NEOPROBE CORP
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d>

16.46

$

16.91

$

17.53

Closing stock price date

January 19, 2011

March 22, 2011

March 8, 2012

October 3, 2012

July 15, 2013

Conversion price (1)

$

18.56

$

18.47

$

19.02

$

19.70

$

20.05

Conversion rate (shares per one thousand dollar principal amount)(1)

53.8839

54.1501

52.5696

50.7591

49.8854

Conversion dates

August 15, 2015

December 15, 2015

September 15, 2016

July 15, 2017

July 15, 2018

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

As of September 30, 2014, the principal amounts of each series of the Convertible Unsecured Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company s common stock.

The Convertible Unsecured Notes Indentures contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of the Convertible Unsecured Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Unsecured Notes Indentures. As of September 30, 2014, the Company was in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures.

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The Convertible Unsecured Notes are accounted for in accordance with ASC 470-20. Upon conversion of any of the Convertible Unsecured Notes, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, the Company has the option to pay in cash or shares of the Company s common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Convertible Unsecured Notes Indentures. The Company has determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under GAAP. In accounting for the Convertible Unsecured Notes, the Company estimated at the time of issuance separate debt and equity components for each of the Convertible Unsecured Notes. An original issue discount equal to the equity components of the Convertible Unsecured Notes was recorded in capital in excess of par value in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Unsecured Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

The debt and equity component percentages, the issuance costs and the equity component amounts for each of the Convertible Unsecured Notes are listed below.

	February 2016 Convertible Notes	June 2016 Convertible Notes	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Debt and equity component percentages, respectively(1)	93.0% and 7.0%	93.0% and 7.0%	97.0% and 3.0%	98.0% and 2.0%	99.8% and 0.2%
Debt issuance costs(1)	$ 15,778	$ 5,913	$ 4,813	$ 5,712	$ 4,475
Equity issuance costs(1)	$ 1,188	$ 445	$ 149	$ 116	$ 9
Equity component, net of issuance costs(2)	$ 39,062	$ 15,654	$ 4,724	$ 5,243	$ 582

(1) At time of issuance.

(2) At time of issuance and as of September 30, 2014.

In addition to the original issue discount equal to the equity components of the Convertible Unsecured Notes, the 2018 Convertible Notes and the 2019 Convertible Notes were each issued at a discount. The Company records interest expense comprised of both stated interest expense as well as accretion of any original issue discount.

As of September 30, 2014, the components of the carrying value of the Convertible Unsecured Notes, the stated interest rate and the effective interest rate were as follows:

	February 2016 Convertible Notes	June 2016 Convertible Notes	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Principal amount of debt	$ 575,000	$ 230,000	$ 162,500	$ 270,000	$ 300,000
Original issue discount, net of accretion	(12,195)	(5,804)	(2,564)	(4,909)	(4,087)
Carrying value of debt	$ 562,805	$ 224,196	$ 159,936	$ 265,091	$ 295,913
Stated interest rate	5.750%	5.125%	4.875%	4.750%	4.375%
Effective interest rate(1)	7.2%	6.5%	5.5%	5.2%	4.7%

(1) The effective interest rate of the debt component of the Convertible Unsecured Notes is equal to the stated interest rate plus the accretion of original issue discount.

For the three and nine months ended September 30, 2014 and 2013, the components of interest expense and cash paid for interest expense for the Convertible Notes were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Stated interest expense	$ 19,680	$ 19,024	$ 59,042	$ 51,822
Amortization of debt issuance costs	1,851	1,794	5,415	5,009
Accretion of original issue discount	3,763	3,476	11,100	9,933
Total interest expense	$ 25,294	$ 24,294	$ 75,557	$ 66,764
Cash paid for interest expense	$ 33,467	$ 30,289	$ 72,718	$ 56,675

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Unsecured Notes

2018 Notes

In November 2013, the Company issued $600,000 aggregate principal amount of unsecured notes that mature on November 30, 2018 (the 2018 Notes). The 2018 Notes bear interest at a rate of 4.875% per year, payable semi- annually and all principal is due upon maturity. The 2018 Notes may be redeemed in whole or in part at any time at the Company s option at a redemption price equal to par plus a make whole premium, as determined pursuant to the indenture governing the 2018 Notes, and any accrued and unpaid interest. The 2018 Notes were issued at a discount at the time of issuance totaling $3,312. The Company records interest expense comprised of both stated interest expense as well as any accretion of any original issue discount. Total proceeds from the issuance of the 2018 Notes, net of the original issue discount, underwriting discounts and offering costs, were $586,014.

In January 2014, the Company issued an additional $150,000 aggregate principal amount of the 2018 Notes at a premium of 102.7% of their principal amount (the Additional 2018 Notes). The original issue premium recognized upon issuance of the Additional 2018 Notes totaled $4,050. Total proceeds from the issuance of the Additional 2018 Notes, net of underwriting discounts and offering costs, were approximately $151,900.

February 2022 Notes

In February 2012, the Company issued $143,750 aggregate principal amount of unsecured notes that mature on February 15, 2022 (the February 2022 Notes). The February 2022 Notes bear interest at a rate of 7.00% per year, payable quarterly and all principal is due upon maturity. The February 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company s option on or after February 15, 2015, at a par redemption price of $25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the February 2022 Notes, net of underwriting discounts and offering costs, were $138,338.

