Investment company	Class B deferrable interest notes	7.25% (Libor + 6.00%/Q)	11/20/2018	\$	36,000
		Subordinated notes			25.00%	\$ 14,400
The Kenan Advantage Group, Inc. 4895 Dressler Road, N.W. #100 Canton, OH 44718	Fuel transportation provider	Senior subordinated notes	9.50% Cash, 3.50% PIK	12/16/2013	\$	24,217
		Senior secured loan	3.52% (Libor + 3.00%/M)	12/16/2011	\$	2,177
		Preferred stock	8.00% PIK		1.15%	\$ 1,476
		Common stock			1.15%	\$ 41

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value
Lakeland Finance, LLC 590 Peter Jefferson Parkway, Suite 30 Charlottesville, VA 22911	Private school operator	Senior secured note	11.50%	12/15/2012		\$ 17,280
		Senior secured note	11.50%	12/15/2012		\$ 14,400
LVCG Holdings LLC(20) c/o The Decatur Group LLC 600 Seventeenth Street, Suite 2800 Denver, CO 80202	Commercial printer	Membership interests			56.53%	\$ 7,651
Mactec, Inc. 1105 Sanctuary Parkway, Suite 300 Alpharetta, GA 30004	Engineering and environmental services	Class B-4 stock			0.01%	\$
		Class C stock			38.47%	\$ 150
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC 825 East Gate Blvd. Garden City, NY 11530	Healthcare professional provider	Senior subordinated note	12.75% Cash, 2.00% PIK	1/20/2013		\$ 4,614
Making Memories Wholesale, Inc.(19) 1168 West 500 North Centerville, UT 84014	Scrapbooking branded products manufacturer	Senior secured loan	8.25% (Base Rate + 5.00%/D)	3/31/2011		\$ 10,968
		Senior subordinated loan	12.00% Cash, 4.00% PIK	5/6/2012		\$
		Preferred stock			8.73%	\$
		Senior secured revolving loan		3/31/2011		\$ (12)
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc. 21540 Plummer Street Chatsworth, CA 91311	Healthcare equipment services	Junior secured loan	9.19% (Libor + 6.25%/Q)	1/31/2014		\$ 7,000
		Junior secured loan	9.19% (Libor + 6.25%/Q)	1/31/2014		\$ 4,200
		Common stock			2.50%	\$
MWD Acquisition Sub, Inc. 680 Hehli Way PO Box 69 Mondovi, WI 54755	Dental services	Junior secured loan	6.78% (Libor + 6.25%/M)	5/3/2013		\$ 4,100
National Print Group, Inc. 2464 Amicola Highway Chattanooga, TN 37406	Printing management services	Senior secured revolving loan	8.25% (Base Rate + 5.00%/D)	3/2/2012		\$ 377(13)
		Senior secured revolving loan	9.00% (Base Rate + 6.00%/S)	3/2/2012		\$ 1,370(13)
		Senior secured loan	14.25% (Base Rate + 5.00 Cash, 6.00% PIK/D)	3/2/2012		\$ 5,283
		Senior secured loan	15.00% (Base Rate + 5.00 Cash, 6.00% PIK/D)	3/2/2012		\$ 1,166
		Preferred stock			5.17%	\$
NPA Acquisition, LLC c/o Transportation Resources Partners, L.P. 13175 Gregg Street Poway, CA 92064	Powersport vehicle auction operator	Junior secured loan	7.31% (Libor + 6.75%/M)	2/24/2013		\$ 12,000
		Common units			1.94%	\$ 2,300
OnCURE Medical Corp. 610 Newport Center Drive, Suite 650 Newport Beach, CA 92660	Radiation oncology care provider	Senior secured loan	4.06% (Libor + 3.50%/M)	2/17/2011		\$ 2,713
		Senior subordinated note	11.00% Cash, 1.50% PIK	8/18/2013		\$ 28,935
		Senior subordinated note	11.00% Cash, 1.50% PIK	8/18/2013		\$ 109
		Common stock			3.38%	\$ 3,000
OTG Management, Inc. One International Plaza, Suite 130 Philadelphia, PA 19113	Airport restaurant operator	Junior secured loan	18.00% (Libor + 11.00% Cash, 4.00% PIK/Q)	6/11/2013		\$ 14,383
		Warrants to purchase common stock			40.54%	\$ (2)
Partnership Capital Growth Fund I, LP One Embarcadero, Suite 3810 San Francisco, CA 94111	Investment partnership	Limited partnership interest			25.00%	\$ 2,634
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Senior secured loan	10.50% (Libor + 7.50%/S)	5/9/2014		\$ 12,613
		Senior secured loan	10.50% (Libor + 7.50%/S)	5/9/2014		\$ 11,642

