

ARES CAPITAL CORP  
Form N-2/A  
July 31, 2017

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As filed with the Securities and Exchange Commission on July 31, 2017

Registration No. 333-212142

## U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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### FORM N-2

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

✓ PRE-EFFECTIVE AMENDMENT NO. 2  
o POST-EFFECTIVE AMENDMENT NO.

### ARES CAPITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

245 Park Avenue, 44<sup>th</sup> Floor  
New York, New York 10167  
(Address of Principal Executive Offices)

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

Joshua M. Bloomstein  
General Counsel  
Ares Capital Corporation  
245 Park Avenue, 44<sup>th</sup> Floor  
New York, New York 10167  
(212) 750-7300  
(Name and Address of Agent for Service)

Copies of information to:

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

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

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

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

when declared effective pursuant to section 8(c).

### CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$0.001 par value per share(2)(3)				
Preferred Stock, \$0.001 par value per share(2)				
Subscription Rights(2)				
Warrants(3)				
Debt Securities(5)				
Units(6)				
<b>Total</b>			\$3,000,000,000(7)	\$302,100(8)

- (1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this registration statement.
- (2) Subject to Note 7 below, there is being registered hereunder an indeterminate number of shares of common stock or preferred stock, or subscription rights to purchase shares of common stock as may be sold, from time to time separately or as units in combination with other securities registered hereunder.
- (3) Includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.
- (4) Subject to Note 7 below, there is being registered hereunder an indeterminate number of warrants as may be sold, from time to time separately or as units in combination with other securities registered hereunder, representing rights to purchase common stock, preferred stock or debt securities.
- (5) Subject to Note 7 below, there is being registered hereunder an indeterminate principal amount of debt securities as may be sold, from time to time separately or as units in combination with other securities registered hereunder. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed \$3,000,000,000.
- (6) Subject to Note 7 below, there is being registered hereunder an indeterminate number of units. Each unit may consist of a combination of any one or more of the securities being registered hereunder and may also include securities issued by third parties, including the U.S. Treasury.
- (7) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed \$3,000,000,000.
- (8) Previously paid.

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

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

**Subject to Completion, dated July 31, 2017**

PROSPECTUS

**\$3,000,000,000**

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

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

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

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." On July 27, 2017 the last reported sales price of our common stock on The NASDAQ Global Select Market was \$16.43 per share. The net asset value per share of our common stock at March 31, 2017 (the last date prior to the date of this prospectus on which we determined net asset value) was \$16.50.

**Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 24 of this prospectus, including the risk of leverage.**

We may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, which we refer to, collectively, as the "securities." The preferred stock, debt securities, subscription rights and warrants (including as part of a unit) offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such circumstances as the SEC may permit. This prospectus and the accompanying prospectus supplement concisely provide important information about us that you should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before you invest and keep it for future

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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 SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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

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The date of this prospectus is \_\_\_\_\_, 2017.

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

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we have filed with the U.S. Securities and Exchange Commission (the "SEC"), using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and the prospectus supplement together with any exhibits and the additional information described under the headings "Available Information" and "Risk Factors" before you make an investment decision.

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**PROSPECTUS SUMMARY**

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

**THE COMPANY**

**Overview**

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. As of March 31, 2017, we were the largest BDC with approximately \$12.0 billion of total assets.

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

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

We invest primarily in first lien senior secured loans (including "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior secured loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments in corporate borrowers generally range between \$30 million and \$500 million each, investments in project finance/power generation projects generally range between \$10 million and \$200 million each and investments in early-stage and/or venture capital-backed companies generally range between \$1 million and \$25 million each. However, the investment sizes may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro- and macro-economic factors.

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



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Capital's (as defined below) equity investments, including equity investments pursuant to which American Capital controlled a particular portfolio company, became part of our portfolio.

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

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

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships of Ares Management with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investment opportunities. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for over 15 years and its partners have an average of over 24 years of experience in leveraged finance, private equity, distressed debt, commercial real estate finance, investment banking and capital markets. We have access to Ares' investment professionals and administrative professionals, who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations. As of March 31, 2017, Ares had approximately 370 investment professionals and approximately 585 administrative professionals.

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

In the first quarter of 2011, the staff of the SEC (the "Staff") informally communicated to certain BDCs the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated

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

**The American Capital Acquisition**

On January 3, 2017, we completed our acquisition (the "American Capital Acquisition") of American Capital, Ltd. ("American Capital") in a cash and stock transaction valued at approximately \$4.2 billion. In connection with the stock consideration, we issued approximately 112 million shares of our common stock to American Capital's then-existing stockholders (including holders of outstanding in-the-money American Capital stock options), thereby resulting in our then-existing stockholders owning approximately 73.7% of the combined company and then-existing American Capital stockholders owning approximately 26.3% of the combined company. See Note 14 to our consolidated financial statements for the three months ended March 31, 2017 and Note 16 to our consolidated financial statements for the year ended December 31, 2016 for additional information regarding the American Capital Acquisition.

In connection with the American Capital Acquisition, Ares Capital Management has agreed to waive up to \$100 million in income based fees from us for the first ten calendar quarters beginning with the second quarter of 2017, in an amount equal to the lesser of (1) \$10 million of the income based fees and (2) the amount of income based fees for each such quarter, in each case, to the extent earned and payable by us in such quarter pursuant to and as calculated under our investment advisory and management agreement (the "Fee Waiver").

**Co-Investment Programs**

*Senior Direct Lending Program*

We established a joint venture with Varagon Capital Partners ("Varagon") to make certain first lien senior secured loans, including certain stretch senior and unitranche loans, primarily to U.S. middle-market companies. Varagon was formed in 2013 as a lending platform by American International Group, Inc. (NYSE:AIG) and other partners. The joint venture is called the Senior Direct Lending Program (the "SDLP"). The SDLP may generally commit and hold individual loans of up to \$300 million. We may directly co-invest with the SDLP to accommodate larger transactions. The SDLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP consisting of representatives of the Company and Varagon (with approval from a representative of each required).

We provide capital to the SDLP in the form of subordinated certificates (the "SDLP Certificates"), and Varagon and its clients provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. As of March 31, 2017, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates.

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As of March 31, 2017, we and Varagon and its clients have agreed to make capital available to the SDLP of \$2.9 billion in the aggregate, of which approximately \$1.3 billion has been funded. As of March 31, 2017, we agreed to make available to the SDLP (subject to the approval of the investment committee of the SDLP as described above) \$591 million, of which \$269 million was funded. As of March 31, 2017, the SDLP had commitments to fund delayed draw loans to certain of its portfolio companies of \$168 million, which had been approved by the investment committee of the SDLP as described above, of which \$35 million was committed by us. As of March 31, 2017, the amortized cost and fair value of the SDLP Certificates held by us were \$269 million and \$269 million, respectively, which represented approximately 2.4% of our total portfolio at fair value. As of March 31, 2017, the SDLP had 14 different underlying borrowers. For more information on the SDLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Direct Lending Program."

***Senior Secured Loan Program***

We and General Electric Capital Corporation ("GECC") and GE Global Sponsor Finance LLC (collectively, "GE") have co-invested in first lien senior secured loans of middle market companies 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"). The SSLP has been capitalized as transactions are completed. 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 our representatives and the representatives of GE (with approval from a representative of each required). We have provided capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

In August 2015, GE completed the sale of its U.S. Sponsor Finance business, through which GE had participated with us in the SSLP, to Canada Pension Plan Investment Board ("CPPIB"). This sale excluded GE's interest in the SSLP, and we and GE continue to operate the SSLP. We and GE no longer have an obligation to present senior secured lending investment opportunities to the SSLP and since June 30, 2015, the SSLP has not made any investments related to new portfolio companies; however, we and GE may provide capital to support the SSLP's funding of existing commitments (see below) and other amounts to its portfolio companies. On August 24, 2015, we were advised that GECC, as the holder of the senior notes of the SSLP (the "Senior Notes"), directed State Street Bank and Trust Company, as trustee of the Senior Notes and the SSLP Certificates, pursuant to the terms of the indenture governing the Senior Notes and the SSLP Certificates, to apply all principal proceeds received by the SSLP from its investments to the repayment of the outstanding principal amount of the Senior Notes until paid in full (prior to the distribution of any such principal proceeds to the holders of the SSLP Certificates, which includes us). GECC had previously elected to waive its right to receive priority repayments on the Senior Notes from principal proceeds in most circumstances. Prior to closing the sale to CPPIB, GE had announced its intention to provide us and CPPIB the opportunity to work together on the SSLP on a go-forward basis. GECC has also stated that if a mutual agreement between us and CPPIB to partner on the SSLP is not reached, it intends to retain its interest in the SSLP and the SSLP would be wound down in an orderly manner.

As of March 31, 2017, we and GE had outstanding amounts funded of approximately \$3.3 billion in aggregate principal amount to the SSLP. As discussed above, we anticipate that no new investments will be made by the SSLP and that we and GE will only provide additional capital to support the SSLP's funding of existing commitments and other amounts to its portfolio companies. As of March 31, 2017, the SSLP had commitments to fund delayed draw loans to certain of its portfolio companies of \$50 million, which had been approved by the investment committee of the SSLP as described above. As of March 31, 2017, we had funded approximately \$2.0 billion in aggregate principal amount to the SSLP. Additionally, as of March 31, 2017, we had commitments to co-invest in the SSLP

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for our portion of the SSLP's commitments to fund delayed draw loans to portfolio companies of up to \$7 million. As of March 31, 2017, the amortized cost and fair value of the SSLP Certificates held by us were \$1.9 billion and \$1.9 billion (including unrealized depreciation of \$19 million), respectively, which represented approximately 16.8% of our total portfolio at fair value. As of March 31, 2017, the SSLP had 18 different underlying borrowers. For more information on the SSLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Secured Loan Program."

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

As of March 31, 2017, our portfolio company, IHAM, an SEC-registered investment adviser, managed 22 vehicles and served as the sub-manager/sub-servicer for two other vehicles (such vehicles, the "IHAM Vehicles"). As of March 31, 2017, IHAM had assets under management of approximately \$4.3 billion. As of March 31, 2017 Ares Capital had invested approximately \$296 million (at amortized cost) in IHAM. In connection with IHAM's registration as a registered investment adviser, on March 30, 2012, we received exemptive relief from the SEC allowing us to, subject to certain conditions, own directly or indirectly up to 100% of IHAM's outstanding equity interests and make additional investments in IHAM. From time to time, IHAM or certain IHAM Vehicles may purchase investments from us or sell investments to us, in each case for a price equal to the fair market value of such investments determined at the time of such transactions.

On May 19, 2017, pursuant to approval granted at a special meeting of stockholders of American Capital Senior Floating, Ltd. ("ACSF"), IHAM entered into a new management agreement with ACSF, a Maryland corporation that has elected to be regulated as a BDC under the Investment Company Act, pursuant to which IHAM serves as ACSF's investment adviser.

See Note 4 to our consolidated financial statements for the year ended December 31, 2016 and the three months ended March 31, 2017 for more information about IHAM and Note 16 to our consolidated financial statements for the year ended December 31, 2016 and Note 14 to our consolidated financial statements for the three months ended March 31, 2017 for information related to IHAM's role in the American Capital Acquisition.

**Ares Capital Management LLC**

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of approximately 100 U.S.-based investment professionals as of March 31, 2017 and led by certain partners of the Ares Credit Group: Michael Arougheti, Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares Capital Management's investment committee has eight members comprised of certain of the U.S.-based partners of the Ares Credit Group.

**MARKET OPPORTUNITY**

We believe that current market conditions present attractive opportunities for us to invest in middle-market companies, specifically:

We believe that many commercial and investment banks have, in recent years, de-emphasized their service and product offerings to middle-market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, these lenders may be constrained in their ability to underwrite and hold bank loans and high yield securities for middle-market issuers as they seek to meet existing and future regulatory capital requirements. These factors may result in opportunities for alternative

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funding sources to middle-market companies and therefore more new-issue market opportunities for us.

We believe disruption and volatility that occurs periodically in the credit markets, reduces capital available to certain capital providers, causing a reduction in competition. When these volatile market conditions occur, they often create opportunities to achieve attractive risk-adjusted returns.

We believe that there is a lack of market participants that are willing to hold meaningful amounts of certain middle-market loans. As a result, we believe our ability to minimize syndication risk for a company seeking financing by being able to hold our loans without having to syndicate them is a competitive advantage.

We believe that middle-market companies have faced difficulty in raising debt through the capital markets. This approach to financing may become more difficult to the extent institutional investors seek to invest in larger, more liquid offerings, leaving less competition and fewer financing alternatives for middle-market companies.

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

**COMPETITIVE ADVANTAGES**

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

**The Ares Platform**

Ares operates three distinct but complementary investment groups, including the Ares Credit Group, the Ares Private Equity Group and the Ares Real Estate Group. We believe Ares' current investment platform provides a competitive advantage in terms of access to origination and marketing activities and diligence for us. In particular, we believe that the Ares platform provides us with an advantage through its deal flow generation and investment evaluation process. Ares' asset management platform also provides additional market information, company knowledge and industry insight that benefit our investment and due diligence process. Ares' professionals maintain extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information.

**Seasoned Management Team**

The investment professionals in the Ares Credit Group and members of our investment adviser's investment committee also have significant experience investing across market cycles. This experience also provides us with a competitive advantage in identifying, originating, investing in and managing a portfolio of investments in middle-market companies.

**Broad Origination Strategy**

We focus on self-originating most of our investments by pursuing a broad array of investment opportunities in middle-market companies, venture capital backed businesses and power generation projects across multiple channels. We also leverage off of the extensive relationships of the broader Ares platform, including relationships with the portfolio companies in the IHAM Vehicles, to identify investment opportunities. We believe that this allows for asset selectivity and that there is a significant relationship between proprietary deal origination and credit performance. We believe that our focus on

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generating proprietary deal flow and lead investing also gives us greater control over capital structure, deal terms, pricing and documentation and enables us to actively manage our portfolio investments. Moreover, by leading the investment process, we are often able to secure controlling positions in credit tranches, thereby providing additional control in investment outcomes. We also have originated substantial proprietary deal flow from middle-market intermediaries, which often allows us to act as the sole or principal source of institutional capital to the borrower.

**Scale and Flexible Transaction Structuring**

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

**Experience with and Focus on Middle-Market Companies**

Ares has historically focused on investments in middle-market companies and we benefit from this experience. In sourcing and analyzing deals, our investment adviser benefits from Ares' extensive network of relationships focused on middle-market companies, including management teams, members of the investment banking community, private equity groups and other investment firms with whom Ares has had long-term relationships. We believe this network enables us to identify well-positioned prospective portfolio company investments. The Ares Credit Group works closely with Ares' other investment professionals. As of March 31, 2017, Ares oversaw a portfolio of investments in over 1,300 companies, approximately 565 structured assets and over 160 properties across over 60 industries, which provides access to an extensive network of relationships and insights into industry trends and the state of the capital markets.

**Disciplined Investment Philosophy**

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

businesses with strong franchises and sustainable competitive advantages;

industries with positive long-term dynamics;

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businesses and industries with cash flows that are dependable and predictable;

management teams with demonstrated track records and appropriate economic incentives;

rates of return commensurate with the perceived risks;

securities or investments that are structured with appropriate terms and covenants; and

businesses backed by experienced private equity sponsors.

**Extensive Industry Focus**

We seek to concentrate our investing activities in industries with a history of predictable and dependable cash flows and in which the Ares investment professionals have had extensive investment experience. Ares investment professionals have developed long-term relationships with management teams and management consultants in over 50 industries, and have accumulated substantial information and identified potential trends within these industries. In turn, we benefit from these relationships, information and identification of potential trends in making investments.

**OPERATING AND REGULATORY STRUCTURE**

Our investment activities are managed by our investment adviser, Ares Capital Management, which is a subsidiary of Ares, and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Ares Capital Management is registered under the Investment Advisers Act of 1940, or the "Advisers Act." Under our Amended and Restated Investment Advisory and Management Agreement with Ares Capital Management, referred to herein as our "investment advisory and management agreement," we have agreed to pay Ares Capital Management base management fees based on our total assets, as defined under the Investment Company Act (other than cash and cash equivalents, but including assets purchased with borrowed funds) ("base management fees"), fees based on our net investment income ("income based fees") and fees based on our net capital gains ("capital gains incentive fees"). See "Management Investment Advisory and Management Agreement." Ares Operations provides us with certain administrative and other services necessary for us to operate pursuant to an Amended and Restated Administration Agreement, referred to herein as our "administration agreement." See "Management Administration Agreement."

As a BDC, we are required to comply with certain regulatory requirements. For example, we are not generally permitted to co-invest in any portfolio company in which a fund managed by Ares or any of its downstream affiliates (other than us and our downstream affiliates) currently has an investment. However, we may co-invest with funds managed by Ares or any of its downstream affiliates, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures. On January 18, 2017, we received an order from the SEC that permits us and other business development companies and registered closed-end management investment companies managed by Ares to co-invest in portfolio companies with each other and with affiliated investment funds (the "Order"). Co-investments made under the Order are subject to compliance with the conditions and other requirements contained in the Order, which could limit our ability to participate in a co-investment transaction.