October 2022 Notes

In September 2012 and October 2012, the Company issued $182,500 aggregate principal amount of unsecured notes that mature on October 1, 2022 (the October 2022 Notes). The October 2022 Notes bear interest at a rate of 5.875% per year, payable quarterly and all principal is due upon maturity. The October 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company s option on or after October 1, 2015, at a par redemption price of $25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the October 2022 Notes, net of underwriting discounts and offering costs, were $176,054.

2040 Notes

In October 2010, the Company issued $200,000 aggregate principal amount of unsecured notes that mature on October 15, 2040 (the 2040 Notes). The 2040 Notes bear interest at a rate of 7.75% per year, payable quarterly and all principal is due upon maturity. The 2040 Notes may be redeemed in whole or in part at any time or from time to time at the Company s option on or after October 15, 2015, at a par redemption price of $25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the 2040 Notes, net of underwriting discounts and offering costs, were $192,664.

2047 Notes

As part of the acquisition of Allied Capital Corporation (Allied Capital) in April 2010 (the Allied Acquisition), the Company assumed $230,000 aggregate principal amount of unsecured notes due on April 15, 2047 (the 2047 Notes and together with the 2018 Notes, the February 2022 Notes, the October 2022 Notes and the 2040 Notes, the Unsecured Notes). The 2047 Notes bear interest at a rate of 6.875%, payable quarterly and all principal is due upon maturity. The 2047 Notes may be redeemed in whole or in part at any time or from time to time at the Company s option, at a par redemption price of $25.00 per security plus accrued and unpaid interest. During the nine months ended September 30, 2014, the Company purchased $443 aggregate principal amount of the 2047 Notes and as a result of these transactions, the Company recognized a realized loss of $72. As of September 30, 2014 and December 31, 2013, the outstanding principal was $229,557 and $230,000, respectively, and the carrying value was $181,265 and $181,429, respectively. The carrying value represents the outstanding principal amount of the 2047 Notes less the unaccreted purchased discount initially recorded as a part of the Allied Acquisition.

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For the three and nine months ended September 30, 2014 and 2013, the components of interest expense and cash paid for interest expense for the Unsecured Notes were as follows:

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Stated interest expense	$ 22,157	$ 13,024	$ 65,925	$ 39,074
Amortization of debt issuance costs	799	349	2,305	1,047
Accretion of purchase discount	23	58	125	170
Total interest expense	$ 22,979	$ 13,431	$ 68,355	$ 40,291
Cash paid for interest expense	$ 13,017	$ 13,024	$ 54,374	$ 36,392

The Unsecured Notes contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of such notes under certain circumstances. These covenants are subject to important limitations and exceptions set forth in the indentures governing such notes. As of September 30, 2014, the Company was in compliance in all material respects with the terms of the respective indentures governing each of the Unsecured Notes.

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

6. DERIVATIVE INSTRUMENTS

The Company may enter into forward currency contracts from time to time to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company s investments denominated in foreign currencies. Forward contracts are considered undesignated derivative instruments.

Certain information related to the Company s derivative financial instruments is presented below as of September 30, 2014:

As of September 30, 2014						
Description	Notional Amount	Maturity Date	Gross Amount of Recognized Assets	Gross Amount Offset in the Balance Sheet	Net Amount of Assets in the Balance Sheet	Balance Sheet Location
Foreign currency forward contract	CAD 45,000	1/8/2015	$ 40,247	$ (40,064)	$ 183	Other assets
	5,000	11/21/2014	6,660	(6,317)	343	Other assets

Foreign currency forward contract			
Total	$ 46,907	$ (46,381)	$ 526

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7. COMMITMENTS AND CONTINGENCIES

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

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

	As of	
	September 30, 2014	December 31, 2013
Total revolving and delayed draw commitments	$ 769,214	$ 834,444
Less: funded commitments	(139,373)	(87,073)
Total unfunded commitments	629,841	747,371
Less: commitments substantially at discretion of the Company	(6,000)	(16,000)
Less: unavailable commitments due to borrowing base or other covenant restrictions		(1,660)
Total net adjusted unfunded revolving and delayed draw commitments	$ 623,841	$ 729,711

Included within the total revolving and delayed draw commitments as of September 30, 2014 were commitments to issue up to $79,750 in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of September 30, 2014, the Company had $20,399 in letters of credit issued and outstanding under these commitments on behalf of portfolio companies. In addition to these letters of credit included as a part of the total revolving and delayed draw commitments to portfolio companies, as of September 30, 2014 the Company also had $5,284 of letters of credit issued and outstanding on behalf of other portfolio companies. For all these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of these letters of credit issued and outstanding are recorded as a liability on the Company s balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit $75 expire in 2014, $24,961 expire in 2015 and $647 expire in 2016.

The Company also has commitments to co-invest in the SSLP for the Company s portion of the SSLP s commitments to fund delayed draw investments to certain portfolio companies of the SSLP. See Note 4 for more information.

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

	As of	
	September 30, 2014	December 31, 2013
Total private equity commitments	$ 109,500	$ 59,500
Less: funded private equity commitments	(15,197)	(11,891)
Total unfunded private equity commitments	94,303	47,609
Less: private equity commitments substantially at discretion of the Company	(91,163)	(43,206)
Total net adjusted unfunded private equity commitments	$ 3,140	$ 4,403

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

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows ASC 825-10, which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company s choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled other assets and debt, which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled interest receivable, receivable for open trades, payable for open trades, accounts payable and other liabilities, base management fees payable, income based fees payable, capital gains incentive fees payable and interest and facility fees payable approximate fair value due to their short maturity.