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720 Cool Springs Blvd., Suite 450 Franklin, TN 37067		Series A preferred stock			4.31% \$ 9,900
		Common stock			4.31% \$ 100
PG Mergersub, Inc. c/o Vestar Capital Partners V, LP 245 Park Avenue, 41st Floor New York, NY 10167	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated loan	12.50%	3/15/2016	\$ 4,700
		Preferred stock			0.13% \$ 333
		Common stock			0.13% \$ 167
Pillar Holdings LLC and PHL Holding Co.(19) 220 Northpointe Parkway, Suite G Buffalo, NY 14228	Mortgage services	Senior secured revolving loan	6.02% (Libor + 5.50%/M)	11/20/2013	\$ 375(14)
		Senior secured revolving loan	6.02% (Libor + 5.50%/M)	11/20/2013	\$ 938(14)
		Senior secured loan	14.50%	5/20/2014	\$ 7,375
		Senior secured loan	6.02% (Libor + 5.50%/M)	11/20/2013	\$ 17,202
		Senior secured loan	6.02% (Libor + 5.50%/B)	11/20/2013	\$ 10,737
		Common stock			8.48% \$ 5,267
Planet Organic Health Corp. 7917 - 104 Street Edmonton Alberta Canada TGE 4E1	Organic grocery store operator	Junior secured loan	7.97% (Libor + 7.50%/M)	7/3/2014	\$ 811
		Junior secured loan	7.97% (Libor + 7.50%/M)	7/3/2014	\$ 9,660
		Senior subordinated loan	11.00% Cash, 2.00% PIK	7/3/2012	\$ 10,152