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant aspects. See "Business Operating and Regulatory Structure" and "Regulation." In particular, BDCs must have at least 200% asset coverage calculated pursuant to the Investment Company Act (i.e., we are permitted to borrow one dollar for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us) in order to incur debt or issue preferred stock (which we refer to collectively as "senior securities"), which requires us to finance our investments with at least as much equity as senior securities in the aggregate. Certain of our credit

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facilities also require that we maintain asset coverage of at least 200%. As of March 31, 2017, our asset coverage was 249% (excluding the SBA Debentures (as defined below)).

In addition, as a consequence of us being a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code") for U.S. federal income tax purposes, our asset growth is dependent on our ability to raise equity capital through the issuance of common stock. RICs generally must distribute substantially all of their investment company taxable income (as defined under the Code) to stockholders as dividends in order to preserve their status as a RIC and not be subject to additional U.S. federal corporate-level taxes. This requirement, in turn, generally prevents us from using our earnings to support our operations, including making new investments. See "Certain Material U.S. Federal Income Tax Considerations."

**ACQUISITION OPPORTUNITIES**

We believe the recent volatility in the credit markets has increased the likelihood of further consolidation in our industry. From time to time, we evaluate potential strategic opportunities, including acquisitions of:

asset portfolios;

other private and public finance companies, business development companies and asset managers; and

selected secondary market assets.

In this regard, on January 3, 2017, we completed the American Capital Acquisition. See " The American Capital Acquisition" below for more information.

We have been in, and from time to time may engage in, discussions with counterparties in respect of various potential strategic acquisition and investment transactions, including potential acquisitions of other finance companies, business development companies and asset managers. Some of these transactions could be material to our business and, if completed, could be difficult to integrate, result in increased leverage or dilution and/or subject us to unexpected liabilities. However, none of these discussions has progressed to the point at which the completion of any such transaction could be deemed to be probable or reasonably certain as of the date of this prospectus. Completion of any such transaction would be subject to completion of due diligence, finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our board of directors, any required third party consents and, in certain cases, the approval of our stockholders. We cannot predict how quickly the terms of any such transaction could be finalized, if at all. Accordingly, there can be no assurance that such transaction would be completed. We have incurred, and may in the future incur, significant expenses in connection with evaluating potential strategic acquisition and investment transactions.

**INDEBTEDNESS**

As of March 31, 2017, we had approximately \$4.7 billion in aggregate principal amount of total outstanding indebtedness, approximately \$3.3 billion aggregate principal amount of which was unsecured indebtedness of Ares Capital, approximately \$622 million aggregate principal amount of which was secured indebtedness at the Ares Capital level and approximately \$740 million aggregate principal amount of which was secured indebtedness of our consolidated subsidiaries.

For more information on our debt, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources."



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**RECENT DEVELOPMENTS**

In May 2017, we notified the trustee for the Company's 5.875% Senior Notes due 2022 (the "October 2022 Notes") of our election to redeem the entire \$182.5 million aggregate principal amount outstanding of the October 2022 Notes and instructed the trustee to provide notice of such redemption to the holders of the October 2022 Notes in accordance with the terms of the indenture governing the October 2022 Notes. The redemption was completed on June 21, 2017. None of the October 2022 Notes remain outstanding.

In May 2017, we entered into agreements with respect to the Revolving Credit Facility that, among other things, (a) increased the term loan tranche by \$12.5 million to \$395 million, (b) extended the expiration of the revolving period for certain lenders electing to extend their commitments in an amount equal to \$37.5 million from May 4, 2020 to January 4, 2021, and (c) extended the stated maturity date for certain lenders electing to extend their revolving commitments in an amount equal to \$37.5 million from May 4, 2021 to January 4, 2022.

**RISK FACTORS**

Investing in Ares Capital involves risks. The following is a summary of the principal risks that you should carefully consider before investing in our securities. In addition, see "Risk Factors" beginning on page 24 for a more detailed discussion of the principal risks as well as certain other risks you should carefully consider before deciding to invest in our securities.

The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business and operations.

Uncertainty about the financial stability of the United States, China and several countries in Europe could have a significant adverse effect on our business, financial condition and results of operations.

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

A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility and a failure to maintain our status as a RIC may subject us to additional corporate-level income taxes.

We are dependent upon certain key personnel of Ares for our future success and upon their access to other Ares investment professionals.

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

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

We borrow money, which magnifies the potential for gain or loss on amounts invested, subjects us to certain covenants with which we must comply and may increase the risk of investing with us.

We operate in a highly competitive market for investment opportunities.

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

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Most of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable. Additionally, to the extent that we

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need liquidity and need to sell assets, the lack of liquidity in our investments may adversely affect our business.

Our financial condition and results of operations could be negatively affected if a significant investment fails to perform as expected.

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

Declines in market prices and liquidity in the corporate debt markets can result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value.

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

Our investments, which are primarily in middle-market companies, may be risky and we could lose all or part of our investment.

Our portfolio companies may be highly leveraged.

Our credit ratings may not reflect all risks of an investment in our 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 245 Park Avenue, 44th Floor, New York, New York 10167, telephone number (212) 750-7300.

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**OFFERINGS**

We may offer, from time to time, in one or more offerings or series, up to \$3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such other circumstances as the SEC may permit. Any such issuance of shares of our common stock below net asset value may be dilutive to the net asset value of our common stock. See "Risk Factors Risks Relating to Offerings Pursuant to this Prospectus."

Pursuant to approval granted at a special meeting of stockholders held on May 22, 2017, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires on May 22, 2018.

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

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

Use of proceeds

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which include, among other things, (a) investing in portfolio companies in accordance with our investment objective and (b) repaying indebtedness. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See "Use of Proceeds."

Distributions

We currently intend to pay dividends or make other distributions to our stockholders on a quarterly basis out of assets legally available for distribution. We may also pay additional dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, if any, will be determined by our board of directors. For more information, see "Price Range of Common Stock and Distributions."

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Taxation

We have elected to be treated as a RIC for U.S. federal income tax purposes. As a RIC, we generally will not pay U.S. federal corporate-level income taxes on any income and gain that we distribute to our stockholders as dividends on a timely basis. Among other things, in order to maintain our RIC status, we must meet specified source of income and asset diversification requirements and distribute annually generally an amount equal to at least 90% of our investment company taxable income, out of assets legally available for distribution. See "Risk Factors Risks Relating to Our Business We may be subject to additional corporate-level income taxes if we fail to maintain our status as a RIC" and "Price Range of Common Stock and Distributions."

Dividend reinvestment plan

We have a dividend reinvestment plan for our stockholders. This is an "opt out" dividend reinvestment plan. As a result, if we declare a cash dividend, then stockholders' dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash. Stockholders whose cash dividends are reinvested in additional shares of our common stock will be subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."

The NASDAQ Global Select Market symbol

"ARCC"

Anti-takeover provisions

Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures adopted by us. See "Description of Our Capital Stock."

Leverage

We borrow funds to make additional investments. We use this practice, which is known as "leverage," to attempt to increase returns to our stockholders, but it involves significant risks. See "Risk Factors," "Senior Securities" and "Regulation Indebtedness and Senior Securities." With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.

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Management arrangements

Ares Capital Management serves as our investment adviser. Ares Operations serves as our administrator. For a description of Ares Capital Management, Ares Operations, Ares and our contractual arrangements with these companies, see "Management Investment Advisory and Management Agreement," and " Administration Agreement."

Available information

We are required to file periodic reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at [www.arescapitalcorp.com](http://www.arescapitalcorp.com). Information contained on our website is not incorporated into this prospectus and you should not consider such information to be part of this prospectus. Such information is also available from the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov).

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Table of Contents**FEEES AND EXPENSES**

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

<b>Stockholder transaction expenses (as a percentage of offering price):</b>	
Sales load	(1)
Offering expenses	(2)
Dividend reinvestment plan expenses	None (3)
<b>Total stockholder transaction expenses paid</b>	<b>(4)</b>
<b>Annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):</b>	
Base management fees	2.73%(6)
Income based fees and capital gains incentive fees	1.48%(7)
Interest payments on borrowed funds	3.22%(8)
Other expenses	1.17%(9)
Acquired fund fees and expenses	0.07%(10)
<b>Total annual expenses</b>	<b>8.67%(11)</b>

- 
- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load (underwriting discount or commission). Purchases of shares of our common stock on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include any sales load that stockholders may have paid in connection with their purchase of shares of our common stock.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The expenses of the dividend reinvestment plan are included in "Other expenses." The plan administrator's fees under the plan are paid by us. If a participant elects by notice to the plan administrator in advance of termination to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a transaction fee of up to \$15 plus a \$0.12 per share fee from the proceeds. See "Dividend Reinvestment Plan" for more information.
- (4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.
- (5)

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The "consolidated net assets attributable to common stock" used to calculate the percentages in this table is our average net assets of \$7.0 billion for the three months ended March 31, 2017.

(6)

Our base management fee is currently 1.5% of our total assets (other than cash and cash equivalents) (which includes assets purchased with borrowed amounts). Our base management fee has been estimated by multiplying our average total assets (assuming we maintain no cash or cash equivalents) for the three months ended March 31, 2017 by 1.5%. The 2.73% reflected on the table is higher than 1.5% because it is calculated on our average net assets (rather than our



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average total assets) for the same period. See "Management Investment Advisory and Management Agreement."

(7)

This item represents our investment adviser's income based fees and capital gains incentive fees estimated by annualizing income based fees for the three months ended March 31, 2017 and the capital gains incentive fee expense accrued in accordance with U.S. generally accepted accounting principles ("GAAP") for the three months ended March 31, 2017, even though no capital gains incentive fee was actually payable under the investment advisory and management agreement as of March 31, 2017.

GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Company Act or the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains incentive fee actually payable under the investment advisory and management agreement plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual capital gains incentive fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future or that the amount accrued for will ultimately be paid.

For purposes of this table, we have assumed that these fees will be payable (in the case of the capital gains incentive fee) and that they will remain constant, although they are based on 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 these fees to our investment adviser in the first year after completion of offerings pursuant to this prospectus. Since our initial public offering through March 31, 2017, the average quarterly fees accrued related to income based fees and capital gains incentive fees (including capital gains incentive fees accrued under GAAP even though they may not be payable) has been approximately 0.69% of our weighted average net assets (2.75% on an annualized basis). For more detailed information on the calculation of our income based fees and capital gains incentive fees, please see below. For more detailed information about income based fees and capital gains incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the year ended December 31, 2016 and the three months ended March 31, 2017.

Income based fees are payable quarterly in arrears in an amount equal to 20% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 1.75% quarterly (7.0% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our investment adviser receives no income based fees until our net investment income equals the hurdle rate of 1.75% but then receives, as a "catch-up," 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875%. The effect of this provision is that, if pre-incentive fee net

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investment income exceeds 2.1875% in any calendar quarter, our investment adviser will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

In connection with the American Capital Acquisition, our investment adviser has agreed to waive, for each of the first ten calendar quarters beginning in the second quarter of 2017, the lesser of (a) \$10 million of the income based fees and (b) the amount of income based fees for such quarter, in each case, to the extent earned and payable by us in such quarter pursuant to and as calculated under our investment advisory and management agreement.

Capital gains incentive fees are payable annually in arrears in an amount equal to 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of capital gains incentive fees paid in all prior years.

We will defer cash payment of any income based fees and capital gains incentive fees otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains incentive fees accrued during the period) is less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period. Any deferred income based fees and capital gains incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the investment advisory and management agreement.

These calculations will be adjusted for any share issuances or repurchases.

See "Management Investment Advisory and Management Agreement."

- (8) "Interest payments on borrowed funds" represents our interest expenses estimated by annualizing our actual interest and credit facility expenses incurred for the three months ended March 31, 2017. During the three months ended March 31, 2017, our average outstanding borrowings were approximately \$4.6 billion and cash paid for interest expense was \$48 million. We had outstanding borrowings of approximately \$4.7 billion (with a carrying value of approximately \$4.6 billion) as of March 31, 2017. This item is based on the 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 may employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."
- (9) Includes our overhead expenses, including payments under our administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, and income taxes. Such expenses are estimated by annualizing "Other expenses" for the three months ended March 31, 2017 (other than \$26 million of professional and other costs related to the American Capital Acquisition, which are included in "Other Expenses" but not annualized). The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses. See "Management Administration Agreement."
- (10) Our stockholders indirectly bear the expenses of underlying funds or other investment vehicles that would be investment companies under section 3(a) of the Investment Company Act but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the Investment Company Act ("Acquired Funds") in which we invest. Such underlying funds or other investment vehicles are referred to in this prospectus as "Acquired Funds." This amount includes the

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estimated annual fees and operating expenses of Acquired Funds as of March 31, 2017. Certain of these Acquired Funds are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% and 25% of net profits. When applicable, fees and operating expenses estimates are based on historic fees and operating expenses for the Acquired Funds. For those Acquired Funds with little or no operating history, fees and operating expenses are estimates based on expected fees and operating expenses stated in the Acquired Funds' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and operating expenses for these Acquired Funds may be substantially higher or lower because certain fees and operating expenses are based on the performance of the Acquired Funds, which may fluctuate over time. Also included with the amount is an estimate of the annual fees and operating expenses of the SDLP, which was initially funded in July 2016. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Direct Lending Program" and Note 4 to our consolidated financial statements for the year ended December 31, 2016 and the three months ended March 31, 2017, for more information on the SDLP. The annual fees and operating expenses of the SDLP were estimated based on the funded portfolio of the SDLP as of March 31, 2017 and are primarily comprised of management fees and administrative expenses of the SDLP. For the purpose of this line item, interest payments on borrowed funds are not included in operating expenses. If interest payments on the senior notes and intermediate funding notes of the SDLP were included for purposes of this calculation, "Acquired fund fees and expenses" would be 0.64%.

(11)

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

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above. Income based fees and the capital gains incentive fees under the investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown below, are not included in the example, except as specifically set forth below. Transaction expenses are not included in the following example. In the event that shares to which this prospectus relates are sold to or through

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underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return (none of which is subject to the capital gains incentive fee)(1)	\$ 74	\$ 216	\$ 351	\$ 663
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return resulting entirely from net realized capital gains (all of which is subject to the capital gains incentive fee)(2)	\$ 84	\$ 244	\$ 395	\$ 737

(1) Assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation.

(2) Assumes no unrealized capital depreciation and a 5% annual return resulting entirely from net realized capital gains and not otherwise deferrable under the terms of the investment advisory and management agreement and therefore subject to the capital gains incentive fee.

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

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

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

The following selected financial and other data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 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 as of and for the three months ended March 31, 2017 and March 31, 2016 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, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities," which are included elsewhere in this prospectus or the accompanying prospectus supplement.

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

**As of and For the Three Months Ended March 31, 2017 and March 31, 2016 and**  
**As of and For the Years Ended December 31, 2016, 2015, 2014, 2013 and 2012**  
**(dollar amounts in millions, except per share data and as otherwise indicated)**

	As of and For the Three Months Ended March 31,		As of and For the Year Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
Total Investment Income	\$ 275	\$ 248	\$ 1,012	\$ 1,025	\$ 989	\$ 882	\$ 748
Total Expenses	179	130	497	499	533	437	388
Net Investment Income Before Income Taxes	96	118	515	526	456	445	360
Income Tax Expense, Including Excise Tax	2	5	21	18	18	14	11
Net Investment Income	94	113	494	508	438	431	349
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	24	19	(20)	(129)	153	58	159
Net Increase in Stockholders' Equity Resulting from Operations	\$ 118	\$ 132	\$ 474	\$ 379	\$ 591	\$ 489	\$ 508

## Per Share Data:

## Net Increase in Stockholder's Equity Resulting from Operations:

Basic	\$ 0.28	\$ 0.42	\$ 1.51	\$ 1.20	\$ 1.94	\$ 1.83	\$ 2.21
Diluted	\$ 0.28	\$ 0.42	\$ 1.51	\$ 1.20	\$ 1.94	\$ 1.83	\$ 2.21
Cash Dividends Declared and Payable(1)	\$ 0.38	\$ 0.38	\$ 1.52	\$ 1.57	\$ 1.57	\$ 1.57	\$ 1.60
Net Asset Value	\$ 16.50	\$ 16.50	\$ 16.45	\$ 16.46	\$ 16.82	\$ 16.46	\$ 16.04
Total Assets(2)	\$ 11,990	\$ 9,366	\$ 9,245	\$ 9,507	\$ 9,454	\$ 8,094	\$ 6,361
Total Debt (Carrying Value)(2)	\$ 4,585	\$ 3,985	\$ 3,874	\$ 4,114	\$ 3,881	\$ 2,939	\$ 2,155
Total Debt (Principal Amount)	\$ 4,683	\$ 4,063	\$ 3,951	\$ 4,197	\$ 3,999	\$ 3,079	\$ 2,294
Total Stockholders' Equity	\$ 7,035	\$ 5,180	\$ 5,165	\$ 5,173	\$ 5,284	\$ 4,904	\$ 3,988

## Other Data:

Number of Portfolio Companies at Period End(3)	316	220	218	218	205	193	152
Principal Amount of Investments Purchased(4)	\$ 914	\$ 498	\$ 3,490	\$ 3,905	\$ 4,534	\$ 3,493	\$ 3,162
Principal Amount of Investments Acquired as part of the American Capital Acquisition	\$ 2,543						
Principal Amount of Investments Sold and Repayments	\$ 909	\$ 483	\$ 3,655	\$ 3,651	\$ 3,213	\$ 1,801	\$ 2,483
Total Return Based on Market Value(5)	7.7%	6.8%	26.4%	1.3%	(3.3)%	10.5%	23.6%
Total Return Based on Net Asset Value(6)	3.5%	2.5%	9.2%	7.2%	11.8%	11.4%	14.3%
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(7):	9.4%	10.3%	9.4%	10.3%	10.1%	10.4%	11.3%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(7) :	9.3%	10.1%	9.3%	10.1%	10.1%	10.4%	11.4%
Weighted Average Yield of Total Investments at Fair Value(8):	8.2%	9.3%	8.5%	9.2%	9.1%	9.3%	10.0%
Weighted Average Yield of Total Investments at Amortized Cost(8):	8.1%	9.2%	8.3%	9.1%	9.3%	9.4%	10.1%

(1)

Includes an additional dividend of \$0.05 per share paid in the three months ended March 31, 2015, an additional dividend of \$0.05 per share paid in the year ended December 31, 2015, an additional dividend of \$0.05 per share paid in the year ended December 31, 2014, an additional dividend of \$0.05 per share paid in the year ended December 31, 2013 and additional dividends of \$0.10 per share in the aggregate paid in the year ended December 31, 2012.