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The Company also follows ASC 820-10, which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Company to assume that the portfolio investment is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

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

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

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

In addition to using the above inputs in investment valuations, the Company continues to employ the net asset valuation policy approved by the Company s board of directors that is consistent with ASC 820-10 (see Note 2). Consistent with the Company s valuation policy, it evaluates the source of inputs, including any markets in which the Company s investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. The Company s valuation policy considers the fact that because there is not a readily available market value for most of the investments in the Company s portfolio, the fair value of the investments must typically be determined using unobservable inputs.

The Company s portfolio investments (other than as discussed below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value (EV) of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company s EBITDA (net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. The Company may also employ other valuation multiples to determine EV, such as revenues or, in the case of certain portfolio companies in the energy industry, kilowatt capacity. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where the Company has control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where the Company does not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the Company considers the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the Company are substantially illiquid with no active transaction market, the Company depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

For other portfolio investments such as investments in collateralized loan obligations and the SSLP Certificates, discounted cash flow analysis is the primary technique utilized to determine fair value. Expected future cash flows associated with the investment are discounted to determine a present value using a discount rate that reflects estimated market return requirements.

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The following tables summarize the significant unobservable inputs the Company used to value the majority of its investments categorized within Level 3 as of September 30, 2014 and December 31, 2013. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company s determination of fair values.

		As of September 30, 2014			
Asset Category	**Fair Value**	**Primary Valuation Techniques**	**Input**	**Unobservable Input Estimated Range**	**Weighted Average**
First lien senior secured loans	$ 4,012,480	Yield analysis	Market yield	4.0% - 19.9%	8.3%
Second lien senior secured loans	1,451,583	Yield analysis	Market yield	6.3% - 20.8%	9.1%
Subordinated certificates of the SSLP	1,983,457	Discounted cash flow	Discount rate	10.0% - 13.0%	11.5%
Senior subordinated debt	469,377	Yield analysis	Market yield	8.3% - 14.0%	10.7%
Preferred equity securities	214,063	EV market multiple analysis	EBITDA multiple	4.5x - 15.7x	9.1x
Other equity securities and other	649,661	EV market multiple analysis	EBITDA multiple	4.5x - 14.5x	9.1x
Total	$ 8,780,621				

		As of December 31, 2013			
Asset Category	**Fair Value**	**Primary Valuation Techniques**	**Input**	**Unobservable Input Estimated Range**	**Weighted Average**
First lien senior secured loans	$ 3,377,608	Yield analysis	Market yield	4.0% - 19.0%	8.4%
Second lien senior secured loans	1,319,191	Yield analysis	Market yield	6.1% - 25.3%	10.3%
Subordinated certificates of the SSLP	1,771,369	Discounted cash flow	Discount rate	10.5% - 13.5%	12.3%
Senior subordinated debt	323,171	Yield analysis	Market yield	9.0% - 17.5%	11.4%
Preferred equity securities	229,006	EV market multiple analysis	EBITDA multiple	4.5x - 11.6x	8.3x
Other equity securities and other	612,552	EV market multiple analysis	EBITDA multiple	4.5x - 14.8x	8.6x
Total	$ 7,632,897				

Changes in market yields, discount rates or EBITDA multiples, each in isolation, may change the fair value of certain of the Company s investments. Generally, an increase in market yields or discount rates or decrease in EBITDA multiples may result in a decrease in the fair value of certain of the Company s investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company s investments may fluctuate from period to period. Additionally, the fair value of the Company s investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, it could realize significantly less than the value at which the Company has recorded it.

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

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The following table presents fair value measurements of cash and cash equivalents, investments and derivatives as of September 30, 2014:

		Fair Value Measurements Using		
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 107,878	$ 107,878	$	$
Investments	$ 8,783,580	$ 2,959	$	$ 8,780,621
Derivatives	$ 526	$	$ 526	$

The following table presents fair value measurements of cash and cash equivalents and investments as of December 31, 2013:

		Fair Value Measurements Using		
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 149,629	$ 149,629	$	$
Investments	$ 7,632,897	$	$	$ 7,632,897

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2014:

	As of and for the three months ended September 30, 2014
Balance as of June 30, 2014	$ 8,065,826
Net realized gains	73,690
Net unrealized losses	(5,498)
Purchases	1,350,079
Sales	(226,293)
Redemptions	(480,582)
Payment-in-kind interest and dividends	2,431
Net accretion of discount on securities	1,266
Net transfers in and/or out of Level 3	(298)
Balance as of September 30, 2014	$ 8,780,621

	As of and for the nine months ended September 30, 2014
Balance as of December 31, 2013	$ 7,632,897
Net realized gains	38,207
Net unrealized gains	86,124
Purchases	3,085,331
Sales	(606,222)
Redemptions	(1,464,155)
Payment-in-kind interest and dividends	8,137
Net accretion of discount on securities	2,094
Net transfers in and/or out of Level 3	(1,792)
Balance as of September 30, 2014	$ 8,780,621

As of September 30, 2014, the net unrealized appreciation on the investments that use Level 3 inputs was $181,170.

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For the three and nine months ended September 30, 2014, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company s Level 3 assets still held as of September 30, 2014, and reported within the net unrealized gains (losses) from investments in the Company s consolidated statement of operations was $47,286 and $73,318, respectively.