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value
Primis Marketing Group, Inc. and Primis Holdings, LLC(19) c/o Pcap Managers, LLC 75 State Street, 26 <sup>th</sup> Floor Boston, MA 02109	Database marketing services	Senior subordinated note	11.00% Cash, 2.50% PIK	2/27/2013		\$ 1,022
		Preferred units			8.02%	\$
		Common units			7.38%	\$
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.) 1544 Old Alabama Road Roswell, GA 30076	Bankruptcy and foreclosure processing services	Senior subordinated note	11.50% Cash, 2.00% PIK	2/23/2014		\$ 24,847
		Senior subordinated note	11.50% Cash, 2.00% PIK	2/23/2014		\$ 24,928
		Preferred stock			3.28%	\$ 5,636
Qualitor, Inc. 24800 Denso Drive, Suite 255 Southfield, MI 48034	Automotive aftermarket components supplier	Senior secured loan	5.22% (Libor + 4.00%/Q)	12/31/2011		\$ 1,664
		Junior secured loan	8.22% (Libor + 7.00%/Q)	12/31/2011		\$ 4,750
R2 Acquisition Corp. Modern Media Building 207 NW Park Ave Portland, OR 97209	Marketing services	Common stock			0.33%	\$ 250
R3 Education, Inc. (formerly known as Equinox EIC Partners, LLC and MUA Management Company, Ltd.)(20) 1750 W. Broadway St. #222 Oviedo, FL 32765	Medical school operator	Senior secured revolving loan	8.25% (Base Rate + 5.00%/D)	12/31/2012		\$ 1,764(15)
		Senior secured revolving loan	8.25% (Base Rate + 5.00%/D)	12/31/2012		\$ 1,715(15)
		Senior secured revolving loan	6.48% (Libor + 6.00%/M)	12/31/2012		\$ 2,940(15)
		Senior secured revolving loan	6.48% (Libor + 6.00%/M)	12/31/2012		\$ 980(15)
		Senior secured loan	6.52% (Libor + 6.00%/M)	12/31/2012		\$ 2,363
		Senior secured loan	6.52% (Libor + 6.00%/M)	12/31/2012		\$ 13,830
		Senior secured loan	6.55% (Libor + 6.00%/M)	12/31/2012		\$ 7,179
		Common membership interest			26.27%	\$ 20,785
RedPrairie Corporation c/o Francisco Partners 2882 Sand Hill Road, Suite 280 Menlo Park, CA 94045	Software manufacturer	Junior secured loan	7.74% (Libor + 6.50%/Q)	1/20/2013		\$ 2,970
		Junior secured loan	7.74% (Libor + 6.50%/Q)	1/20/2013		\$ 10,800
Reflexite Corporation(20) 120 Darling Drive Avon, CT 06001	Developer and manufacturer of high-visibility reflective products	Senior subordinated loan	12.50% Cash, 4.00% PIK	2/27/2015		\$ 16,203
		Common stock			39.49%	\$ 27,435
Savers, Inc. and SAI Acquisition Corporation 11400 SE 6th St. Suite 220 Bellevue, WA 98004	For-profit thrift retailer	Senior subordinated note	10.00% Cash, 2.00% PIK	8/11/2014		\$ 5,576
		Senior subordinated note	10.00% Cash, 2.00% PIK	8/11/2014		\$ 20,516
		Common stock			3.44%	\$ 5,301
						\$
Saw Mill PCG Partners LLC 31005 Solon Road Solon, OH 44139	Precision components manufacturer	Common units			66.67%	\$
The Schumacher Group of Delaware, Inc. 200 Corporate Blvd., Suite 201 Lafayette, LA 70308	Outsourced physician service provider	Senior subordinated loan	11.125% Cash, 2.50% PIK	7/31/2012		\$ 35,784
Shoes for Crews, LLC 1400 Centerpark Blvd., Suite 310 West Palm Beach, FL 33401	Safety footwear and slip-related mat manufacturer	Senior secured revolving loan	5.25% (Base Rate + 2.00%/D)	7/6/2010		\$ 1,000(16)
		Senior secured loan	5.31% (Libor + 3.50%/S)	7/6/2010		\$ 572
Sigma International Group, Inc. 700 Goldman Drive	Water treatment parts manufacturer	Junior secured loan	8.00% (Libor + 7.50%/M)	10/10/2013		\$ 1,558
		Junior secured loan	8.00% (Libor + 7.50%/M)	10/10/2013		\$ 3,400

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Cream Ridge, NJ 08514		Junior secured loan	8.00% (Libor + 7.50%/M)	10/10/2013	\$ 2,338
		Junior secured loan	8.00% (Libor + 7.50%/M)	10/10/2013	\$ 5,100
		Junior secured loan	8.00% (Libor + 7.50%/M)	10/10/2013	\$ 779
		Junior secured loan	8.00% (Libor + 7.50%/M)	10/10/2013	\$ 1,700
Summit Business Media, LLC 375 Park Avenue New York, NY 10152-0002	Business media consulting services	Junior secured loan	9.00% (Libor + 5.75%/M)	11/3/2013	\$ 5,000
The Teaching Company, LLC and The Teaching Company Holdings, Inc. 4151 Lafayette Center Drive, No. 100 Chantilly, VA 20151	Education publications provider	Senior secured loan	10.50%	9/29/2012	\$ 17,100
		Senior secured loan	10.50%	9/29/2012	\$ 9,500
		Preferred stock	8.00%		3.64% \$ 2,997
		Common stock			3.64% \$ 3