(2)

Certain prior year amounts have been reclassified to conform to the 2016 presentation. In particular, unamortized debt issuance costs were previously included in other assets and were reclassified to long-term debt as a result of the adoption of Accounting Standards Update ("ASU") 2015-03, Interest Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs during the first quarter of 2016.

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- (3) Includes commitments to portfolio companies for which funding had yet to occur.
- (4) Excludes investments acquired as part of the American Capital Acquisition.
- (5) For the three months ended March 31, 2017, the total return based on market value equaled the increase of the ending market value at March 31, 2017 of \$17.38 per share from the ending market value at December 31, 2016 of \$16.49 per share plus the declared and payable dividends of \$0.38 per share for the three months ended March 31, 2017, divided by

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the market value at December 31, 2016. For the three months ended March 31, 2016, the total return based on market value equaled the increase of the ending market value at March 31, 2016 of \$14.84 per share from the ending market value at December 31, 2015 of \$14.25 per share plus the declared and payable dividends of \$0.38 per share for the three months ended March 31, 2016, divided by the market value at December 31, 2015. For the year ended December 31, 2016, the total return based on market value equaled the increase of the ending market value at December 31, 2016 of \$16.49 per share from the ending market value at December 31, 2015 of \$14.25 per share plus the declared and payable dividends of \$1.52 per share for the year ended December 31, 2016, divided by the market value at December 31, 2015. For the year ended December 31, 2015, the total return based on market value equaled the decrease of the ending market value at December 31, 2015 of \$14.25 per share from the ending market value at December 31, 2014 of \$15.61 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2015, divided by the market value at December 31, 2014. For the year ended December 31, 2014, the total return based on market value equaled the decrease of the ending market value at December 31, 2014 of \$15.61 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2014, divided by the market value at December 31, 2013. For the year ended December 31, 2013, the total return based on market value equaled the increase of the ending market value at December 31, 2013 of \$17.77 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2013, divided by the market value at December 31, 2012. For the year ended December 31, 2012, the total return based on market value equaled the increase of the ending market value at December 31, 2012 of \$17.50 per share from the ending market value at December 31, 2011 of \$15.45 per share plus the declared and payable dividends of \$1.60 per share for the year ended December 31, 2012, divided by the market value at December 31, 2011. Our shares fluctuate in value. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(6)

For the three months ended March 31, 2017, 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 \$0.38 per share for the three months ended March 31, 2017, divided by the beginning net asset value for the period. For the three months ended March 31, 2016, 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 \$0.38 per share for the three months ended March 31, 2016, divided by the beginning net asset value for the period. For the year ended December 31, 2016, 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 \$1.52 per share for the year ended December 31, 2016, divided by the beginning net asset value for the period. For the year ended December 31, 2015, 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 \$1.57 per share for the year ended December 31, 2015, divided by the beginning net asset value for the period. For the year ended December 31, 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 \$1.57 per share for the year ended December 31, 2014, divided by the beginning net asset value for the period. For the year ended December 31, 2013, 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 \$1.57 per share for the year ended December 31, 2013, divided by the beginning net asset value for the period. For the year ended December 31, 2012, 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 \$1.60 per share for the year ended December 31, 2012 divided by the beginning net asset value for 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 and the equity components of any convertible notes issued during the period. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(7)

"Weighted average yield of debt and other income producing securities" is computed as (a) the 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) the total accruing debt and other income producing securities at amortized cost or at fair value, as applicable. The weighted average yield of debt and other income producing securities that were acquired as part of the American Capital Acquisition and held as of March 31, 2017 was 10.0% and 10.0% at amortized cost and fair value, respectively.

(8)

"Weighted average yield on total investments" is computed as (a) the 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) the total investments at amortized cost or at fair value, as applicable. The weighted average yield on total investments that were acquired as part of the American Capital Acquisition and held as of March 31, 2017 was 7.9% and 7.8% at amortized cost and fair value, respectively.



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

	2017	
		Q1
Total investment income	\$	275
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees	\$	142
Income based fees and capital gains incentive fees	\$	48
Net investment income before net realized and unrealized gains	\$	94
Net realized and unrealized gains	\$	24
Net increase in stockholders' equity resulting from operations		118
Basic and diluted earnings per common share		0.28
Net asset value per share as of the end of the quarter	\$	16.50

	2016			
	Q4	Q3	Q2	Q1
Total investment income	\$ 261	\$ 258	\$ 245	\$ 248
Net investment income before net realized and unrealized gains (losses) and income based fees and capital gains incentive fees	\$ 158	\$ 164	\$ 144	\$ 146
Income based fees and capital gains incentive fees	\$ 19	\$ 27	\$ 39	\$ 33
Net investment income before net realized and unrealized gains (losses)	\$ 139	\$ 137	\$ 105	\$ 113
Net realized and unrealized gains (losses)	\$ (64)	\$ (27)	\$ 52	\$ 19
Net increase in stockholders' equity resulting from operations	\$ 75	\$ 110	\$ 157	\$ 132
Basic and diluted earnings per common share	\$ 0.24	\$ 0.35	\$ 0.50	\$ 0.42
Net asset value per share as of the end of the quarter	\$ 16.45	\$ 16.59	\$ 16.62	\$ 16.50

	2015			
	Q4	Q3	Q2	Q1
Total investment income	\$ 262	\$ 261	\$ 249	\$ 253
Net investment income before net realized and unrealized gains (losses) and income based fees and capital gains incentive fees	\$ 151	\$ 159	\$ 146	\$ 147
Income based fees and capital gains incentive fees	\$ 4	\$ 29	\$ 37	\$ 25
Net investment income before net realized and unrealized gains (losses)	\$ 147	\$ 130	\$ 109	\$ 122
Net realized and unrealized gains (losses)	\$ (132)	\$ (14)	\$ 38	\$ (21)
Net increase in stockholders' equity resulting from operations	\$ 15	\$ 116	\$ 147	\$ 101
Basic and diluted earnings per common share	\$ 0.05	\$ 0.37	\$ 0.47	\$ 0.32
Net asset value per share as of the end of the quarter	\$ 16.46	\$ 16.79	\$ 16.80	\$ 16.71

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**RISK FACTORS**

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

**RISKS RELATING TO OUR BUSINESS**

**The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business and operations.**

From time to time, capital markets may experience periods of disruption and instability. For example, between 2008 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While market conditions have largely recovered from the events of 2008 and 2009, there have been continuing periods of volatility, some lasting longer than others. For example, the referendum by British voters to exit the European Union ("E.U.") ("Brexit") in June 2016 has led to further disruption and instability in the global markets. There can be no assurance these market conditions will not repeat themselves or worsen in the future.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. We generally seek approval from our stockholders so that we have the flexibility to issue up to 25% of our then outstanding shares of our common stock at a price below net asset value. Pursuant to approval granted at a special meeting of stockholders held on May 22, 2017, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires on May 22, 2018.

Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The reappearance of market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience. If we are unable to raise or refinance debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies.

Significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable

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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). Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

**Uncertainty about the financial stability of the United States, China and several countries in Europe could have a significant adverse effect on our business, financial condition and results of operations.**

Due to federal budget deficit concerns, Standard & Poor's Financial Services LLC ("S&P") downgraded the federal government's credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody's Investor Services, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") had warned that they may downgrade the federal government's credit rating. Further downgrades or warnings by S&P or other rating agencies, and the United States government's credit and deficit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased U.S. government credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock.

Deterioration in the economic conditions in the Eurozone and globally, including instability in financial markets, may pose a risk to our business. In recent years, financial markets have been affected at times by a number of global macroeconomic and political events, including the following: large sovereign debts and fiscal deficits of several countries in Europe and in emerging markets jurisdictions, levels of non-performing loans on the balance sheets of European banks, the potential effect of any European country leaving the Eurozone, the potential effect of the United Kingdom leaving the European Union, the potential effect of Scotland leaving the United Kingdom, and market volatility and loss of investor confidence driven by political events, including the general elections in the United Kingdom in June 2017 and in Germany in September 2017 and referenda in the United Kingdom in June 2016 and Italy in December 2016. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China's currency. Since then, the Chinese capital markets have continued to experience periods of instability. These market and economic disruptions have affected, and may in the future affect, the U.S. capital markets, which could adversely affect our business, financial condition or results of operations.

The Federal Reserve raised the Federal Funds Rate in December 2015, in December 2016 and again in March 2017, and has announced its intention to continue to raise the federal funds rate over time. These developments, along with the United States government's credit and deficit concerns, the

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European sovereign debt crisis and the economic slowdown in China, could cause interest rates to be volatile, which may negatively impact our ability to access the debt markets on favorable terms.

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

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

**We are dependent upon certain key personnel of Ares for our future success and upon their access to other Ares investment professionals.**

We depend on the diligence, skill and network of business contacts of certain key personnel of the Ares Credit Group. We also depend, to a significant extent, on access to the investment professionals of other groups within Ares and the information and deal flow generated by Ares' investment professionals in the course of their investment and portfolio management activities. Our future success depends on the continued service of certain key personnel of the Ares Credit Group. The departure of any of these individuals, or of a significant number of the investment professionals or partners of Ares, could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that Ares Capital Management will remain our investment adviser or that we will continue to have access to Ares' investment professionals or its information and deal flow. Further, there can be no assurance that Ares Capital will replicate its own or Ares' historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by other Ares-managed funds.

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

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

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

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

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

On January 3, 2017, we completed the American Capital Acquisition. The realization of certain benefits anticipated as a result of the American Capital Acquisition will depend in part on the integration of American Capital's investment portfolio with our investment portfolio and the integration of American Capital's business with our business. There can be no assurance that American Capital's investment portfolio or business can be operated profitably or integrated successfully into our business in a timely fashion or at all. The dedication of management resources to such integration may detract attention from our day-to-day business and there can be no assurance that there will not be substantial costs associated with the transition process or that there will not be other material adverse effects as a result of these integration efforts. Such effects, including but not limited to, incurring unexpected costs or delays in connection with such integration and failure of American Capital's investment portfolio to perform as expected, could have a material adverse effect on our financial results.

We also expect to achieve certain cost savings and synergies from the American Capital Acquisition when the two companies have fully integrated their portfolios. It is possible that our estimates of the potential cost savings and synergies could turn out to be incorrect. If the estimates turn out to be incorrect or we are not able to successfully combine the investment portfolios and businesses of the two companies, the anticipated cost savings and synergies may not be fully realized or realized at all or may take longer to realize than expected.

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

We will need to periodically access the capital markets to raise cash to fund new investments in excess of our repayments, and we may also need to access the capital markets to refinance existing debt obligations to the extent such maturing obligations are not repaid with availability under our revolving credit facilities or cash flows from operations. We have elected to be treated as a RIC and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. Among other things, in order to maintain our RIC status, we must distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income, and, as a result, such distributions will not be available to fund investment originations or repay maturing debt. We must continue to borrow from financial institutions and issue additional securities to fund our growth. Unfavorable economic or capital market conditions may increase our funding costs, 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 may limit our ability to refinance our existing debt obligations as they come due and/or to fully execute our business strategy and could limit our ability to grow or cause us to have to shrink the size of our business, which could decrease our earnings, if any.

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

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

We may issue senior securities or borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of our assets declines, we may be unable to satisfy this test, which may prohibit us from paying dividends and could prevent us from maintaining our status as a RIC or may prohibit us from repurchasing shares of our common stock. In addition, our inability to satisfy this test could cause an event of default under our existing indebtedness. If we cannot satisfy this test, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. Accordingly, any failure to satisfy this test could have a material adverse effect on our business, financial condition or results of operations. As of March 31, 2017, our asset coverage calculated in accordance with the Investment Company Act was 249%. Also, to generate cash for funding new investments, we may in the future seek to issue additional debt or to securitize certain of our loans. The Investment Company Act may impose restrictions on the structure of any such securitization.

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

Pursuant to approval granted at a special meeting of stockholders held on May 22, 2017, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires on May 22, 2018.

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

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

Conversely, if the value of our consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not incurred leverage. Similarly, any increase in our consolidated income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would had we not incurred leverage, while any

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decrease in our consolidated income would cause net income to decline more sharply than it would have had we not incurred leverage. Such a decline could negatively affect our ability to make common stock dividend payments. There can be no assurance that a leveraging strategy will be successful.

As of March 31, 2017, we had approximately \$1.3 billion of outstanding borrowings under the Facilities, approximately \$25 million in aggregate principal amount outstanding of the SBA Debentures, approximately \$958 million in aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below) and approximately \$2.4 billion in aggregate principal amount outstanding of the Unsecured Notes. In order for us to cover our annual interest payments on our outstanding indebtedness at March 31, 2017, we must achieve annual returns on our March 31, 2017 total assets of at least 1.6%. The weighted average stated interest rate charged on our principal amount of outstanding indebtedness as of March 31, 2017 was 4.0%. We intend to continue borrowing under the Facilities in the future and we may increase the size of the Facilities or issue additional debt securities or other evidences of indebtedness (although there can be no assurance that we will be successful in doing so). For more information on our indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources" and "Recent Developments." Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.

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

The following table illustrates the effect on return to a holder of our common stock of the leverage created by our use of borrowing at the weighted average stated interest rate of 4.0% as of March 31, 2017, together with (a) our total value of net assets as of March 31, 2017; (b) approximately \$4.7 billion in aggregate principal amount of indebtedness outstanding as of March 31, 2017 and (c) hypothetical annual returns on our portfolio of minus 15% to plus 15%.

Assumed Return on Portfolio (Net of Expenses)(1)	15%	10%	5%	%	5%	10%	15%
Corresponding Return to Common Stockholders(2)	28.19%	19.69%	11.19%	2.68%	5.82%	14.33%	22.83%

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of March 31, 2017. As a result, it has not been updated to take into account any changes in assets or leverage since March 31, 2017.

(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, 2017 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 4.0% by the approximately \$4.7 billion of principal debt outstanding) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of March 31, 2017 to determine the "Corresponding Return to Common Stockholders."

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

The agreements governing the Facilities, the Convertible Unsecured Notes, the Unsecured Notes and the SBA Debentures require us to comply with certain financial and operational covenants. These covenants may include, among other things:

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

restrictions on our ability to incur liens; and

maintenance of a minimum level of stockholders' equity.

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

Accordingly, although we believe we will continue to be in compliance, there are no assurances that we will continue to comply with the covenants in the Facilities, the Convertible Unsecured Notes, the Unsecured Notes and the SBA Debentures. Failure to comply with these covenants could result in a default under the Facilities, the Convertible Unsecured Notes, the Unsecured Notes or the SBA Debentures that, if we were unable to obtain a waiver from the lenders or holders of such indebtedness, as applicable, such lenders or holders could accelerate repayment under such indebtedness and thereby have a material adverse impact on our business, financial condition and results of operations.

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

A number of entities compete with us to make the types of investments that we make in middle-market companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC and that the Code 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.