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2013:

		As of and for the three months ended September 30, 2013
Balance as of June 30, 2013	$	6,814,960
Net realized gains		8,946
Net unrealized gains		5,629
Purchases		931,814
Sales		(218,033)
Redemptions		(163,620)
Payment-in-kind interest and dividends		4,606
Accretion of discount on securities		983
Net transfers in and/or out of Level 3		
Balance as of September 30, 2013	$	7,385,285

		As of and for the nine months ended September 30, 2013
Balance as of December 31, 2012	$	5,914,657
Net realized gains		20,710
Net unrealized gains		14,935
Purchases		2,428,449
Sales		(393,351)
Redemptions		(619,257)
Payment-in-kind interest and dividends		15,189
Accretion of discount on securities		3,953
Net transfers in and/or out of Level 3		
Balance as of September 30, 2013	$	7,385,285

As of September 30, 2013, the net unrealized appreciation on the investments that use Level 3 inputs was $107,573.

For the three and nine months ended September 30, 2013, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company s Level 3 assets still held as of September 30, 2013 and reported within the net unrealized gains (losses) from investments in the Company s consolidated statement of operations was $9,442 and $1,530, respectively.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

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Following are the carrying and fair values of the Company s debt obligations as of September 30, 2014 and December 31, 2013. Fair value is estimated by discounting remaining payments using applicable current market rates, which take into account changes in the Company s marketplace credit ratings, or market quotes, if available.

	As of			
	September 30, 2014		December 31, 2013	
	Carrying value(1)	Fair value	Carrying value(1)	Fair value
Revolving Credit Facility	$ 335,000	$ 335,000		
Revolving Funding Facility	324,000	324,000	185,000	185,000
SMBC Funding Facility	54,000	54,000		
February 2016 Convertible Notes (principal amount outstanding of $575,000)	562,805(2)	605,636	556,456(2)	620,960
June 2016 Convertible Notes (principal amount outstanding of $230,000)	224,196(2)	240,667	221,788(2)	246,810
2017 Convertible Notes (principal amount outstanding of $162,500)	159,936(2)	169,741	159,220(2)	172,289
2018 Convertible Notes (principal amount outstanding of $270,000)	265,091(2)	280,106	264,096(2)	284,702
2019 Convertible Notes (principal amount outstanding of $300,000)	295,913(2)	310,560	295,279(2)	311,169
2018 Notes (principal amount outstanding of $750,000 and $600,000, respectively)	750,745(3)	793,658	596,757(3)	619,782
February 2022 Notes (principal amount outstanding of $143,750)	143,750	145,569	143,750	149,364
October 2022 Notes (principal amount outstanding of $182,500)	182,500	181,937	182,500	181,770
2040 Notes (principal amount outstanding of $200,000)	200,000	206,888	200,000	199,208
2047 Notes (principal amount outstanding of $229,557 and $230,000, respectively)	181,265(4)	229,071	181,429(4)	206,606
	$ 3,679,201(5)	$ 3,876,833	$ 2,986,275(5)	$ 3,177,660

(1) Except for the Convertible Unsecured Notes, the 2018 Notes and the 2047 Notes, all carrying values are the same as the principal amounts outstanding.

(2) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less the unaccreted discount initially recorded upon issuance of each respective series of the Convertible Unsecured Notes.

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

(4) Represents the aggregate principal amount outstanding of the 2047 Notes less the unaccreted purchased discount.

(5) Total principal amount of debt outstanding totaled $3,756,307 and $3,078,750 as of September 30, 2014 and December 31, 2013, respectively.

The following table presents fair value measurements of the Company s debt obligations as of September 30, 2014 and December 31, 2013:

	As of	
Fair Value Measurements Using	**September 30, 2014**	**December 31, 2013**
Level 1	$ 763,465	$ 736,948
Level 2	3,113,368	2,440,712
Total	$ 3,876,833	$ 3,177,660

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9. STOCKHOLDERS EQUITY

The following table summarizes the total shares issued and proceeds received in public offerings of the Company s common stock net of underwriting discounts and offering costs for the nine months ended September 30, 2014 and 2013:

	Shares issued		Offering price per share		Proceeds net of underwriting and operating costs
2014					
July 2014 public offering	15,525	$	16.63(1)		257,626
Total for the nine months ended September 30, 2014	15,525				257,626
2013					
April 2013 public offering	19,147	$	17.43(2)	$	333,174
Total for the nine months ended September 30, 2013	19,147			$	333,174

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

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

The Company used the net proceeds from the above public equity offerings to repay outstanding indebtedness and for general corporate purposes, which included funding investments in accordance with its investment objective.

10. EARNINGS PER SHARE

The following information sets forth the computations of basic and diluted net increase in stockholders equity resulting from operations per share for the three and nine months ended September 30, 2014 and 2013:

	For the three months ended September 30,				For the nine months ended September 30,			
		2014		2013		2014		2013
Net increase in stockholders equity resulting from operations available to common stockholders:	$	177,739	$	140,797	$	437,562	$	354,637
Weighted average shares of common stock outstanding basic and diluted:		310,564		268,312		302,315		261,120
Basic and diluted net increase in stockholders equity resulting from operations per share:	$	0.57	$	0.52	$	1.45	$	1.36

For the purpose of calculating diluted net increase in stockholders equity resulting from operations per share, the average closing price of the Company s common stock for the three and nine months ended September 30, 2014 and 2013 was each less than the conversion price for each of the Convertible Unsecured Notes outstanding as of September 30, 2014 and 2013, respectively. Therefore, for all periods presented in the financial statements, the underlying shares for the intrinsic value of the embedded options in the Convertible Unsecured Notes have no impact on the computation of diluted net increase in stockholders equity resulting from operations per share.