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value	
Thermal Solutions LLC and TSI Group, Inc. 94 Tide Mill Road Hampton, NH 03842	Thermal management and electronics packaging manufacturer	Senior secured loan	4.02% (Libor + 3.50%/M)	3/21/2011		\$ 759	
		Senior secured loan	4.48% (Libor + 4.00%/Q)	3/21/2012		\$ 2,509	
		Senior subordinated notes	11.50% Cash, 2.75% PIK	3/27/2012		\$ 2,057	
		Senior subordinated notes	11.50% Cash, 2.75% PIK	3/27/2012		\$ 3,247	
		Senior subordinated notes	11.50% Cash, 2.50% PIK	3/21/2012		\$ 2,615	
		Preferred stock				1.31%	\$ 716
		Common stock			1.31%	\$ 15	
Things Remembered, Inc. and TRM Holdings Corporation 5500 Avion Park Drive Highland Heights, OH 44143	Personalized gifts retailer	Senior secured loan	6.50%, 1.00% PIK Option	9/29/2012		\$ 3,154	
		Senior secured loan	6.50%, 1.00% PIK Option	9/29/2012		\$ 17,707	
		Senior secured loan	6.50%, 1.00% PIK Option	9/29/2012		\$ 2,175	
		Senior secured loan	6.50%, 1.00% PIK Option	9/29/2012		\$ 5,113	
		Preferred stock				4.12%	\$
		Common stock				4.12%	\$
		Warrants to purchase common shares				47.62%	\$ (2)
		Warrants to purchase preferred shares				49.61%	\$ (2)
		Senior secured revolving loan		9/29/2012		\$ (17)	
The Thymes, LLC(20) 629 9th Street SE Minneapolis, MN 55414	Cosmetic products manufacturer	Preferred stock	8.00% PIK		78.54%	\$ 5,150	
		Common stock			55.45%	\$	
Triad Laboratory Alliance, LLC 4380 Federal Drive, Suite 100 Greensboro, NC 27410	Laboratory services	Senior secured loan	4.47% (Libor + 3.25%/Q)	12/23/2011		\$ 2,269	
		Senior subordinated note	12.00% Cash, 1.75% PIK	12/23/2012		\$ 14,958	
Trivergance Capital Partners, LP 2200 Fletcher Avenue, 4th Floor Fort Lee , NJ 07024	Investment partnership	Limited partnership interest			100.00%	\$ 1,060	
UL Holding Co., LLC 2824 N Ohio Wichita, KS 67201	Petroleum product manufacturer	Senior secured loan	7.86% (Libor + 6.63% / Q)	12/24/2012		\$ 10,670	
		Senior secured loan	11.75%	12/24/2012		\$ 2,910	
		Senior secured loan	11.75%	12/24/2012		\$ 970	
		Common units				100.00%	\$ 500
		Common units				0.97%	\$
		Senior secured revolving loan		12/24/2012		\$ (18)	
Universal Trailer Corporation 11590 Century Blvd., Suite 103 Cincinnati, OH 45246	Livestock and specialty trailer manufacturer	Common stock			4.65%	\$	
Vistar Corporation and Wellspring Distribution Corp. 12650 East Arapahoe Road Centennial, CO 80112	Food service distributor	Senior subordinated loan	13.50%	5/23/2015		\$ 46,680	
		Senior subordinated loan	13.50%	5/23/2015		\$ 24,000	
		Class A non-voting common stock				33.33%	\$ 3,490
VOTC Acquisition Corp. 1500 Rosecrans Ave, Suite 400 Manhattan Beach, CA 90266	Radiation oncology care provider	Senior secured loan	11.00% Cash, 2.00% PIK	7/31/2012		\$ 3,154	
		Senior secured loan	11.00% Cash, 2.00% PIK	7/31/2012		\$ 14,000	
		Series E preferred shares				17.50%	\$ 5,599
VSC Investors LLC 401 Vance Street	Investment company	Membership interest			4.63%	\$ 281	
VSS-Tranzact Holdings, LLC(19) 350 Park Avenue New York, NY 10022	Management consulting services	Common membership interest			85.10%	\$ 6,000	
Waste Pro USA, Inc. 2101 West State Road 434, Suite 315	Waste management services	Senior subordinated loan	13.75%	11/9/2013		\$ 25,000	
		Preferred stock	14.00% PIK			0.08%	\$ 15,000