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

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

**We may be subject to additional corporate-level income taxes if we fail to maintain our status as a RIC.**

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

To maintain our RIC status, we must timely distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code, which generally includes net ordinary income and net short term capital gains) to our stockholders (the "Annual Distribution Requirement"). We have the ability to pay a large portion of our dividends in shares of our stock, and as long as a portion of such dividend is paid in cash and other requirements are met, such stock dividends will be taxable as a dividend for U.S. federal income tax purposes. This may result in our U.S. stockholders having to pay tax on such dividends, even if no cash is received, and may result in our non-U.S. stockholders being subject to withholding tax in respect of amounts distributed in our stock. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under our indebtedness that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to maintain our status as a RIC and, thus, may be subject to corporate-level income tax on all of our income and/or gains.

To maintain our status as a RIC, in addition to the Annual Distribution Requirement, we must also meet certain annual source of income requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our having to (a) dispose of certain investments quickly or (b) raise additional capital to prevent the loss of RIC status. Because most of our investments are in private companies and are generally illiquid, any such dispositions may be at disadvantageous prices and may result in losses. Also, the rules applicable to our qualification as a RIC are complex with many areas of uncertainty. Accordingly, no assurance can be given that we have qualified or will continue to qualify as a RIC. If we fail to maintain our status as a RIC for any reason and become subject to regular "C" corporation income tax, the resulting corporate-level income taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and on any investment in us. Certain provisions of the Code provide some relief from RIC disqualification due to failures of the source of income and asset diversification requirements, although there may be additional taxes due in such cases. We cannot

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assure you that we would qualify for any such relief should we fail the source of income or asset diversification requirements.

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

For U.S. federal income tax purposes, we generally are required to include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise, for example, if we receive warrants in connection with the making of a loan or payment in kind ("PIK") interest representing contractual interest added to the loan principal balance and due at the end of the loan term. Such original issue discount or PIK interest is included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash, including, for example, amounts attributable to hedging and foreign currency transactions.

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

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

General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our investment objective and rate of return on invested capital. Because we borrow money and may issue debt securities or preferred stock to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities or preferred stock and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. In the past, we have entered into certain hedging transactions, such as interest rate swap agreements, to mitigate our exposure to adverse fluctuations in interest rates, and we may do so again in the future. In addition, we may increase our floating rate investments to position the portfolio for rate increases. However, we cannot assure you that such transactions will be successful in mitigating our exposure to interest rate risk. Hedging transactions may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to 10 years. This means that we are subject to greater risk (other things being equal) than a fund invested solely in shorter-term securities. A decline in the prices of the debt we own could adversely affect the trading price of our common stock. Also, an increase in interest rates available to investors could make an investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

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**Most of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable.**

A large percentage of our portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as determined in good faith by our board of directors based on, among other things, the input of our management and audit committee and independent valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions). The valuation process is conducted at the end of each fiscal quarter, with a portion (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, we may use these independent valuation firms to review the value of our investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. In addition, our independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, our investment valuation process within the context of performing the integrated audit.

The types of factors that may be considered in valuing our investments include the enterprise value of the portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate our valuation. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that we may ultimately realize. Our net asset value per share could be adversely affected if our determinations regarding the fair value of these investments are higher than the values that we realize upon disposition of such investments.

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

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

**We may experience fluctuations in our quarterly results.**

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rates payable on the debt investments we make, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general

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economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

**Our financial condition and results of operations could be negatively affected if a significant investment fails to perform as expected.**

Our investment portfolio includes investments that may be significant individually or in the aggregate. If a significant investment in one or more companies fails to perform as expected, such a failure could have a material adverse effect on our financial condition and results of operations, and the magnitude of such effect could be more significant than if we had further diversified our portfolio.

Our investment portfolio includes our investment in the SSLP, which as of March 31, 2017, represented approximately 16.8% of our total portfolio at fair value. In addition, for the three months ended March 31, 2017, approximately 13.1% of our total investment income was earned from our investment in the SSLP. The income earned from the SSLP is derived from the interest and fee income earned by the SSLP from its investments in first lien senior secured loans of middle market companies. We provide capital to the SSLP in the form of SSLP Certificates, which had a 6.6% yield at fair value as of March 31, 2017 and are junior in right of payment to the senior notes held by GE in the SSLP. For more information on the SSLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Secured Loan Program." Our return on and repayment of our investment in the SSLP Certificates depends on the performance of the loans in the SSLP's portfolio in the aggregate. Accordingly, any material degradation in the performance of the loans in the SSLP's portfolio in the aggregate would have a negative effect on the yield on our SSLP Certificates and could ultimately result in the loss of some or all of our investment in the SSLP Certificates.

As discussed in this prospectus, GE sold its U.S. Sponsor Finance business, through which GE had participated with us in the SSLP, to CPPIB. Prior to closing the sale to CPPIB, GE had announced its intention to provide us and CPPIB the opportunity to work together on the SSLP on a go-forward basis. GECC has also stated that if a mutual agreement between us and CPPIB to partner on the SSLP is not reached, it intends to retain its interest in the SSLP and the SSLP would be wound down in an orderly manner. We notified the SSLP on June 9, 2015 of our election to terminate, effective 90 days thereafter, our obligation to present senior secured lending investment opportunities to the SSLP prior to pursuing such opportunities for ourselves. We do not anticipate that we will make any investments in the SSLP related to new portfolio companies. On August 24, 2015, we were advised that GECC, as the holder of the Senior Notes, directed State Street Bank and Trust Company, as trustee of the Senior Notes and the SSLP Certificates, pursuant to the terms of the indenture governing the Senior Notes and the SSLP Certificates, to apply all principal proceeds received by the SSLP from its investments to the repayment of the outstanding principal amount of the Senior Notes until paid in full (prior to the distribution of any such principal proceeds to the holders of the SSLP Certificates, which includes us). GECC had previously elected to waive its right to receive priority repayments on the Senior Notes from principal proceeds in most circumstances. As a result of these events, we expect that the aggregate SSLP portfolio will continue to decline over time as loans in the program are repaid or exited, and as a result the yield on our investment in the SSLP will decline over time and the portion of our earnings attributable to our investment in the SSLP will decline over time as well.

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

Certain of our executive officers and directors, and members of the investment committee of our investment adviser, serve or may serve as officers, directors or principals of other entities and affiliates of our investment adviser and investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders' best interests or may require them to devote time to services for other entities, which

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could interfere with the time available to provide services to us. Certain members of our investment adviser's investment committee may have significant responsibilities for other Ares funds. Similarly, although the professional staff of our investment adviser will devote as much time to the management of us as appropriate to enable our investment adviser to perform its duties in accordance with the investment advisory and management agreement, the investment professionals of our investment adviser may have conflicts in allocating their time and services among us, on the one hand, and investment vehicles managed by Ares or one or more of its affiliates, on the other hand. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of our investment adviser and its officers and employees will not be devoted exclusively to our business but will instead be allocated between our business and the management of these other investment vehicles. However, Ares believes that the efforts of such individuals are synergistic with and beneficial to the affairs of Ares Capital and these other investment vehicles managed by Ares or its affiliates.

In addition, certain Ares funds may have investment objectives that compete or overlap with, and may from time to time invest in asset classes similar to those targeted by, Ares Capital. Consequently, we, on the one hand, and these other entities, on the other hand, may from time to time pursue the same or similar capital and investment opportunities. Ares and our investment adviser endeavor to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to Ares Capital. Nevertheless, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares. In addition, there may be conflicts in the allocation of investments among us and the funds managed by investment managers affiliated with Ares or one or more of our controlled affiliates or among the funds they manage, including investments made pursuant to the Order. Further, such other Ares-managed funds may hold positions in portfolio companies in which Ares Capital has also invested. Such investments may raise potential conflicts of interest between Ares Capital and such other Ares-managed funds, particularly if Ares Capital and such other Ares-managed funds invest in different classes or types of securities or investments of the same underlying portfolio company. In that regard, actions may be taken by such other Ares-managed funds that are adverse to Ares Capital's interests, including, but not limited to, during a restructuring, bankruptcy or other insolvency proceeding or similar matter occurring at the underlying portfolio company.

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

We pay a base management fee, an income based fee and a capital gains incentive fee to our investment adviser, and reimburse our investment adviser for certain expenses it incurs. In addition, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve if distributions were made on a gross basis.

Our investment adviser's base management fee is based on a percentage of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and, consequently, our investment adviser may have conflicts of interest in connection with decisions that

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could affect our total assets, such as decisions as to whether to incur indebtedness or to make future investments.

The income based fees payable by us to our investment adviser that relate to our pre-incentive fee net investment income is computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of such fee will become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the income based fees it received that were based on accrued interest that we never actually receive.

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

We are party to an administration agreement with our administrator, Ares Operations, a subsidiary of Ares Management, pursuant to which our administrator furnishes us with administrative services and we pay our administrator at cost our allocable portion of overhead and other expenses (including travel expenses) incurred by our administrator in performing its obligations under our administration agreement, including our allocable portion of the cost of certain of our officers (including our chief compliance officer, chief financial officer, chief accounting officer, general counsel, treasurer and assistant treasurer) and their respective staffs, but not investment professionals.

Our portfolio company, IHAM, is party to an administration agreement, referred to herein as the "IHAM administration agreement," with Ares Operations. Pursuant to the IHAM administration agreement, our administrator provides IHAM with administrative services and IHAM reimburses our administrator for all of the actual costs associated with such services, including its allocable portion of our administrator's overhead and the cost of our administrator's officers and respective staff in performing its obligations under the IHAM administration agreement. Prior to entering into the IHAM administration agreement, IHAM was party to a services agreement with our investment adviser, pursuant to which our investment adviser provided similar services.

As a result of the arrangements described above, there may be times when the management team of Ares (including those members of management focused primarily on managing Ares Capital) has interests that differ from those of yours, giving rise to a conflict.

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

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**We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect our liquidity, financial condition or results of operations.**

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

sudden electrical or telecommunications outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber-attacks.

These events, in turn, could have a material adverse effect on our business, financial condition and operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

**Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.**

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by Ares Management and third-party service providers. Ares Management has implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that a cyber-incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

**Ineffective internal controls could impact our business and operating results.**

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations.

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

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

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have had extended implementation periods and delayed effective dates and have required extensive rulemaking by regulatory authorities. While many of the rules required to be written have been promulgated, some have not yet been implemented. Although the full impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including the rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact our operating results or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

Reform proposals have been recently put forth by members of Congress and President Trump which, if ultimately proposed as legislation and enacted as law, would substantially change the U.S. federal taxation of (among other things) individuals and businesses. In 2016, the Speaker of the House of Representatives and the Chairman of the House Ways and Means Committee published "A Better Way." Separately, on April 26, 2017, the President released a one-page document on tax reform. Each of these proposals set forth a variety of principles to guide potential tax reform legislation. As of the date of this prospectus, no legislation in respect of either of these proposals has been introduced in the Congress. However, the principles set forth in both "A Better Way" and the President's one-page proposal, if ultimately reduced to legislation enacted by the Congress and signed into law by the President in a form that is consistent with those principles, could dramatically change the U.S. federal taxation of us, our portfolio companies, and a holder of our securities. Under both "A Better Way" and President Trump's proposal, individual and corporate tax rates may be meaningfully reduced. Under "A Better Way," the U.S. federal tax system would be converted into a "destination-based cash-flow" tax system under which net interest expense would not be deductible, investment in tangible property



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(other than land) and intangible assets would be immediately deductible, export revenue would not be taxable, and the cost of imports would not be deductible. While it is impossible to predict whether and to what extent any tax reform legislation (or other legislative, regulatory or administrative change to the U.S. federal tax laws) will be proposed or enacted, any such change in the U.S. federal tax laws could materially impact us, our portfolio companies and the value of any investment in our securities. Prospective investors should consult their tax advisors regarding possible legislative and regulatory changes and the potential effect of such changes on an investment in us or our securities.

On February 3, 2017, President Trump signed Executive Order 13772 announcing the new Administration's policy to regulate the U.S. financial system in a manner consistent with certain "Core Principles," including regulation that is efficient, effective and appropriately tailored. The Executive Order directed the Secretary of the Treasury, in consultation with the heads of the member agencies of the Financial Stability Oversight Council, to report to the President on the extent to which existing laws, regulations and other government policies promote the Core Principles and to identify government policies that inhibit financial regulation consistent with them. On June 12, 2017, the U.S. Department of the Treasury published the first of four reports in response to the Executive Order on the depository system covering banks and other savings institutions. Subsequent reports are expected to address: capital markets; the asset management and insurance industries, and retail and institutional investment products and vehicles; and non-bank financial institutions, financial technology, and financial innovation. The report included recommendations to reduce fragmentation, overlap, and duplication in the U.S. regulatory structure; to decrease the burden of statutory stress testing and ease liquidity and leverage standards for domestic banks; to restructure the Consumer Financial Protection Bureau; to reduce compliance burdens under the Volcker Rule; to reconsider the implications of implementing the revised standards for credit risk under Basel III; and to require uniform, consistent and rigorous methods to analyze costs and benefits, increase transparency and make available for public comment cost-benefit analyses for all "economically significant" proposed regulations.

On June 8, 2017, the U.S. House of Representatives passed the Financial Choice Act, which includes legislation intended to repeal or replace substantial portions of the Dodd-Frank Act. Among other things, the proposed law would repeal the Volcker Rule limiting certain proprietary investment and trading activities by banks, eliminate the authority of regulators to designate asset managers and other large non-bank institutions as "systemically important financial institutions," and repeal the Department of Labor (DOL) "fiduciary rule" governing standards for dealing with retirement plans until the SEC issues standards for similar dealings by broker-dealers and limiting the substance of any subsequent DOL rule to the SEC standards. The bill must be approved by the Senate, where we believe it is unlikely to pass in its current form. At this time it is unclear what impact the Administration's policies in response to the Executive Order, the Financial Choice Act or other pending legislation and developments will have on regulations that affect our and our competitors' and our portfolio companies' businesses.

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

Our investment adviser has not assumed any responsibility to us other than to render the services described in the investment advisory and management agreement, and it will not be responsible for any action of our board of directors in declining to follow our investment adviser's advice or recommendations. Pursuant to the investment advisory and management agreement, our investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other persons or entities affiliated with it will not be liable to us for their acts under the investment advisory and management agreement, absent willful misfeasance, bad

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faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect our investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other persons or entities affiliated with it with respect to all damages, liabilities, costs and expenses arising out of or otherwise based upon the performance of any of our investment adviser's duties or obligations under the investment advisory and management agreement or otherwise as an investment adviser for us, and not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead our investment adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account. See "Risk Factors Risks Relating to Our Investments Our investment adviser's fee structure may induce it to make certain investments on our behalf, including speculative investments."

**We may be obligated to pay our investment adviser certain fees even if we incur a loss.**

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

Under the investment advisory and management agreement, we will defer cash payment of any income based fee and the capital gains incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter periods ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains incentive fees accrued during the period) is less than 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any such deferred fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

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

**Our SBIC subsidiary is subject to SBA regulations.**

Our wholly owned subsidiary, Ares Venture Finance, L.P. ("AVF LP"), is a licensed Small Business Investment Company ("SBIC") and is regulated by the Small Business Administration ("SBA"). As of March 31, 2017, AVF LP held approximately \$57 million in assets and accounted for approximately 0.5% of our total assets. AVF LP obtains leverage by issuing the SBA Debentures. As of March 31, 2017, AVF LP had approximately \$25 million in aggregate principal amount of the SBA Debentures outstanding.

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If AVF LP fails to comply with applicable regulations, the SBA could, depending on the severity of the violation, limit or prohibit AVF LP's use of SBA Debentures, declare outstanding SBA Debentures immediately due and payable, and/or limit AVF LP from making new investments. In addition, the SBA could revoke or suspend AVF LP's license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958, as amended (the "Small Business Investment Act") or any rule or regulation promulgated thereunder. AVF LP's status as an SBIC does not automatically assure that it will receive SBA Debenture funding. Receipt of SBA leverage funding is dependent upon whether AVF LP is and continues to be in compliance with SBA regulations and policies and whether funding is available. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by AVF LP. For more information on SBA Debentures or the SBA regulations to which AVF LP is subject, see "Regulation SBA Regulation."

We have elected to be treated as a RIC and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. Among other things, in order to maintain our RIC status, we must distribute to our stockholders on a timely basis generally an amount equal to at least 90% of our investment company taxable income, which includes taxable income from AVF LP. AVF LP may be limited by SBA regulations from making certain distributions to us that may be necessary to timely make distributions to stockholders and to maintain our status as a RIC. Compliance with the SBA regulations may cause us to fail to qualify as a RIC and consequently result in the imposition of additional corporate-level income taxes on us. Noncompliance with the SBA regulations may result in adverse consequences for AVF LP as described above.

**RISKS RELATING TO OUR INVESTMENTS**

**Declines in market prices and liquidity in the corporate debt markets can result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value.**

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. We may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect our investment valuations. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value (and, as a result our asset coverage calculation) by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer unrealized losses, which could have a material adverse effect on our business, financial condition or results of operations.

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

Many of our portfolio companies may be susceptible to economic downturns or recessions and may be unable to repay our loans during these periods. Therefore, during these periods our non-performing assets may increase and the value of our portfolio may decrease if we are required to write down the values of our investments. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results. We experienced to some extent such effects as a result of the economic downturn that occurred from 2008 through 2009 and may experience such effects again in any future downturn or recession.