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11. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes the Company s dividends declared and payable during the nine months ended September 30, 2014 and 2013:

Date Declared	Record Date	Payment Date		Per Share Amount		Total Amount
August 5, 2014	September 15, 2014	September 30, 2014	$	0.38	$	119,361
May 6, 2014	June 16, 2014	June 30, 2014		0.38		113,343
February 26, 2014	March 14, 2014	March 31, 2014		0.38		113,228
November 5, 2013	March 14, 2014	March 28, 2014		0.05(1)		14,899
Total declared and payable for the nine months ended September 30, 2014			$	1.19	$	360,831
August 6, 2013	September 16, 2013	September 30, 2013	$	0.38	$	101,959
May 7, 2013	June 14, 2013	June 28, 2013		0.38		101,856
February 27, 2013	March 15, 2013	March 29, 2013		0.38		94,488
Total declared and payable for the nine months ended September 30, 2013			$	1.14	$	298,303

(1) Represents an additional dividend.

The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. When the Company issues new shares in connection with the dividend reinvestment plan, the issue price is equal to the closing price of its common stock on the dividend payment date. Dividend reinvestment plan activity for the nine months ended September 30, 2014 and 2013 was as follows:

	For the nine months ended September 30,			
		2014		2013
Shares issued		612		796
Average price per share	$	17.74	$	17.51
Shares purchased by plan agent for stockholders		336		
Average price per share	$	16.19	$	

12. RELATED PARTY TRANSACTIONS

In accordance with the investment advisory and management agreement, the Company bears all costs and expenses of the operation of the Company and reimburses its investment adviser or its affiliates for certain of such costs and expenses incurred in the operation of the Company. For the three and nine months ended September 30, 2014, the Company s investment adviser or its affiliates incurred such expenses totaling $1,446 and $4,504, respectively. For the three and nine months ended September 30, 2013, the Company s investment adviser or its affiliates incurred such expenses totaling $1,969 and $4,146, respectively. As of September 30, 2014, $1,517 was unpaid and such payable is included in accounts payable and other liabilities in the accompanying consolidated balance sheet.

The Company is party to office leases pursuant to which it is leasing office facilities from third parties. For certain of these office leases, the Company has also entered into separate subleases with Ares Management LLC, the sole member of Ares Capital Management, and IHAM, pursuant to which Ares Management LLC and IHAM sublease a portion of these leases. For the three and nine months ended September 30, 2014, amounts payable to the Company under these subleases totaled $1,269 and $3,015, respectively. For the three and nine months ended September 30, 2013, amounts payable to the Company under these subleases totaled $628 and $1,450, respectively.

Ares Management LLC has also entered into separate subleases with the Company, pursuant to which the Company subleases certain office leases from Ares Management LLC. For the three and nine months ended September 30, 2014, amounts payable to Ares Management LLC under these subleases totaled $186 and $371, respectively. For the three and nine months ended September 30, 2013, amounts payable to Ares Management LLC under these subleases totaled $104.

See Note 3 for descriptions of other related party transactions.

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13. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights as of and for the nine months ended September 30, 2014 and 2013:

	For the nine months ended September 30,			
Per Share Data:		**2014**		**2013**
Net asset value, beginning of period(1)	$	16.46	$	16.04
Issuances of common stock				0.10
Net investment income for period(2)		1.02		1.22
Net realized and unrealized gains for period(2)		0.42		0.13
Net increase in stockholders equity		1.44		1.45
Total distributions to stockholders		(1.19)		(1.14)
Net asset value at end of period(1)	$	16.71	$	16.35
Per share market value at end of period	$	16.16	$	17.29
Total return based on market value(3)		(2.36)%		5.31%
Total return based on net asset value(4)		8.81%		8.48%
Shares outstanding at end of period		314,108		268,596
Ratio/Supplemental Data:				
Net assets at end of period	$	5,249,648	$	4,392,356
Ratio of operating expenses to average net assets(5)(6)		10.44%		10.03%
Ratio of net investment income to average net assets(5)(7)		8.23%		10.08%
Portfolio turnover rate(5)		34%		20%

(1) The net assets used equals the total stockholders equity on the consolidated balance sheet.

(2) Weighted average basic per share data.

(3) For the nine months ended September 30, 2014, the total return based on market value equaled the decrease of the ending market value at September 30, 2014 of $16.16 per share from the ending market value at December 31, 2013 of $17.77 per share plus the declared and payable dividends of $1.19 per share for the nine months ended September 30, 2014, divided by the market value at December 31, 2013. For the nine months ended September 30, 2013, the total return based on market value equaled the decrease of the ending market value at September 30, 2013 of $17.29 per share from the ending market value at December 31, 2012 of $17.50 per share plus the declared dividends of $1.14 per share for the nine months ended September 30, 2013, divided by the market value at December 31, 2012. Total return based on market value is not annualized. The Company s shares fluctuate in value. The Company s performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4) For the nine months ended September 30, 2014, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of $1.19 per share for the nine months ended September 30, 2014, divided by the beginning net asset value at December 31, 2013. For the nine months ended September 30, 2013, the total return based on net asset value equaled the change in net asset value during the period plus the declared dividends of $1.14 per share for the nine months ended September 30, 2013, divided by the

beginning net asset value at December 31, 2012. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan, the issuance of common stock in connection with any equity offerings and the equity components of any convertible notes issued during the period. Total return based on net asset value is not annualized. The Company s performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5) The ratios reflect an annualized amount.