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Longwood, FL 32779		Common stock warrants		11/9/2013	2.90%	\$ 6,827(2)
Wastequip, Inc.(19) 25800 Science Park Drive, Suite 140 Beachwood, OH 44122	Waste management equipment manufacturer	Senior subordinated loan Common stock	10.00% Cash, 2.00% PIK	2/5/2015		\$ 6,496 5.34%
Wear Me Apparel, LLC(19) 31 W 34th Street New York, NY 10001-3009	Clothing manufacturer	Senior subordinated notes Common stock	17.50% PIK	4/2/2013		\$ 12,055 12.30%
Web Services Company, LLC 3690 Redondo Beach Ave. Redondo Beach, CA 90278	Laundry service and equipment provider	Senior subordinated loan Senior subordinated loan	11.50% Cash, 2.50% PIK 11.50% Cash, 2.50% PIK	8/29/2016 8/29/2016		\$ 16,981 \$ 24,051
Wyle Laboratories, Inc. and Wyle Holdings, Inc. 1960 E. Grand Ave., Suite 900 El Segundo, CA 90245-5023	Provider of specialized engineering, scientific and technical services	Junior secured loan Junior secured loan Common stock	8.96% (Libor + 7.50%/Q) 8.96% (Libor + 7.50%/Q)	7/17/2014 7/17/2014		\$ 15,200 \$ 11,400 0.82% \$ 1,680

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Company	Industry	Investment	Interest(1)	Maturity	% of Class Held	Fair Value
X-rite, Incorporated 3100 44 <sup>th</sup> Street SW Grandville, MI 49418	Artwork software manufacturer	Junior secured loan	14.38% (Libor + 11.38%/Q)	7/31/2013		\$ 3,097
		Junior secured loan	14.38% (Libor + 11.38%/Q)	7/31/2013		\$ 7,743
		Junior secured loan	14.38% (Libor + 11.38%/D)	7/31/2013		\$ 1
		Junior secured loan	14.38% (Libor + 11.38%/D)	7/31/2013		\$ 1
Total						\$1,969,104

- 
- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate loans to our portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which resets daily (D), monthly (M), bi-monthly (B), quarterly (Q) or semi-annually (S). For each such loan, we have provided the current interest rate in effect as of March 31, 2009.
- (2) Percentages shown for warrants or convertible preferred stock held represents the percentages of common stock we may own on a fully diluted basis, assuming we exercise our warrants or convert our preferred stock to common stock.
- (3) \$815 of total commitment of \$5,000 for the revolver remains unfunded as of March 31, 2009.
- (4) Total commitment of \$3,278 remains unfunded as of March 31, 2009.
- (5) \$0 of total commitment of \$12,500 remains unfunded as of March 31, 2009.
- (6) \$6,632 of total commitment of \$7,802 remains unfunded as of March 31, 2009.
- (7) \$0 of total commitment of \$8,000 remains unfunded as of March 31, 2009.
- (8) \$0 of total commitment of \$5,000 remains unfunded as of March 31, 2009.
- (9) \$11,698 of total commitment of \$15,696 remains unfunded as of March 31, 2009.
- (10) \$14,118 of total commitment of \$23,000 remains unfunded as of March 31, 2009.
- (11) \$1,750 of total commitment of \$2,500 remains unfunded as of March 31, 2009.
- (12) \$0 of total commitment of \$2,500 remains unfunded as of March 31, 2009.
- (13) \$2,237 of total commitment of \$4,565 remains unfunded as of March 31, 2009.
- (14) \$1,792 of total commitment of \$3,750 remains unfunded as of March 31, 2009.
- (15) \$24,950 of total commitment of \$32,500 remains unfunded as of March 31, 2009.
- (16) \$4,833 of total commitment of \$5,833 remains unfunded as of March 31, 2009.
- (17) Total commitment of \$5,000 remains unfunded as of March 31, 2009.

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- (18) Total commitment of \$10,000 remains unfunded as of March 31, 2009.
- (19) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities.
- (20) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). In addition, as defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement).

None of the portfolio companies in which we have made investments represent 5% or greater of our total assets as of March 31, 2009.

**MANAGEMENT**

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

**EXECUTIVE OFFICERS AND BOARD OF DIRECTORS**

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

**Directors**

Information regarding the board of directors is as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Director Since</b>	<b>Expiration of Term</b>
<b>Independent Directors</b>				
Douglas E. Coltharp	48	Director	2004	2011
Frank E. O'Bryan	75	Director	2005	2010
Gregory W. Penske	46	Director	2009	2012
Eric B. Siegel	51	Director	2004	2010
<b>Interested Directors</b>				
Michael J. Arougheti	36	President and Director	2009	2011
Robert L. Rosen	62	Director	2004	