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

**Investments in privately held middle-market companies involve significant risks.**

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

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

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

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

there is generally little public information about these companies. These companies and their financial information are not subject to the Exchange Act (as defined below) and other regulations that govern public companies, and we may be unable to uncover all material information about these companies, which may prevent us from making a fully informed investment decision and cause us to lose money on our investments;

they generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

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

changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects; and

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

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

The debt that we invest in is typically not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB " by Fitch Ratings or lower than "BBB " by Standard & Poor's Ratings Services), which under the guidelines established by these entities is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." Therefore, our investments may result in an above average amount of risk and volatility or loss of principal. While the debt we invest in is often secured, such security does not guarantee that we will receive principal and interest payments according to the terms of the loan, or that the value of any collateral will be sufficient to allow us to recover all or a portion of the outstanding amount of the loan should we be forced to enforce our remedies.

We also may invest in assets other than first and second lien and mezzanine debt investments, including high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments. These investments entail additional risks that could adversely affect our investment returns.

**Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk.**

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

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

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

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

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

preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own

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a preferred security that is deferring its distributions, we may be required to report income for tax purposes before we receive such distributions;

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

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

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

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

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 the base management fee, income based fee and capital gains incentive fee to our investment adviser with respect to the assets invested in the securities and instruments of such companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the base management fee, income based fee and capital gains incentive fee due to our investment adviser as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers.

Also, as a result of the American Capital Acquisition, American Capital's equity investments, including equity investments pursuant to which American Capital controlled a particular portfolio company, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into yielding assets consistent with our investment policy. However, there can be no assurance that this strategy will be successful.

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

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

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

Our portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These

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

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

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

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

**Our portfolio companies may be highly leveraged.**

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

**Our investment adviser's fee structure may induce it to make certain investments on our behalf, including speculative investments.**

The fees payable by us to our investment adviser may create an incentive for our investment adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which income based fees payable to our investment adviser are determined, which are calculated as a percentage of the return on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock and the holders of securities convertible into our common stock. In addition, our investment adviser will receive the capital gains incentive fee based, in part, upon net capital gains realized on our investments. Unlike income based fees, there is no hurdle rate applicable to the capital gains incentive fee. As a result, our investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

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The income based fees will be computed and paid on income that has been accrued but not yet received in cash, including as a result of investments with a deferred interest feature such as debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the income based fee will become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the fees it received that were based on such accrued interest that we never actually received.

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

**Our investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments.**

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

Although most of our investments will be U.S. dollar denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that such strategies will be effective or without risk to us.

**We may expose ourselves to risks if we engage in hedging transactions.**

We have and may in the future enter into hedging transactions, which may expose us to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may include counter-party credit risk.

Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.



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

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

**The American Capital Acquisition may have triggered certain anti-assignment, "change of control" or similar provisions and other restrictions in contracts of American Capital or its affiliates and the failure to obtain any required consents or waivers could adversely impact us.**

Certain agreements of American Capital or its affiliates, including with respect to certain managed funds of American Capital Asset Management, LLC ("ACAM") and its affiliates, may have required the consent or waiver of one or more counterparties in connection with the American Capital Acquisition. The failure to obtain any such consent may permit such counterparties to terminate, or otherwise increase their rights or our or American Capital's obligations under, any such agreement because the American Capital Acquisition may have violated an anti-assignment, change of control or similar provision. If this happens, we may have to seek to replace that agreement with a new agreement or seek a waiver or amendment to such agreement. We cannot assure you that we will be able to replace, amend or obtain a waiver under any such agreement on comparable terms or at all and the failure to do so could adversely affect our financial condition, results of operations, assets or business.

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

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

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to accurately predict whether any shares of our common stock will trade at, above, or

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below net asset value. In the recent past, the stocks of BDCs as an industry, including from time to time shares of our common stock, have traded below net asset value and during much of 2009 traded at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. See "Risk Factors Risks Relating to Our Business The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business and operations." When our common stock is trading below its net asset value per share, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining approval for such issuance from our stockholders and our independent directors. Pursuant to approval granted at a special meeting of stockholders held on May 22, 2017, we currently are permitted to sell or otherwise issue shares of our common stock at a price below net asset value, subject to certain limitations and determinations that must be made by our board of directors. Such stockholder approval expires on May 22, 2018.

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

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

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

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

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

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Ares Capital or the removal of our directors. We are subject to the Maryland Business Combination Act (the "Business Combination Act"), subject to any applicable requirements of the Investment Company Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board or disinterested directors do not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and may increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act (the "Control Share Acquisition Act") acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, subject to any applicable requirements of the Investment Company Act, the Control

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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 into three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock into one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter from time to time, without stockholder approval, to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may discourage, delay, defer, make more difficult or prevent a transaction or a change in control that might otherwise be in your best interest.

**Investing in our common stock may involve an above average degree of risk.**

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

**The market price of our common stock may fluctuate significantly.**

The capital and credit markets have experienced periods of extreme volatility and disruption over the past several years. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

significant volatility in the market price and trading volume of securities of publicly traded RICs, BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

price and volume fluctuations in the overall stock market from time to time;

the inclusion or exclusion of our common stock from certain indices;

changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to RICs or BDCs;

loss of our RIC status;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

our ability to manage our capital resources effectively, including rotating out of certain investments acquired in connection with the American Capital Acquisition and re-deploying such capital effectively and on favorable terms;

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

departure of Ares Capital Management's key personnel;

operating performance of companies comparable to us;

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

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future sales of our securities convertible into or exchangeable or exercisable for our common stock or the conversion of such securities, including the Convertible Unsecured Notes;

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

concerns regarding European sovereign debt;

concerns regarding volatility in the Chinese stock market and Chinese currency;

general economic trends and other external factors; and

loss of a major funding source.

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

**We may in the future determine to issue preferred stock, which could adversely affect the market value of our common stock.**

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock we issue must be cumulative. Payment of dividends and repayment of the liquidation preference of preferred stock must take preference over any dividends or other payments to our common stockholders, and holders of preferred stock are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference (other than convertible preferred stock that converts into common stock). In addition, under the Investment Company Act, preferred stock constitutes a "senior security" for purposes of the 200% asset coverage test.

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

At a special meeting of stockholders held on May 22, 2017, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, in an amount not exceeding 25% of our then outstanding common stock, at a price below the then current net asset value per share during a period that began on May 22, 2017 and expires on May 22, 2018.

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

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

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

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

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

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

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

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

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

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

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offerings pursuant to this prospectus may pay a price per share that exceeds the tangible book value per share after such offering.

**Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.**

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

**Our stockholders may experience dilution upon the conversion of the Convertible Unsecured Notes.**

The 2018 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on July 15, 2017 or, under certain circumstances, earlier. The 2019 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on July 15, 2018 or, under certain circumstances, earlier. The 2022 Convertible Notes (as defined below) are convertible into shares of our common stock beginning on August 1, 2021 or, under certain circumstances, earlier. Upon conversion of the Convertible Unsecured Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. As of March 31, 2017, the conversion price of the 2018 Convertible Notes was effectively \$19.64 per share, the conversion price of the 2019 Convertible Notes was effectively \$19.99 per share and the conversion price of the 2022 Convertible Notes was effectively \$19.39 per share; in each case taking into account certain de minimis adjustments that will be made on the conversion date and subject to further adjustment in certain circumstances. If we elect to deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders may incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the Convertible Unsecured Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

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

In order to satisfy the Annual Distribution Requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion could be as low as 20%) and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would be taxed on 100% of the fair market value of the shares received as part of the dividend on the date a stockholder received it in the same manner as a cash dividend, even though most of the dividend was paid in shares of our common stock.

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

Sales of substantial amounts of our common stock, or the availability of such common stock for sale (including as a result of the conversion of our Convertible Unsecured Notes into common stock), could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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

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

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

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

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

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

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

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



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**FORWARD-LOOKING STATEMENTS**

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

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

the return or impact of current and future investments;

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

the impact of fluctuations in interest rates on our business;

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

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

our ability to successfully integrate our business with the business of American Capital, including rotating out of certain investments acquired in connection therewith and re-deploying such capital effectively and on favorable terms;

our ability to recover unrealized losses;

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

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

our contractual arrangements and relationships with third parties, including parties to our co-investment programs;

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

uncertainty surrounding the financial stability of the United States, Europe and China;

the social, geopolitical, financial, trade and legal implications of Brexit;

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Middle East turmoil and the potential for volatility in 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 other acquisitions;

the outcome and impact of any litigation or other regulatory matters acquired in connection with the American Capital Acquisition;

the impact to the periods following the completion of the American Capital Acquisition;

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

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

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

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

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

Table of Contents**USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective. We also expect to use the net proceeds of an offering to repay or repurchase outstanding indebtedness, which may include indebtedness (approximately \$4.7 billion aggregate principal amount outstanding as of March 31, 2017) under (a) the Revolving Credit Facility (as defined below) (\$622 million outstanding as of March 31, 2017), (b) the Revolving Funding Facility (as defined below) (approximately \$575 million outstanding as of March 31, 2017), (c) the SMBC Funding Facility (as defined below) (approximately \$140 million outstanding as of March 31, 2017), (d) the 2018 Convertible Notes (approximately \$270 million aggregate principal amount outstanding as of March 31, 2017), (e) the 2019 Convertible Notes (approximately \$300 million aggregate principal amount outstanding as of March 31, 2017), (f) the 2022 Convertible Notes (approximately \$388 million aggregate principal amount outstanding as of March 31, 2017), (g) the 2018 Notes (as defined below) (approximately \$750 million aggregate principal amount outstanding as of March 31, 2017), (h) the 2020 Notes (as defined below) (approximately \$600 million aggregate principal amount outstanding as of March 31, 2017), (i) the January 2022 Notes (as defined below) (approximately \$600 million aggregate principal amount outstanding as of March 31, 2017), (j) the October 2022 Notes (approximately \$183 million aggregate principal amount outstanding as of March 31, 2017), and (k) the 2047 Notes (as defined below) (approximately \$230.0 million aggregate principal amount outstanding as of March 31, 2017).

The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one-, two-, three- or six-month) plus an applicable spread of either 1.75% or 2.00% or an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of either 0.75% or 1.00%, in each case, determined monthly based on the total amount of the borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. As of March 31, 2017, the one, two, three and six month LIBOR was 0.98%, 1.03%, 1.15% and 1.42%, respectively. As of March 31, 2017, for \$2.0 billion of the total Revolving Credit Facility capacity, the expiration date is January 4, 2022, for \$75 million of the Revolving Credit Facility capacity, the expiration date is May 4, 2021 and for the remaining \$45 million, the expiration date is May 4, 2020. See "Recent Developments" for more information on the Revolving Credit Facility. The interest charged on the indebtedness incurred under the Revolving Funding Facility is based on LIBOR plus 2.30% per annum or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) of 1.30% per annum. The Revolving Funding Facility is scheduled to expire on January 3, 2022 (subject to extension exercisable upon mutual consent). The interest rate charged on the indebtedness incurred under the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over a "base rate" (as defined in the agreements governing the SMBC Funding Facility), in each case, determined monthly based on the amount of the average borrowings outstanding under the SMBC Funding Facility. The SMBC Funding Facility is scheduled to expire on September 14, 2022 (subject to two one-year extension options exercisable upon mutual consent).

The interest charged on the Convertible Unsecured Notes and the Unsecured Notes is as follows: (a) 4.75% in the case of the 2018 Convertible Notes, (b) 4.375% in the case of the 2019 Convertible Notes, (c) 3.75% in the case of the 2022 Convertible Notes, (d) 4.875% in the case of the 2018 Notes, (e) 3.875% in the case of the 2020 Notes, (f) 3.625% in the case of the January 22 Notes, (g) 5.875% in the case of the October 2022 Notes and (h) 6.875% in the case of the 2047 Notes. The 2018 Convertible Notes, the 2019 Convertible Notes and the 2022 Convertible Notes mature on January 15, 2018, January 15, 2019 and February 1, 2022, respectively. The 2018 Notes, the 2020 Notes, the January 2022 Notes, the October 2022 Notes and the 2047 Notes mature on November 30, 2018, January 15, 2020, January 19, 2022, October 1, 2022 and April 15, 2047, respectively. The supplement

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to this prospectus relating to an offering may more fully identify the use of the proceeds from such offering.

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

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior secured loans and mezzanine debt and, to a lesser extent, equity securities of eligible portfolio companies, we also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. See "Regulation." Specifically, as part of this 30% basket, we may invest in entities that are not considered "eligible portfolio companies" (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities generally earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not, for a time, be able to achieve our investment objective and/or we may need to, for a time, decrease the amount of any dividend that we may pay to our stockholders to a level that is substantially lower than the level that we expect to pay when the net proceeds of offerings are fully invested in accordance with our investment objective. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our common stock and debt securities may decline. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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

The following table sets forth, for the fiscal quarter ended March 31, 2017 and each fiscal quarter for the fiscal years ended December 31, 2015 and 2016, the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock, the closing sales price as a premium (discount) to net asset value and the dividends or distributions declared by us. On July 27, 2017, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$16.43 per share, which represented a discount of approximately 0.4% to the net asset value per share reported by us as of March 31, 2017.

	Net Asset Value(1)	Price Range		High Sales Price Premium (Discount) to Net Asset Value(2)	Low Sales Price Premium (Discount) to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
<b>Year ended December 31, 2015</b>						
First Quarter	\$ 16.71	\$ 17.60	\$ 15.55	5.33%	(6.94)%	\$ 0.43(4)
Second Quarter	\$ 16.80	\$ 17.30	\$ 16.01	2.98%	(4.70)%	\$ 0.38
Third Quarter	\$ 16.79	\$ 16.58	\$ 14.06	(1.25)%	(16.26)%	\$ 0.38
Fourth Quarter	\$ 16.46	\$ 15.87	\$ 13.97	(3.58)%	(15.13)%	\$ 0.38
<b>Year ended December 31, 2016</b>						
First Quarter	\$ 16.50	\$ 14.84	\$ 12.54	(10.06)%	(24.00)%	\$ 0.38
Second Quarter	\$ 16.62	\$ 15.38	\$ 13.87	(7.46)%	(16.55)%	\$ 0.38
Third Quarter	\$ 16.59	\$ 16.40	\$ 13.96	(1.15)%	(15.85)%	\$ 0.38
Fourth Quarter	\$ 16.45	\$ 16.86	\$ 15.16	2.49%	(7.84)%	\$ 0.38
<b>Year ending December 31, 2017</b>						
First Quarter	\$ 16.50	\$ 17.81	\$ 16.42	7.94%	(0.48)%	\$ 0.38
Second Quarter	*	\$ 17.64	\$ 16.18	*	*	\$ 0.38
Third Quarter (through July 27, 2017)	*	\$ 16.52	\$ 16.33	*	*	**

- (1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.
- (2) Calculated as the respective high or low closing sales price less net asset value, divided by net asset value (in each case, as of the applicable quarter).
- (3) Represents the dividend or distribution declared in the relevant quarter.
- (4) Consists of a quarterly dividend of \$0.38 per share and an additional dividend of \$0.05 per share.
- \* Net asset value has not yet been calculated for this period.
- \*\* Dividend has not yet been declared for this period.

We currently intend to distribute dividends or make distributions to our stockholders on a quarterly basis out of assets legally available for distribution. We may also distribute additional

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dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, if any, will be determined by our board of directors.

The following table summarizes our dividends or distributions declared and payable for the fiscal years ended December 31, 2015, 2016 and 2017:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount</b>
February 26, 2015	March 13, 2015	March 31, 2015	\$ 0.38
February 26, 2015	March 13, 2015	March 31, 2015	\$ 0.05(1)
May 4, 2015	June 15, 2015	June 30, 2015	\$ 0.38
August 4, 2015	September 15, 2015	September 30, 2015	\$ 0.38
November 4, 2015	December 15, 2015	December 31, 2015	\$ 0.38
Total declared and payable for 2015			\$ 1.57
February 24, 2016	March 15, 2016	March 31, 2016	\$ 0.38
May 4, 2016	June 15, 2016	June 30, 2016	\$ 0.38
August 3, 2016	September 15, 2016	September 30, 2016	\$ 0.38
November 2, 2016	December 15, 2016	December 30, 2016	\$ 0.38
Total declared and payable for 2016			\$ 1.52
February 22, 2017	March 15, 2017	March 31, 2017	\$ 0.38
May 3, 2017	June 15, 2017	June 30, 2017	\$ 0.38
Total declared and payable for 2017			\$ 0.76

(1) Represents an additional dividend.

Of the \$1.52 per share in dividends declared and payable for the year ended December 31, 2016, \$1.26 per share was comprised of ordinary income and \$0.26 was comprised of long-term capital gains. Of the \$1.57 per share in dividends declared and payable for the year ended December 31, 2015, \$1.56 per share was comprised of ordinary income and \$0.01 was comprised of long-term capital gains.