(6) For the nine months ended September 30, 2014, the ratio of operating expenses to average net assets consisted of 2.48% of base management fees, 2.91% of income based fees and capital gains incentive fees, 4.25% of the cost of borrowing and 0.80% of other operating expenses. For the nine months ended September 30, 2013, the ratio of operating expenses to average net assets consisted of 2.39% of base management fees, 2.80% of income based fees and capital gains incentive fees, 3.92% of the cost of borrowing and 0.92% of other operating expenses. These ratios reflect annualized amounts.

(7) The ratio of net investment income to average net assets excludes income taxes related to realized gains and losses.

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14. LITIGATION

The Company is party to certain lawsuits in the normal course of business. In addition, Allied Capital was involved in various legal proceedings that the Company assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, the Company does not expect that these legal proceedings will materially affect its business, financial condition or results of operations.

On May 20, 2013, the Company was named as one of several defendants in an action (the Action) filed in the United States District Court for the Eastern District of Pennsylvania (the Pennsylvania Court) by the bankruptcy trustee of DSI Renal Holdings LLC and two related companies. On March 17, 2014 the Action was transferred to the United States District Court for the District of Delaware (the Delaware Court) pursuant to a motion filed by the defendants and granted by the Pennsylvania Court. On May 6, 2014, the Delaware Court referred the Action to the United States Bankruptcy Court for the District of Delaware. The complaint in the Action alleges, among other things, that each of the named defendants participated in a purported fraudulent transfer involving the restructuring of a subsidiary of DSI Renal Holdings LLC. Among other things, the complaint seeks, jointly and severally from all defendants, (1) damages of approximately $425 million, of which the complaint states the Company s individual share is approximately $117 million, and (2) punitive damages. The Company is currently unable to assess with any certainty whether it may have any exposure in the Action. The Company believes the plaintiff s claims are without merit and intends to vigorously defend itself in the Action.

15. SUBSEQUENT EVENTS

The Company s management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the nine months ended September 30, 2014, except as disclosed below.

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

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations.

The information contained in this section should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this Quarterly Report. In addition, some of the statements in this report (including in the following discussion) constitute forward- looking statements, which relate to future events or the future performance or financial condition of Ares Capital Corporation (the Company, ARCC, Ares Capital, we, us, or our). The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our, or our portfolio companies , future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations (including the interpretation thereof) governing our operations or the operations of our portfolio companies or the operations of our competitors;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to recover unrealized losses;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- our contractual arrangements and relationships with third parties;

- the general economy and its impact on the industries in which we invest;
- uncertainty surrounding the financial stability of the U.S. and the EU;
- Middle East turmoil and the potential for rising energy prices and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- our ability to successfully complete and integrate any acquisitions;
- the adequacy of our cash resources and working capital;
- the timing, form and amount of any dividend distributions;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments.

We use words such as anticipates, believes, expects, intends, will, should, may and similar expressions to identify forward- looking sta although not all forward looking statements include these words. Our actual results and condition could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2013.

We have based the forward-looking statements included in this Quarterly Report on information available to us on the date of this Quarterly Report, 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 Securities and Exchange Commission (SEC), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

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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 business development company (BDC) under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act).

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

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

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

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

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

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

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

We have elected to be treated as a regulated investment company, or a RIC, under the Internal Revenue Code of 1986, as amended (the Code), and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Code, for each year.

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Pursuant to this election, we generally will not have to pay U.S. federal corporate-level taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

PORTFOLIO AND INVESTMENT ACTIVITY

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

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

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

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

(3) See Senior Secured Loan Program below and Note 4 to our consolidated financial statements for the three and nine months ended September 30, 2014 for more information on the SSLP.

(4) Number of new investment commitments represents each commitment to a particular portfolio company or a commitment to multiple companies as part of an individual transaction (e.g., the purchase of a portfolio of investments).

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

(6) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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Senior Secured Loan Program

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

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

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

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

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

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

(1) At principal amount.

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

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SSLP Loan Portfolio as of September 30, 2014

(dollar amounts in millions) Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount
Access CIG, LLC(2)	Records and information management services provider	10/2017	7.9%	$ 196.6
ADG, LLC	Dental services provider	9/2019	8.1%	213.1
AMCP Clean Acquisition Company, LLC	Provider of outsourced commercial linen and laundry services	8/2019	8.0%	92.6
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	235.8
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical devices	4/2018	6.5%	234.4
Brewer Holdings Corp.	Provider of software and technology-enabled content and analytical solutions to insurance brokers	11/2019	7.0%	174.2
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	84.3
CH Hold Corp.(2)	Collision repair company	11/2019	5.5%	300.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	153.2
CIBT Holdings, Inc.(4)	Expedited travel document processing services	12/2018	6.8%	188.5
Connoisseur Media, LLC	Owner and operator of radio stations	6/2019	7.3%	140.7
CWD, LLC	Supplier of automotive aftermarket brake parts	6/2016	7.0%	127.1
Document Technologies, LLC (2)(4)	Provider of legal process outsourcing and managed services	8/2020	5.8%	279.2
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	8.0%	133.9
Driven Brands, Inc.(2)(4)	Automotive aftermarket car care franchisor	3/2017	6.0%	201.2
ECI Purchaser Company, LLC	Manufacturer of specialized pressure regulators, valves and other control equipment for use with liquefied and compressed gases	12/2019	6.0%	235.6
Excelligence Learning Corporation(4)	Developer, manufacturer and retailer of educational products	8/2018	7.8%	171.2
Fleischmann s Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.0%	70.6
Fox Hill Holdings, LLC(2)	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	287.3
Gentle Communications, LLC	Dental services provider	6/2020	6.5%	85.0
III US Holdings, LLC	Provider of library automation software and systems	3/2018	6.0%	215.8
Implus Footcare, LLC(4)	Provider of footwear and other accessories	4/2019	6.8%	246.4
Instituto de Banca y Comercio, Inc.(2)(4)(5)	Private school operator	12/2016		87.6
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	12/2019	5.8%	269.6
Laborie Medical Technologies Corp(4)	Provider of medical diagnostics products	10/2018	6.8%	112.7
MCH Holdings, Inc.(4)	Healthcare professional provider	1/2020	6.3%	179.5