To maintain our RIC status under the Code, we must timely distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code, which generally includes net ordinary income and net short term capital gains) to our stockholders. In addition, we generally will be required to pay an excise tax equal to 4% on certain undistributed taxable income unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during a calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31st in that calendar year, and (iii) any income recognized, but not distributed, in preceding years. The taxable income on which we pay excise tax is generally distributed to our stockholders in the next tax year. Depending on the level of taxable income earned in a tax year, we may choose to carry forward such taxable income for distribution in the following year, and pay any applicable excise tax. For the three months ended March 31, 2017, we recorded a net excise tax expense of \$4 million. For the year ended December 31, 2016, we recorded a net excise tax expense of \$12 million, which includes a reduction in expense related to the recording of a requested refund resulting from the overpayment of 2015 excise tax of \$1.3 million. For the year ended December 31, 2015, we recorded a net excise tax expense of \$9 million. We cannot assure you that we will achieve results that will permit the payment of any cash distributions. We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend, stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. See "Dividend Reinvestment Plan."



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

For the three months ended March 31, 2017 and years ended December 31, 2016, 2015, 2014 2013 and 2012, 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, 2017</b>	<b>For the Year Ended December 31, 2016</b>	<b>For the Year Ended December 31, 2015</b>	<b>For the Year Ended December 31, 2014</b>	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
Earnings to Fixed Charges(1)	3.2	3.7	2.7(2)	3.8(3)	3.9	4.6(4)

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

- (1) Earnings include net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP. Net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP can vary substantially from period to period.

Excluding the net realized and unrealized gains or losses and the capital gains incentive fee expense accrued in accordance with GAAP, the earnings to fixed charges ratio would be 3.0 for the three months ended March 31, 2017, 3.7 for the year ended December 31, 2016, 3.2 for the year ended December 31, 2015, 3.2 for the year ended December 31, 2014, 3.7 for the year ended December 31, 2013 and 3.7 for the year ended December 31, 2012.

- (2) Earnings for the year ended December 31, 2015 included a net realized loss on the extinguishment of debt of \$10.4 million.
- (3) Earnings for the year ended December 31, 2014 included a net realized loss on the extinguishment of debt of \$0.1 million.
- (4) Earnings for the year ended December 31, 2012 included a net realized loss on the extinguishment of debt of \$2.7 million.

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

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

**OVERVIEW**

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as BDC under the Investment Company Act of 1940, as amended.

We are externally managed by Ares Capital Management, a subsidiary of Ares Management, a publicly traded, leading global alternative asset manager, pursuant to our investment advisory and management agreement. Our administrator 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. Also, as a result of the American Capital Acquisition, American Capital's equity investments, including equity investments pursuant to which American Capital controlled a particular portfolio company, became part of our portfolio.

Since our initial public offering ("IPO") on October 8, 2004 through March 31, 2017, 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 \$14.7 billion and total proceeds from such exited investments of approximately \$18.0 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 65% of these exited investments resulted in an aggregate cash flow realized internal rate of return to us of 10% or greater.

Additionally, since our IPO on October 8, 2004 through March 31, 2017, our realized gains have exceeded our realized losses by approximately \$592 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 are historical results relating to our past performance and are not necessarily indicative of future results, the achievement of which cannot be assured.

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

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

***American Capital Acquisition***

On May 23, 2016, we entered into the Agreement and Plan of Merger, dated May 23, 2016 (the "Merger Agreement") related to the American Capital Acquisition. Pursuant to the Merger Agreement, American Capital shareholders received total consideration of approximately \$18.06 per share comprised of: (i) \$14.41 per share from us consisting of approximately \$6.48 per share of cash (including a make-up dividend in the amount of \$0.07 per share) and 0.483 shares of our common stock for each American Capital share at a value of \$7.93 per American Capital share (based on the closing price per share of our common stock on January 3, 2017 (the "Acquisition Date")), (ii) \$2.45 per share of cash from American Capital's sale of American Capital Mortgage Management, LLC, and (iii) approximately \$1.20 per share of cash as transaction support provided by Ares Capital Management acting solely on its own behalf. As of the Acquisition Date, the transaction was valued at approximately \$4.2 billion. The total cash and stock consideration paid by us was \$3.3 billion. In connection with the stock consideration, we issued approximately 112 million shares of our common stock to American Capital's then-existing stockholders (including holders of outstanding in-the-money American Capital stock options), thereby resulting in our then-existing stockholders owning approximately 73.7% of the combined company and then-existing American Capital stockholders owning approximately 26.3% of the combined company. As a result of the American Capital Acquisition, Ares Capital acquired \$3.6 billion of assets, including \$2.5 billion of investments, and assumed \$226 million of liabilities.

In connection with the American Capital Acquisition, Ares Capital Management also agreed to waive, for each of the first 10 calendar quarters beginning with the second quarter of 2017, the lesser of (x) \$10 million of income based fees and (y) the amount of income based fees for such quarter, in each case, to the extent earned and payable by us in such quarter pursuant to and as calculated under our investment advisory and management agreement. See Notes 3 and 14 to our consolidated financial statements for the three months ended March 31, 2017 for additional information regarding the American Capital Acquisition.

Table of Contents**PORTFOLIO AND INVESTMENT ACTIVITY**

Our investment activity for the three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2017	2016	2016	2015	2014
<b>New investment commitments(1):</b>					
New portfolio companies	\$ 385	\$ 276	\$ 2,107	\$ 2,483	\$ 2,284
Existing portfolio companies(2)	479	194	1,596	1,334	2,295
Total new investment commitments(3)	864	470	3,703	3,817	4,579
Less:					
Investment commitments exited(4)	836	484	3,844	3,816	3,540
Net investment commitments (exited)	\$ 28	\$ (14)	\$ (141)	\$ 1	\$ 1,039
<b>Principal amount of investments funded excluding investments acquired as part of the American Capital Acquisition:</b>					
First lien senior secured loans	\$ 663	\$ 272	\$ 1,965	\$ 2,071	\$ 2,642
Second lien senior secured loans	195	157	987	1,232	1,047
Subordinated certificates of the SDLP(5)			272		
Subordinated certificates of the SSLP(6)		3	3	229	463
Senior subordinated debt		59	173	257	299
Preferred equity securities	1	6	37	89	14
Other equity securities	55	1	53	27	69
Total	\$ 914	\$ 498	\$ 3,490	\$ 3,905	\$ 4,534
<b>Principal amount of investments sold or repaid excluding investments acquired as part of the American Capital Acquisition:</b>					
First lien senior secured loans	\$ 414	\$ 283	\$ 2,522	\$ 2,948	\$ 2,326
Second lien senior secured loans	91	160	903	195	444
Subordinated certificates of the SDLP	1		2		
Subordinated certificates of the SSLP				330	174
Senior subordinated debt	96	29	189	132	144
Preferred equity securities	1		4	11	31
Other equity securities	1	11	35	33	89
Commercial real estate				2	5
Total	\$ 604	\$ 483	\$ 3,655	\$ 3,651	\$ 3,213
<b>Principal amount of investments acquired as part of the American Capital Acquisition:</b>					
First lien senior secured loans	\$ 550				
Second lien senior secured loans	855				
Senior subordinated debt	244				
Collateralized loan obligations	265				
Preferred equity securities	109				
Other equity securities	520				
Total	\$ 2,543				

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(dollar amounts in millions)	For the Three Months Ended March 31,		For the Years Ended December 31,		
	2017	2016	2016	2015	2014
<b>Principal amount of investments acquired as part of the American Capital Acquisition sold or repaid:</b>					
First lien senior secured loans	\$ 25				
Second lien senior secured loans	52				
Senior subordinated debt	3				
Collateralized loan obligations	19				
Other equity securities	205				
<b>Total</b>	<b>\$ 304</b>				
<b>Number of new investment commitments(7)</b>	28	19	82	86	115
<b>Average new investment commitment amount</b>	\$ 31	\$ 25	\$ 45	\$ 44	\$ 40
<b>Weighted average term for new investment commitments (in months)(8)</b>	65	59	80	65	73
<b>Percentage of new investment commitments at floating rates</b>	93%	81%	91%	89%	90%
<b>Percentage of new investment commitments at fixed rates</b>	%	17%	6%	8%	8%
<b>Weighted average yield of debt and other income producing securities(9):</b>					
Funded during the period at amortized cost	8.8%	9.8%	9.3%	9.0%	9.0%
Funded during the period at fair value(8)	8.7%	9.7%	9.2%	9.0%	9.0%
Exited or repaid during the period at amortized cost	8.8%	9.3%	8.5%	7.9%	8.3%
Exited or repaid during the period at fair value(8)	8.8%	9.3%	8.4%	7.9%	8.3%
<b>Weighted average yield of debt and other income producing securities acquired as part of the American Capital Acquisition:</b>					
Funded during the period at amortized cost	10.0%				
Funded during the period at fair value(8)	10.0%				
Exited or repaid during the period at amortized cost	7.9%				
Exited or repaid during the period at fair value(8)	8.5%				

- (1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans. See "Off Balance Sheet Arrangements" as well as Note 7 to our consolidated financial statements for the three months ended March 31, 2017, for more information on our commitments to fund revolving credit facilities or delayed draw loans.
- (2) Includes both funded and unfunded commitments. Of these new investment commitments, we funded \$783 million and \$434 million for the three months ended March 31, 2017 and 2016, respectively, and \$3.3 billion, \$3.6 billion and \$4.1 billion for the years ended December 31, 2016, 2015 and 2014, respectively.
- (3) Includes both funded and unfunded commitments. For the three months ended March 31, 2017 and 2016, investment commitments exited included exits of unfunded commitments of \$25 million and \$43 million, respectively. For the years ended December 31, 2016, 2015 and 2014, investment commitments exited included exits of unfunded commitments of \$341 million, \$263 million and \$449 million, respectively.
- (4) See "Senior Direct Lending Program" below and Note 4 to our consolidated financial statements for the three months ended March 31, 2017 for more information on the SDLP.
- (5) See "Senior Secured Loan Program" below and Note 4 to our consolidated financial statements for the three months ended March 31, 2017 for more information on the SSLP.
- (6) 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).
- (7)

"Weighted average yield of debt and other income producing securities" is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount

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or premium earned on accruing debt and other income producing securities, divided by (b) the total accruing debt and other income producing securities at amortized cost or at fair value, as applicable.

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

(9) Excludes investments acquired as part of the American Capital Acquisition. See Note 14 to our consolidated financial statements for the three months ended March 31, 2017 for additional information regarding the American Capital Acquisition.

As of March 31, 2017 and December 31, 2016, our investments consisted of the following:

(in millions)	As of			
	March 31, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien senior secured loans	\$ 2,875	\$ 2,791	\$ 2,102	\$ 2,036
Second lien senior secured loans	3,975	3,887	3,069	2,987
Subordinated certificates of the SDLP(1)	269	269	270	270
Subordinated certificates of the SSLP(2)	1,938	1,919	1,938	1,914
Senior subordinated debt	846	868	692	714
Collateralized loan obligations	245	242		
Preferred equity securities	626	407	505	273
Other equity securities	828	1,024	458	626
<b>Total</b>	<b>\$ 11,602</b>	<b>\$ 11,385</b>	<b>\$ 9,034</b>	<b>\$ 8,820</b>

(1) The proceeds from these certificates were applied to co-investments with Varagon and its clients to fund first lien senior secured loans to 14 and 14 different borrowers as of March 31, 2017 and December 31, 2016, respectively.

(2) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 18 and 19 different borrowers as of March 31, 2017 and December 31, 2016, respectively.

The weighted average yields at amortized cost and fair value of the following portions of our portfolio as of March 31, 2017 and December 31, 2016 were as follows:

	As of			
	March 31, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities(1)	9.3%	9.4%	9.3%	9.4%
Total portfolio(2)	8.1%	8.2%	8.3%	8.5%
First lien senior secured loans(2)	8.0%	8.3%	8.4%	8.6%
Second lien senior secured loans(2)	9.9%	10.1%	9.8%	10.1%
Subordinated certificates of the SDLP(2)(3)	14.0%	14.0%	14.0%	14.0%
Subordinated certificates of the SSLP(2)(4)	6.5%	6.6%	7.0%	7.1%
Senior subordinated debt(2)	12.2%	11.9%	12.4%	12.0%
Collateralized loan obligations	12.2%	12.3%	%	%
Income producing equity securities(2)	12.3%	12.0%	13.8%	13.8%

(1)

"Weighted average yield of debt and other income producing securities" is computed as (a) the 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



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other income producing securities, divided by (b) the total accruing debt and other income producing securities at amortized cost or at fair value, as applicable. The weighted average yield of debt and other income producing securities that were acquired as part of the American Capital Acquisition and held as of March 31, 2017 was 10.0% and 10.0% at amortized cost and fair value, respectively.

- (2) "Weighted average yields" are computed as (a) the 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 or at fair value, as applicable. The weighted average yield on total investments that were acquired as part of the American Capital Acquisition and held as of March 31, 2017 was 7.9% and 7.8% at amortized cost and fair value, respectively.
- (3) The proceeds from these certificates were applied to co-investments with Varagon and its clients to fund first lien senior secured loans.
- (4) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans.

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

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

Set forth below is the grade distribution of our portfolio companies as of March 31, 2017 and December 31, 2016:

(dollar amounts in millions)	As of							
	March 31, 2017				December 31, 2016			
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 113	1.0%	16	5.0%	\$ 92	1.0%	13	6.0%
Grade 2	292	2.5%	10	3.2%	323	3.7%	12	5.5%
Grade 3	9,604	84.2%	267	84.2%	7,451	84.4%	172	78.9%
Grade 4	1,398	12.3%	23	7.6%	954	10.9%	21	9.6%
Total	\$ 11,407	100.0%	316	100.0%	\$ 8,820	100.0%	218	100.0%

As of March 31, 2017 and December 31, 2016, the weighted average grade of the investments in our portfolio at fair value was 3.1 and 3.1, respectively.

As of March 31, 2017, investments on non-accrual status represented 2.9% and 1.1% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2016, investments on non-accrual status represented 2.9% and 0.8% of the total investments at amortized cost and at fair value, respectively.

**Co-Investment Programs***Senior Direct Lending Program*

We have established a joint venture with Varagon to make certain first lien senior secured loans, including certain stretch senior and unitranche loans, primarily to U.S. middle market companies. Varagon was formed in 2013 as a lending platform by American International Group, Inc. (NYSE:AIG) and other partners. The joint venture is called the SDLP. In July 2016, we and Varagon and its clients completed the initial funding of the SDLP. In conjunction with the initial funding, we and Varagon and its clients sold investment commitments to the SDLP. Such investment commitments included \$529 million of investment commitments sold to the SDLP by us. No realized gains or losses were recorded by us on these transactions. The SDLP may generally commit and hold individual loans of up to \$300 million. The SDLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP consisting of representatives of ours and Varagon (with approval from a representative of each required).

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We provide capital to the SDLP in the form of the SDLP Certificates, and Varagon and its clients provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. As of March 31, 2017, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates.

As of March 31, 2017, we and Varagon and its clients had agreed to make capital available to the SDLP of \$2.9 billion in the aggregate, of which \$591 million has been made available from us. This capital will only be committed to the SDLP upon approval of transactions by the investment committee of the SDLP. Below is a summary of the funded capital and unfunded capital commitments of the SDLP.

(in millions)	As of	
	March 31, 2017	December 31, 2016
Total capital funded to the SDLP(1)	\$ 1,282	\$ 1,285
Total capital funded to the SDLP by the Company(1)	\$ 269	\$ 270
Total unfunded capital commitments to the SDLP(2)	\$ 168	\$ 177
Total unfunded capital commitments to the SDLP by the Company(2)	\$ 35	\$ 37

(1) At principal amount.

(2) These commitments have been approved by the investment committee of the SDLP and will be funded as the transactions are completed.

The SDLP Certificates pay a coupon of LIBOR plus 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, after expenses, which may result in a return to the holders of the SDLP Certificates that is greater than the stated coupon. The SDLP Certificates are junior in right of payment to the senior notes and intermediate funding notes.

The amortized cost and fair value of our SDLP Certificates held by us were \$269 million and \$269 million, respectively, as of March 31, 2017 and \$270 million and \$270 million, respectively, as of December 31, 2016. Our yield on our investment in the SDLP at amortized cost and fair value was 14% and 14%, respectively, as of March 31, 2017 and 14% and 14%, respectively, as of December 31, 2016. For the three months ended March 31, 2017, we earned interest income of \$10 million from our investment in the SDLP Certificates. We are also entitled to certain fees in connection with the SDLP. For the three months ended March 31, 2017, in connection with the SDLP, we earned capital structuring service and other fees totaling \$0 million.

As of March 31, 2017 and December 31, 2016, the portfolio was comprised of all first lien senior secured loans primarily to U.S. middle-market companies and were in industries similar to the companies in our portfolio. As of March 31, 2017 and December 31, 2016, none of the loans were on

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non-accrual status. Below is a summary of the SDLP's portfolio as of March 31, 2017 and December 31, 2016:

(dollar amounts in millions)	As of	
	March 31, 2017	December 31, 2016
Total first lien senior secured loans(1)	\$ 1,281	\$ 1,281
Weighted average yield on first lien senior secured loans(2)	7.4%	7.4%
Largest loan to a single borrower(1)	\$ 125	\$ 125
Total of five largest loans to borrowers(1)	\$ 560	\$ 560
Number of borrowers in the SDLP	14	14
Commitments to fund delayed draw loans(3)	\$ 168	\$ 177

- (1) At principal amount.
- (2) Computed as (a) the annual stated interest rate on accruing first lien senior secured loans, divided by (b) total first lien senior secured loans at principal amount.
- (3) As discussed above, these commitments have been approved by the investment committee of the SDLP.

***Senior Secured Loan Program***

We and GE have co-invested in first lien senior secured loans of middle market companies through the SSLP. The SSLP has been capitalized as transactions are completed. 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 have provided capital to the SSLP in the form of the SSLP Certificates. As of March 31, 2017 and December 31, 2016, we and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

In August 2015, GE completed the sale of its U.S. Sponsor Finance business, through which GE had participated with us in the SSLP, to CPPIB. This sale excluded GE's interest in the SSLP, and we and GE continue to operate the SSLP. We and GE no longer have an obligation to present senior secured lending investment opportunities to the SSLP and since June 30, 2015, the SSLP has not made any investments related to new portfolio companies; however, we and GE may provide capital to support the SSLP's funding of existing commitments (see below) and other amounts to its portfolio companies. On August 24, 2015, we were advised that GECC, as the holder of the Senior Notes, directed State Street Bank and Trust Company, as trustee of the Senior Notes and the SSLP Certificates, pursuant to the terms of the indenture governing the Senior Notes and the SSLP Certificates, to apply all principal proceeds received by the SSLP from its investments to the repayment of the outstanding principal amount of the Senior Notes until paid in full (prior to the distribution of any such principal proceeds to the holders of the SSLP Certificates, which includes us). GECC had previously elected to waive its right to receive priority repayments on the Senior Notes from principal proceeds in most circumstances. Prior to closing the sale to CPPIB, GE had announced its intention to provide us and CPPIB the opportunity to work together on the SSLP on a go-forward basis. GECC has also stated that if a mutual agreement between us and CPPIB to partner on the SSLP is not reached, it intends to retain its interest in the SSLP and the SSLP would be wound down in an orderly manner.

As discussed above, we anticipate that no new investments will be made by the SSLP and that we and GE may only provide additional capital to support the SSLP's funding of existing commitments

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and other amounts to its portfolio companies. Below is a summary of the funded capital and unfunded capital commitments of the SSLP.

(in millions)	As of	
	March 31, 2017	December 31, 2016
Total capital funded to the SSLP(1)	\$ 3,307	\$ 3,819
Total capital funded to the SSLP by the Company(1)	\$ 2,004	\$ 2,004
Total unfunded capital commitments to the SSLP(2)	\$ 50	\$ 50
Total unfunded capital commitments to the SSLP by the Company(2)	\$ 7	\$ 7

(1) At principal amount.

(2) These commitments have been approved by the investment committee of the SSLP and will be funded as the transactions are completed.

The SSLP Certificates have a weighted average contractual coupon of LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, after expenses. However, the SSLP Certificates are junior in right of payment to the Senior Notes held by GE, and we expect that for so long as principal proceeds from SSLP repayments are directed entirely to repay the Senior Notes as discussed above, the yield on the SSLP Certificates will be lower than the stated coupon and continue to decline.

The amortized cost and fair value of our SSLP Certificates were \$1.9 billion and \$1.9 billion, respectively, as of March 31, 2017, and \$1.9 billion and \$1.9 billion, respectively, as of December 31, 2016. Our yield on our investment in the SSLP at amortized cost and fair value was 6.5% and 6.6%, respectively, as of March 31, 2017, and 7.0% and 7.1%, respectively, as of December 31, 2016. For the three months ended March 31, 2017 and 2016, we earned interest income of \$34 million and \$59 million, respectively, from our investment in the SSLP Certificates.

We are also entitled to certain fees in connection with the SSLP. For the three months ended March 31, 2017 and 2016, in connection with the SSLP, we earned capital structuring service, sourcing and other fees totaling \$2 million and \$6 million, respectively.

As of March 31, 2017 and December 31, 2016, the SSLP's portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies and were in industries similar to the companies in our portfolio. As of March 31, 2017 and December 31, 2016, none of these loans were on non-accrual status. Below is a summary of the SSLP's portfolio.

(dollar amounts in millions)	As of	
	March 31, 2017	December 31, 2016
Total first lien senior secured loans(1)	\$ 3,227	\$ 3,360
Weighted average yield on first lien senior secured loans(2)	6.7%	6.9%
Largest loan to a single borrower(1)	\$ 259	\$ 260
Total of five largest loans to borrowers(1)	\$ 1,252	\$ 1,257
Number of borrowers in the SSLP	18	19
Commitments to fund delay draw loans(3)	\$ 50	\$ 50

(1) At principal amount.

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

(3) As discussed above, these commitments have been approved by the investment committee of the SSLP.



Table of Contents**SSLP Loan Portfolio as of March 31, 2017**

(dollar amounts in millions)				
<b>Portfolio Company</b>	<b>Business Description</b>	<b>Maturity Date</b>	<b>Stated Interest Rate(1)</b>	<b>Principal Amount</b>
AMZ Holding Corp.	Specialty chemicals manufacturer	12/2018	6.8%	\$ 214
Breg, Inc.	Designer, manufacturer, and distributor of non-surgical orthopedic products for preventative, post-operative and rehabilitative use	10/2020	6.6%	147
Connoisseur Media, LLC	Owner and operator of radio stations	6/2019	7.4%	94
DFS Holding Company, Inc.(2)	Distributor of maintenance, repair, and operations parts, supplies, and equipment to the foodservice industry	2/2022	6.6%	190
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	8.8%	132
ECI Purchaser Company, LLC	Manufacturer of equipment to safely control pressurized gases	12/2018	6.5%	186
Excelligence Learning Corporation	Developer, manufacturer and retailer of educational products	12/2020	6.8%	175
Gehl Foods, LLC(4)	Producer of low-acid, aseptic food and beverage products	6/2019	7.5%	153
Implus Footcare, LLC	Provider of footwear and other accessories	4/2021	7.0%	259
Intermedix Corporation(3)	Revenue cycle management provider to the emergency healthcare industry	12/2019	5.8%	252
Mavis Tire Supply LLC	Auto parts retailer	10/2020	5.3%	229
MCH Holdings, Inc.(4)	Healthcare professional provider	1/2020	6.5%	169
Palermo Finance Corporation	Provider of mission-critical integrated public safety software and services to local, state, and federal agencies	11/2020	7.0%	185
Sanders Industries Holdings, Inc.(4)	Elastomeric parts, mid-sized composite structures, and composite tooling	5/2020	6.5%	74
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.8%	181
U.S. Anesthesia Partners, Inc.(3)	Sports technology, data and content company	12/2019	6.0%	258
WCI-Quantum Holdings, Inc.(4)	Anesthesiology service provider	10/2020	6.1%	76
Woodstream Group, Inc.	Distributor of instructional products, services and resources	5/2022	7.3%	253
				\$ 3,227

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- (1) Represents the weighted average annual stated interest rate as of March 31, 2017. All interest rates are payable in cash except for 0.5% of the interest rate for Singer Sewing Company, which is payment-in-kind interest.
- (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.

Table of Contents**SSLP Loan Portfolio as of December 31, 2016**

(dollar amounts in millions)		Maturity	Stated	Principal	Fair
Portfolio Company	Business Description	Date	Interest Rate(1)	Amount	Value(2)
AMZ Holding Corp.	Specialty chemicals manufacturer	12/2018	6.8%	\$ 214	\$ 214
Breg, Inc.	Designer, manufacturer, and distributor of non-surgical orthopedic products for preventative, post-operative and rehabilitative use	10/2020	6.8%	147	147
Connoisseur Media, LLC	Owner and operator of radio stations	6/2019	7.3%	94	94
DFS Holding Company, Inc.	Distributor of maintenance, repair, and operations parts, supplies, and equipment to the foodservice industry	2/2022	6.5%	191	191
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	8.8%	132	132
ECI Purchaser Company, LLC	Manufacturer of equipment to safely control pressurized gases	12/2018	6.5%	207	201
Excellence Learning Corporation	Developer, manufacturer and retailer of educational products	12/2020	6.8%	175	175
Gehl Foods, LLC(4)	Producer of low-acid, aseptic food and beverage products	6/2019	7.5%	155	155
Implus Footcare, LLC	Provider of footwear and other accessories	4/2021	7.0%	260	252
Intermedix Corporation(3)	Revenue cycle management provider to the emergency healthcare industry	12/2019	5.8%	254	251
Mavis Tire Supply LLC	Auto parts retailer	10/2020	6.3%	230	225
MCH Holdings, Inc.(4)	Healthcare professional provider	1/2020	6.5%	168	168
Palermo Finance Corporation	Provider of mission-critical integrated public safety software and services to local, state, and federal agencies	11/2020	7.0%	185	185
Sanders Industries Holdings, Inc.(4)	Elastomeric parts, mid-sized composite structures, and composite tooling	5/2020	6.5%	76	76
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.8%	181	178
STATS Acquisition, LLC	Sports technology, data and content company	6/2018	10.8%	102	99
U.S. Anesthesia Partners, Inc.(3)	Anesthesiology service provider	12/2019	6.0%	259	259
WCI-Quantum Holdings, Inc.(4)	Distributor of instructional products, services and resources	10/2020	6.1%	76	76
Woodstream Group, Inc.	Pet products manufacturer	5/2022	7.3%	254	254
				\$ 3,360	\$ 3,332

- 
- (1) Represents the weighted average annual stated interest rate as of December 31, 2016. All interest rates are payable in cash except for 0.5% and 2.0% of the interest rates for Singer Sewing Company and STATS Acquisition, LLC, respectively, which are payment-in-kind interest.
- (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 second lien senior secured loan.
- (4) We hold an equity investment in this company.

Selected financial information for the SSLP as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016, was as follows:

As of



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(in millions)	March 31, 2017	December 31, 2016
<b>Selected Balance Sheet Information:</b>		
Investments in loans receivable, net	\$ 3,212	\$ 3,343
Cash and other assets	51	439
<b>Total assets</b>	<b>\$ 3,263</b>	<b>\$ 3,782</b>
Senior notes	\$ 1,017	\$ 1,529
Other liabilities	50	45
<b>Total liabilities</b>	<b>1,067</b>	<b>1,574</b>
Subordinated certificates and members' capital	2,196	2,208
<b>Total liabilities and members' capital</b>	<b>\$ 3,263</b>	<b>\$ 3,782</b>

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(in millions)	For the Three Months Ended March 31,	
	2017	2016
<b>Selected Statement of Operations Information:</b>		
Total interest and other income	\$ 58	\$ 139
Interest expense	11	49
Management and sourcing fees	6	15
Other expenses	1	8
Total expenses	18	72
Net income	\$ 40	\$ 67

**RESULTS OF OPERATIONS**

*For the three months ended March 31, 2017 and 2016*

Operating results for the three months ended March 31, 2017 and 2016 were as follows:

(in millions)	For the Three Months Ended March 31,	
	2017	2016
Total investment income	\$ 275	\$ 248
Total expenses	179	130
Net investment income before income taxes	96	118
Income tax expense, including excise tax	2	5
Net investment income	94	113
Net realized gains on investments and foreign currency transactions	2	27
Net unrealized gains (losses) on investments, foreign currency and other transactions	22	(8)
Net increase in stockholders' equity resulting from operations	\$ 118	\$ 132

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, comparisons of net increase in stockholders' equity resulting from operations may not be meaningful.

**Investment Income**

(in millions)	For the Three Months Ended March 31,	
	2017	2016
Interest income from investments	\$ 231	\$ 207
Capital structuring service fees	12	16
Dividend income	24	17
Management and other fees	3	5
Other income	5	3

Total investment income                      \$ 275   \$ 248

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The increase in interest income from investments for the three months ended March 31, 2017 from the comparable period in 2016 was primarily due to investments acquired in the American Capital Acquisition that contributed \$46 million of interest income for the three months ended March 31, 2017. This increase in interest income was partially offset by a \$25 million decline in interest income earned from the SSLP resulting from the decline in the yield on our SSLP Certificates at amortized cost from 12.0% for the three months ended March 31, 2016 to 7.0% for the comparable period in 2017. The decrease in capital structuring service fees for the three months ended March 31, 2017 from the comparable period in 2016 was due to the decrease in the weighted average capital structuring fees received on new investment commitments, which decreased from 3.3% for the three months ended March 31, 2016 to 1.4% for the comparable period in 2017. This decline was primarily due to having a higher percentage of new investment commitments made to existing portfolio companies during the three months ended March 31, 2017 as compared to the comparable period in 2016. Dividend income for the three months ended March 31, 2017 and 2016 included dividends received from IHAM totaling \$10 million for each period. Also during the three months ended March 31, 2017, we received \$11.6 million in other non-recurring dividends from non-income producing equity securities compared to \$1.4 million for the comparable period in 2016. The decrease in management and other fees for the three months ended March 31, 2017 from the comparable period in 2016 was due to lower sourcing fees from the SSLP resulting from a decrease in the size of the SSLP portfolio.

**Operating Expenses**

(in millions)	For the Three Months Ended March 31,	
	2017	2016
Interest and credit facility fees	\$ 56	\$ 50
Base management fees	39	35
Income based fees	32	29
Capital gains incentive fees	16	4
Administrative fees	3	3
Professional fees and other costs related to the American Capital Acquisition	26	2
Other general and administrative	8	7
Total operating expenses	\$ 179	\$ 130

Interest and credit facility fees for the three months ended March 31, 2017 and 2016, were comprised of the following:

(in millions)	For the Three Months Ended March 31,	
	2017	2016
Stated interest expense	\$ 47	\$ 43
Facility fees	2	
Amortization of debt issuance costs	4	4
Net accretion of discount on notes payable	2	3
Total interest and credit facility fees	\$ 55	\$ 50

Stated interest expense for the three months ended March 31, 2017 increased from the comparable period in 2016 primarily due to the increase in the average principal amount of debt

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outstanding, partially offset by a decrease in our weighted average stated interest rate of our debt outstanding. The weighted average stated interest rate on our outstanding debt was 4.0% for the three months ended March 31, 2017 as compared to 4.2% for the comparable period in 2016. For the three months ended March 31, 2017, our average principal debt outstanding increased to \$4.6 billion as compared to \$4.1 billion for the comparable period in 2016. Facility fees for the three months ended March 31, 2017 increased from the comparable period in 2016 primarily due to the increased commitments of our revolving facilities resulting in higher unused commitment fees. Net accretion of discount on notes payable for the three months ended March 31, 2017 decreased from the comparable period in 2016 primarily due to the maturity of the February 2016 Convertible Notes and the June 2016 Convertible Notes.

The increase in base management fees for the three months ended March 31, 2017 from the comparable period in 2016 was primarily due to the increase in investments as a result of the American Capital Acquisition. The increase in income based fees for the three months ended March 31, 2017 from the comparable period in 2016 was primarily due to the pre-incentive fee net investment income, as defined in the investment advisory and management agreement, for the three months ended March 31, 2017 being higher than in the comparable period in 2016.

For the three months ended March 31, 2017 and 2016, the capital gains incentive fees expense calculated in accordance with GAAP was \$16 million and \$4 million, respectively. Capital gains incentive fee expense accrual for the three months ended March 31, 2017 included an \$11 million accrual related to the American Capital Acquisition as a result of the fair value of the net assets acquired exceeding the fair value of the merger consideration paid by us. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of March 31, 2017, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$54 million. As of March 31, 2017, there was no capital gains incentive fee actually payable under our investment advisory and management agreement. See Note 3 to our consolidated financial statements for the three months ended March 31, 2017, for more information on the base management fees, income based fees and capital gains incentive fees.

Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs.

For the three months ended March 31, 2017, the Company incurred \$26 million in professional fees and other costs related to the American Capital Acquisition that were not incurred in the comparable period in 2016. These costs included \$18 million in one-time investment banking fees incurred upon the closing of the American Capital Acquisition, \$3 million in legal fees and \$3 million in additional administrative fees (see Notes 3 and 14 to the consolidated financial statements for the three months ended March 31, 2017). Other general and administrative expenses include professional fees, rent, insurance, depreciation and director's fees, among other costs.

**Income Tax Expense, Including Excise Tax**

We have elected to be treated as a RIC under the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must generally (among other

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requirements) timely distribute to our stockholders at least 90% of our investment company taxable income, as defined by the Code, for each year. In order to maintain our RIC status, we have made and intend to continue to make the requisite distributions to our stockholders which will generally relieve us from U.S. federal corporate-level income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward such taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. If we determine that our estimated current year taxable income will be in excess of estimated dividend distributions for the current year from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. For the three months ended March 31, 2017 and 2016, we recorded a net expense of \$4 million and \$3 million for U.S. federal excise tax, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three months ended March 31, 2017 and 2016, we recorded a net tax (benefit) expense of approximately \$(2) million and \$2 million for these subsidiaries, respectively. The income tax expense for our taxable consolidated subsidiaries will vary depending on the level of realized gains from the exits of investments held by such taxable subsidiaries during the retrospective periods.