MWI Holdings, Inc.(2)	Provider of engineered springs, fasteners, and other precision components	3/2019	7.4%	260.7
Noranco Manufacturing (USA) Ltd.	Supplier of complex machined and sheet metal components for the aerospace industry	4/2019	6.8%	156.7

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(dollar amounts in millions) Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	8/2019	7.0%	218.4
Oak Parent, Inc.(2)	Manufacturer of athletic apparel	4/2018	7.5%	302.8
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%	55.8
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	155.2
PODS Funding Corp. II(2)	Storage and warehousing	12/2018	7.0%	332.9
Pretium Packaging, L.L.C.(4)	Plastic container and closure manufacturer	6/2020	6.0%	185.3
Protective Industries, Inc. dba Caplugs(2)(4)	Manufacturer of plastic protection products	10/2019	6.3%	276.2
PSSI Holdings, LLC(2)	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2018	6.0%	247.3
Restaurant Technologies, Inc.	Provider of bulk cooking oil management services to the restaurant and fast food service industries	6/2018	7.0%	199.0
Sanders Industries Holdings, Inc.(4)	Manufacturer of elastomeric parts, mid-sized composite structures, and composite tooling	5/2020	7.0%	84.0
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	10/2019	6.8%	198.5
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	195.5
STATS Acquisition, LLC	Sports technology, data and content company	6/2020	7.0%	103.8
Strategic Partners, Inc.(4)	Supplier of medical uniforms, specialized medical footwear and accessories	8/2018	8.5%	230.3
TA THI Buyer, Inc. and TA THI Parent, Inc. (2)(4)	Supplier of branded light duty truck accessories for pick-up truck applications	7/2020	6.5%	313.5
TecoStar Acquisition Company	Manufacturer of precision complex components for the medical device market and the aerospace and defense market	12/2019	6.1%	157.4
The Teaching Company, LLC(2)(4)	Education publications provider	3/2017	9.0%	109.7
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	12/2019	6.8%	153.2
U.S. Anesthesia Partners, Inc.(2)(3)	Anesthesiology service provider	12/2019	6.0%	264.7
Universal Services of America, LP	Provider of security officer and guard services	7/2019	6.0%	294.0
Wrigley Purchaser, LLC and Wrigley Management, LLC(2)	Provider of outpatient rehabilitation services	5/2020	6.1%	152.6
				$ 9,363.6

(1) Represents the weighted average annual stated interest rate as of September 30, 2014. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.

(2) We also hold a portion of this company s first lien senior secured loan.

(3) We also hold a portion of this company s second lien senior secured loan.

(4) We hold an equity investment in this company.

(5) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of September 30, 2014.

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SSLP Loan Portfolio as of December 31, 2013

(dollar amounts in millions) Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount	Fair Value(2)
Access CIG, LLC(3)	Records and information management services provider	10/2017	7.0%	$ 186.9	$ 186.9
ADG, LLC	Dental services provider	9/2019	8.1%	217.5	217.5
AMZ Products Merger Corporation	Specialty chemicals manufacturer	12/2018	6.8%	237.6	237.6
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical devices	4/2018	6.5%	239.2	239.2
BECO Holding Company, Inc.(5)	Wholesale distributor of first response fire protection equipment and related parts	12/2017	8.3%	143.4	143.4
Brewer Holdings Corp. and Zywave, Inc.	Provider of software and technology-enabled content and analytical solutions to insurance brokers	11/2019	7.0%	175.5	175.5
Cambridge International, Inc.	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	86.0	86.0
CCS Group Holdings, LLC(5)	Correctional facility healthcare operator	4/2016	8.0%	134.5	134.5
CH Hold Corp.	Collision repair company	11/2019	5.5%	270.0	270.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2019	7.8%	142.3	142.3
CIBT Holdings, Inc.(5)	Expedited travel document processing services	12/2018	6.8%	178.9	178.9
CWD, LLC	Supplier of automotive aftermarket brake parts	6/2016	10.0%	130.5	130.5
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	136.7	136.7
Driven Holdings, LLC(5)	Automotive aftermarket car care franchisor	3/2017	7.0%	159.1	159.1
ECI Purchaser Company, LLC	Manufacturer of equipment to safely control pressurized gases	12/2019	6.0%	209.0	209.0
Excelligence Learning Corporation(5)	Developer, manufacturer and retailer of educational products	8/2018	7.8%	174.0	174.0
Fleischmann s Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar products	5/2016	8.0%	74.7	74.7
Fox Hill Holdings, LLC(3)	Third party claims administrator on behalf of insurance carriers	6/2018	6.8%	289.5	289.5
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	194.5	194.5
Implus Footcare, LLC(5)	Provider of footwear and other accessories	10/2016	9.0%	210.3	210.3
Instituto de Banca y Comercio, Inc.(3)(5)(6)	Private school operator	6/2015		82.4	74.2
Intermedix Corporation(4)	Revenue cycle management provider to the emergency healthcare industry	12/2018	6.3%	321.7	321.7
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	4/2019	6.5%	164.2	164.2
JHP Pharmaceuticals, LLC(5)		12/2019	6.8%	182.2	182.2

	Manufacturer of specialty pharmaceutical products				
Laborie Medical Technologies Corp(5)	Developer and manufacturer of medical equipment	10/2018	6.8%	113.5	113.5
LJSS Acquisition, Inc.	Fluid power distributor	10/2017	6.8%	159.8	159.8
MWI Holdings, Inc.(3)	Provider of engineered springs, fasteners, and other precision components	3/2019	7.4%	261.6	261.6

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(dollar amounts in millions) Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)		Principal Amount		Fair Value(2)
Noranco Manufacturing (USA) Ltd.	Supplier of complex machined and sheet metal components for the aerospace industry	4/2019	6.8%		161.1		161.1
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	8/2019	7.0%		224.7		224.7
Oak Parent, Inc.(3)	Manufacturer of athletic apparel	4/2018	7.5%		307.1		307.1
Penn Detroit Diesel Allison, LLC	Distributor of new equipment and aftermarket parts to the heavy-duty truck industry	12/2016	9.0%		59.5		59.5
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%		158.3		158.3
PODS Funding Corp. II(3)	Storage and warehousing	12/2018	7.0%		314.1		314.1
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(3)	Provider of highly-customized, tailored protective packaging solutions	3/2017	7.8%		152.0		152.0
Protective Industries, Inc. dba Caplugs(3)(5)	Manufacturer of plastic protection products	10/2019	6.8%		278.3		278.3
PSSI Holdings, LLC(3)	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2018	6.0%		224.4		224.4
Restaurant Technologies, Inc.	Provider of bulk cooking oil management services to the restaurant and fast food service industries	6/2018	7.0%		202.7		202.7
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	10/2019	6.8%		209.0		209.0
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%		197.0		197.0
Strategic Partners, Inc.(5)	Supplier of medical uniforms, specialized medical footwear and accessories	8/2018	7.8%		232.1		232.1
Talent Partners G.P. and Print Payroll Services, G.P.	Provider of technology-enabled payroll to the advertising industry	10/2017	8.0%		62.0		62.0
TecoStar Acquisition Company	Manufacturer of precision components for orthopedic medical devices	12/2019	6.4%		118.0		118.0
The Teaching Company, LLC(3)(5)	Education publications provider	3/2017	9.0%		111.5		109.3
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	12/2019	6.8%		154.0		154.0
U.S. Anesthesia Partners, Inc.(3)	Anesthesiology service provider	12/2019	6.0%		210.0		210.0
Universal Services of America, LP	Provider of security officer and guard services	7/2019	6.0%		253.9		253.9
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%		159.2		159.2
				$	8,664.4	$	8,654.0

(1) Represents the weighted average annual stated interest rate as of December 31, 2013. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.

(2) Represents the fair value in accordance with ASC 820-10. The determination of such fair value is not included in our board of directors valuation process described elsewhere herein.

(3) We also hold a portion of this company s first lien senior secured loan.

(4) We also hold a portion of this company s second lien senior secured loan.

(5) We hold an equity investment in this company.

(6) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of December 31, 2013.

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The amortized cost and fair value of our SSLP Certificates was $2.0 billion and $2.0 billion, respectively, as of September 30, 2014, and $1.7 billion and $1.8 billion, respectively, as of December 31, 2013. The SSLP Certificates pay a weighted average contractual coupon of three month LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the underlying loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than both the contractual coupon on the SSLP Certificates as well as the weighted average yield on the SSLP s portfolio of 6.8% and 7.1% at September 30, 2014 and December 31, 2013, respectively. Our yield on our investment in the SSLP at amortized cost and fair value was 13.8% and 13.5%, respectively, as of September 30, 2014, and 15.0% and 14.8%, respectively, as of December 31, 2013. For the three and nine months ended September 30, 2014, we earned interest income of $69.8 million and $205.4 million, respectively, from our investment in the SSLP Certificates. For the three and nine months ended September 30, 2013, we earned interest income of $59.2 million and $161.2 million, respectively, from our investment in the SSLP Certificates.

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

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

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

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RESULTS OF OPERATIONS

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

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

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

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

Investment Income

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

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

The increase in interest income from investments for the nine months ended September 30, 2014 from the comparable period in 2013 was primarily due to the increase in the size of the portfolio, which increased from an average of $6.4 billion at amortized cost for the nine months ended September 30, 2013 to an average of $7.9 billion at amortized cost for the comparable period in 2014. The increase in capital structuring service fees for the nine months ended September 30, 2014 from the comparable period in 2013 was primarily due to the increase in new investment commitments, which increased from $2.7 billion for the nine months ended September 30, 2013 to $3.2 billion for the comparable period in 2014, while the average capital structuring service fees received on new investments remained steady at 2.3% for both the nine months ended September 30, 2014 and 2013. Dividend income for the nine months ended September 30, 2014 and 2013 included dividends received from IHAM totaling $40.0 million and $62.4 million, respectively. The dividends received from IHAM for the nine months ended September 30, 2014 and 2013 included additional dividends of $10.0 million and $32.4 million, respectively, that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the nine months ended September 30, 2014, we received $15.5 million in other non-recurring dividends from non-income producing equity securities compared to $6.6 million for the comparable period in 2013.

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Operating Expenses

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

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

(in millions)	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Stated interest expense	$			