**Net Realized Gains/Losses**

During the three months ended March 31, 2017, we had \$917 million of sales, repayments or exits of investments resulting in \$13 million of net realized gains on investments. These sales, repayments or exits included \$20 million of investments sold to IHAM and certain vehicles managed by IHAM. A net realized gain of \$0 million was recorded on these transactions with IHAM. See Note 4 to our consolidated financial statements for the three months ended March 31, 2017 for more detail on IHAM and its managed vehicles. During the three months ended March 31, 2017, net realized gains on investments of \$13 million were comprised of \$14 million of gross realized gains and \$1 million of gross realized losses. Of the \$13 million of net realized gains on investments, approximately \$1 million were from investments acquired as part of the American Capital Acquisition.

The net realized gains on investments during the three months ended March 31, 2017 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
S Toys Holdings LLC (fka The Step2 Company, LLC)	\$ 7
Other, net	6
<b>Total</b>	<b>\$ 13</b>

During the three months ended March 31, 2017, we also recognized net realized losses on foreign currency transactions of \$11 million.

During the three months ended March 31, 2016, we had \$504 million of sales, repayments or exits of investments resulting in \$26 million of net realized gains on investments. These sales, repayments or exits included \$65 million of investments sold to IHAM and certain vehicles managed by IHAM. A net realized gain of \$0 million was recorded on these transactions. During the three months ended March 31, 2016, net realized gains on investments of \$26 million were comprised of \$26 million of gross realized gains and no gross realized losses.

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The net realized gains on investments during the three months ended March 31, 2016 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Physiotherapy Associates Holdings, Inc.	\$ 8
AllBridge Financial, LLC	6
Lakeland Tours, LLC	5
MedAssets, Inc.	3
Other, net	4
Total	\$ 26

During the three months ended March 31, 2016, we also recognized net realized gains on foreign currency transactions of \$2 million.

**Net Unrealized Gains/Losses**

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses in our consolidated statement of operations. Net unrealized gains and losses for our portfolio for the three months ended March 31, 2017 and 2016, were comprised of the following:

(in millions)	For the Three Months Ended March 31,	
	2017	2016
Unrealized appreciation	\$ 100	\$ 73
Unrealized depreciation	(82)	(60)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	(9)	(18)
Total net unrealized gains	\$ 9	\$ (5)

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

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The changes in net unrealized appreciation and depreciation during the three months ended March 31, 2017 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Community Education Centers, Inc.	\$ 14
NECCO Realty Investments LLC	11
Bellotto Holdings Limited	5
Senior Secured Loan Fund LLC	5
PERC Holdings 1 LLC	4
Hard 8 Games, LLC	3
Primrose Holding Corporation	3
Feradyne Outdoors, LLC	2
European Capital UK SME Debt LP	2
Tectum Holdings, Inc.	2
Project Alpha Intermediate II Holding, Inc.	2
Market Track Holdings, LLC	2
Garden Fresh Restaurant Corp.	2
Green Energy Partners	(2)
Absolute Dental Management LLC	(2)
NMSC Holdings, Inc. and ASP NAPA Holdings, LLC	(3)
New Trident Holdcorp, Inc.	(3)
Cadence Aerospace, LLC	(4)
Joule Unlimited Technologies, Inc.	(4)
Infilaw Holding, LLC	(6)
EcoMotors, Inc.	(7)
ADF Capital, Inc.	(9)
Other, net	10
 Total	 \$ 27

During the three months ended March 31, 2017, we also recognized net unrealized gains on foreign currency and other transactions of \$4 million.



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The changes in net unrealized appreciation and depreciation during the three months ended March 31, 2016 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
UL Holding Co., LLC	\$ 9
The Step2 Company, LLC	9
ADF Restaurant Group, LLC	8
Community Education Centers, Inc.	5
Netsmart Technologies, Inc. and NS Holdings, Inc.	4
R3 Education, Inc.	4
Orion Foods, LLC	3
Napa Management Services Corporation	3
POS I Corp. (fka Vantage Oncology, Inc.)	2
Things Remembered, Inc.	(2)
Ivy Hill Asset Management, L.P.	(3)
Ciena Capital LLC	(3)
Primexx Energy Corporation	(4)
Infilaw Holding, LLC	(5)
Indra Holdings Corp.	(6)
Instituto de Banca y Comercio, Inc.	(9)
Other, net	(3)
<b>Total</b>	<b>\$ 12</b>

During the three months ended March 31, 2016, we also recognized net unrealized losses on foreign currency and other transactions of \$3 million.

***For the years ended December 31, 2016, 2015 and 2014***

Operating results for the years ended December 31, 2016, 2015 and 2014 were as follows:

(in millions)	For the Years Ended December 31,		
	2016	2015	2014
Total investment income	\$ 1,012	\$ 1,025	\$ 989
Total expenses	497	499	533
Net investment income before income taxes	515	526	456
Income tax expense, including excise tax	21	18	18
Net investment income	494	508	438
Net realized gains on investments and foreign currency transactions	110	127	94
Net unrealized gains (losses) on investments, foreign currency and other transactions	(130)	(246)	59
Realized losses on extinguishment of debt		(10)	
<b>Net increase in stockholders' equity resulting from operations</b>	<b>\$ 474</b>	<b>\$ 379</b>	<b>\$ 591</b>

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

**Investment Income**

(in millions)	For the Years Ended		
	December 31,		
	2016	2015	2014
Interest income from investments	\$ 806	\$ 817	\$ 741
Capital structuring service fees	99	95	113
Dividend income	75	74	85
Management and other fees	16	24	25
Other income	16	15	25
Total investment income	\$ 1,012	\$ 1,025	\$ 989

The decrease in interest income from investments for the year ended December 31, 2016 from the comparable period in 2015 was primarily due to a decrease in the weighted average yield of our portfolio, partially offset by an increase in the average size of our portfolio. The weighted average yield of our portfolio decreased from 9.5% for the year ended December 31, 2015 to 8.9% for the comparable period in 2016, primarily driven by the decrease in the yield of the SSLP Certificates. The size of our portfolio increased from an average of \$8.6 billion at amortized cost for the year ended December 31, 2015 to an average of \$9.0 billion at amortized cost for the comparable period in 2016. The increase in capital structuring service fees for the year ended December 31, 2016 from the comparable period in 2015 was due to the increase in weighted average capital structuring fees received on new investment commitments, which increased from 2.5% for the year ended December 31, 2015 to 3.1% for the comparable period in 2016. Dividend income for the years ended December 31, 2016 and 2015 included dividends received from IHAM totaling \$40 million and \$50 million, respectively. The dividends received from IHAM for the year ended December 31, 2015 included additional dividends of \$10 million that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the year ended December 31, 2016, we received \$20 million in other non-recurring dividends from non-income producing equity securities compared to \$9 million for the comparable period in 2015. The decrease in management and other fees for the year ended December 31, 2016 from the comparable period in 2015 was due to lower sourcing fees from the SSLP resulting from a decrease in the size of the SSLP portfolio.

The increase in interest income from investments for the year ended December 31, 2015 from the comparable period in 2014 was primarily due to an increase in the size of our portfolio, which increased from an average of \$8.1 billion at amortized cost for the year ended December 31, 2014 to an average of \$8.6 billion at amortized cost for the comparable period in 2015. The decrease in capital structuring service fees for the year ended December 31, 2015 from the comparable period in 2014 was primarily due to the decrease in new investment commitments, which decreased from \$4.6 billion for the year ended December 31, 2014 to \$3.8 billion for the comparable period in 2015. Dividend income for the years ended December 31, 2015 and 2014 included dividends received from IHAM totaling \$50 million and \$50 million, respectively. The dividends received from IHAM for the years ended December 31, 2015 and 2014 each included additional dividends of \$10 million that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the year ended December 31, 2015, we received \$9 million in other non-recurring dividends from non-income

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producing equity securities compared to \$19 million for the comparable period in 2014. The decrease in other income for the year ended December 31, 2015 from the comparable period in 2014 was primarily attributable to lower amendment fees.

### Operating Expenses

(in millions)	For the Years Ended December 31,		
	2016	2015	2014
Interest and credit facility fees	\$ 186	\$ 227	\$ 216
Base management fees	137	134	128
Income based fees	123	121	118
Capital gains incentive fees	(5)	(27)	30
Administrative fees	14	14	14
Professional fees and other costs related to the American Capital Acquisition	15		
Other general and administrative	27	30	27
<b>Total operating expenses</b>	<b>\$ 497</b>	<b>\$ 499</b>	<b>\$ 533</b>

Interest and credit facility fees for the years ended December 31, 2016, 2015 and 2014, were comprised of the following:

(in millions)	For the Years Ended December 31,		
	2016	2015	2014
Stated interest expense	\$ 161	\$ 183	\$ 175
Facility fees	5	10	10
Amortization of debt issuance costs	14	17	16
Net accretion of discount on notes payable	6	17	15
<b>Total interest and credit facility fees</b>	<b>\$ 186</b>	<b>\$ 227</b>	<b>\$ 216</b>

Stated interest expense for the year ended December 31, 2016 decreased from the comparable period in 2015 primarily due to the decrease in our weighted average stated interest rate of our debt outstanding, partially offset by an increase in the average principal amount of debt outstanding. The weighted average stated interest rate on our outstanding debt was 4.1% for the year ended December 31, 2016 as compared to 5.0% for the comparable period in 2015 primarily as a result of the repayment upon maturity of the higher cost February 2016 Convertible Notes and June 2016 Convertible Notes and increased utilization of our lower cost revolving facilities. For the year ended December 31, 2016, our average principal debt outstanding increased to \$3.9 billion as compared to \$3.7 billion for the comparable period in 2015. Facility fees for the year ended December 31, 2016 decreased from the comparable period in 2015 primarily due to the increased utilization of our revolving facilities resulting in lower unused commitment fees. Amortization of debt issuance costs and net accretion of discount on notes payable for the year ended December 31, 2016 decreased from the comparable period in 2015 primarily due to the maturity of the February 2016 Convertible Notes and the June 2016 Convertible Notes.

Stated interest expense for the year ended December 31, 2015 increased from the comparable period in 2014 primarily due to the increase in the average principal amount of debt outstanding, partially offset by a decrease in our weighted average stated interest rate of our debt outstanding. For the year ended December 31, 2015, our average principal debt outstanding increased to \$3.7 billion as compared to \$3.3 billion for the comparable period in 2014, and the weighted average stated interest

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rate on our outstanding debt was 5.0% for the year ended December 31, 2015 as compared to 5.3% for the comparable period in 2014.

The increase in base management fees for the year ended December 31, 2016 from the comparable period in 2015 was primarily due to the increase in the size of the portfolio. The increase in income based fees for the year ended December 31, 2016 from the comparable period in 2015 was primarily due to the increase in net investment income excluding income based fees and capital gains incentive fees.

For the years ended December 31, 2016 and 2015, the reduction in capital gains incentive fees calculated in accordance with GAAP was \$5 million and \$27 million, respectively. For the year ended December 31, 2014, the capital gains incentive fees expense calculated in accordance with GAAP was \$30 million. Capital gains incentive fee expense accrual for the year ended December 31, 2016 changed from the comparable period in 2015 primarily due to net losses on investments, foreign currency and other transactions and the extinguishment of debt during the year ended December 31, 2016 of \$20 million compared to net losses of \$129 million during the year ended December 31, 2015. Capital gains incentive fee expense accrual for the year ended December 31, 2015 changed from the comparable period in 2014 primarily due to net losses on investments, foreign currency and other transactions and the extinguishment of debt during the year ended December 31, 2015 of \$129 million compared to net gains of \$153 million during the year ended December 31, 2014. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of December 31, 2016, 2015 and 2014, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$38 million, \$42 million and \$93 million, respectively. As of December 31, 2016 and 2015, there was no capital gains incentive fee actually payable under our investment advisory and management agreement. As of December 31, 2014, the capital gains incentive fee actually payable under our investment advisory and management agreement was \$17 million. See Note 3 to our consolidated financial statements for the year ended December 31, 2016, for more information on the base management fees, income based fees and capital gains incentive fees.

Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs.

For the year ended December 31, 2016, we incurred \$15 million in professional fees and other costs related to the American Capital Acquisition. No such expenses were incurred in the years ended December 31, 2015 and 2014. Other general and administrative expenses include professional fees, rent, insurance, depreciation and director's fees, among other costs.

**Income Tax Expense, Including Excise Tax**

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

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Depending on the level of taxable income earned in a tax year, we may choose to carry forward such taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. If we determine that our estimated current year taxable income will be in excess of estimated dividend distributions for the current year from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. For the years ended December 31, 2016, 2015 and 2014, we recorded a net expense of \$12 million, \$9 million and \$6 million, respectively, for U.S. federal excise tax. The net expense for the years ended December 31, 2016, 2015 and 2014 each included a reduction in expense related to the recording of a requested refund resulting from the overpayment of the prior year's excise tax of \$1 million, \$1 million and \$2 million, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the years ended December 31, 2016, 2015 and 2014, we recorded a tax expense of approximately \$9 million, \$9 million and \$12 million, respectively, for these subsidiaries. The income tax expense for our taxable consolidated subsidiaries will vary depending on the level of realized gains from the exits of investments held by such taxable subsidiaries during the retrospective periods.

**Net Realized Gains/Losses**

During the year ended December 31, 2016, we had \$3.7 billion of sales, repayments or exits of investments resulting in \$110 million of net realized gains on investments. These sales, repayments or exits included \$472 million of investments sold to IHAM and certain vehicles managed by IHAM and \$474 million of investments sold to the SDLP in conjunction with the initial funding of the SDLP. A net realized gain of \$1 million was recorded on these transactions with IHAM and there was no realized gains or losses recorded on these transactions with the SDLP. See Note 4 to our consolidated financial statements for the year ended December 31, 2016 for more detail on IHAM and its managed vehicles. During the year ended December 31, 2016, net realized gains on investments of \$110 million were comprised of \$121 million of gross realized gains and \$11 million of gross realized losses.

The net realized gains on investments during the year ended December 31, 2016 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
The Step2 Company, LLC	\$ 18
Napa Management Services Corporation	16
UL Holding Co., LLC	13
Physiotherapy Associates Holdings, Inc.	8
Netsmart Technologies, Inc.	8
Ministry Brands, LLC and MB Parent Holdings, LLC	7
AllBridge Financial, LLC	6
Lakeland Tours, LLC	5
WorldPay Group PLC	4
Primexx Energy Corporation	4
Q9 Holdings Inc.	(9)
Other, net	30
<b>Total, net</b>	<b>\$ 110</b>

During the year ended December 31, 2015, we had \$3.7 billion of sales, repayments or exits of investments resulting in \$121 million of net realized gains on investments. These sales, repayments or exits included \$538 million of investments sold to IHAM or certain vehicles managed by IHAM. A net realized gain of \$1 million was recorded on these transactions. See Note 4 to our consolidated financial

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statements for the year ended December 31, 2016 for more detail on IHAM and its managed vehicles. Net realized gains on investments of \$121 million were comprised of \$125 million of gross realized gains and \$4 million of gross realized losses.

The net realized gains on investments during the year ended December 31, 2015 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Cast & Crew Payroll, LLC	\$ 26
Tripwire, Inc.	14
TAP Holdings, LLC	11
Global Healthcare Exchange, LLC	8
Protective Industries, Inc.	8
Hojeij Branded Foods, Inc.	8
Wellspring Distribution Corp	6
Driven Brands, Inc.	5
Fulton Holdings Corp.	5
Other, net	30
<b>Total</b>	<b>\$ 121</b>

During the year ended December 31, 2015, we also recognized net realized gains on foreign currency transactions of \$6 million. In addition, during the year ended December 31, 2015, we redeemed the entire \$144 million aggregate principal amount outstanding of the unsecured notes that were scheduled to mature on February 15, 2022 (the "February 2022 Notes"). The February 2022 Notes were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately \$145 million, which resulted in a realized loss on the extinguishment of debt of \$4 million. The \$200 million aggregate principal amount of unsecured notes that were scheduled to mature on October 15, 2040 were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately \$201 million, which resulted in a realized loss on the extinguishment of debt of \$7 million.

During the year ended December 31, 2014, we had \$3.3 billion of sales, repayments or exits of investments resulting in \$92 million of net realized gains on investments. These sales, repayments or exits included \$220 million of investments sold to IHAM or certain vehicles managed by IHAM. There were no realized gains or losses recorded on these transactions. Net realized gains on investments of \$92 million were comprised of \$154 million of gross realized gains and \$62 million of gross realized losses.

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The net realized gains on investments during the year ended December 31, 2014 consisted of the following: