ARES CAPITAL CORP
Form N-2/A
August 31, 2018

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As filed with the Securities and Exchange Commission on August 31, 2018

Registration No. 333-223482

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

**ý PRE-EFFECTIVE AMENDMENT NO. 2
o POST-EFFECTIVE AMENDMENT NO.**

ARES CAPITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

**245 Park Avenue, 44th 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, 44th Floor
New York, New York 10167
(212) 750-7300**
(Name and Address of Agent for Service)

Copies of information to:

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

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

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

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

o 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(4)				
Debt Securities(5)				
Units(6)				
Total			$3,000,000,000(7)	$373,500(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 August 31, 2018

PROSPECTUS

$3,000,000,000

Common Stock
Preferred Stock
Debt Securities
Subscription Rights
Warrants
Units

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 August 30, 2018 the last reported sales price of our common stock on The NASDAQ Global Select Market was $17.44 per share. The net asset value per share of our common stock at June 30, 2018 (the last date prior to the date of this prospectus on which we determined net asset value) was $17.05.

Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 22 of this prospectus, including the risk of leverage.

We may offer, from time to time, in one or more offerings or series, up to $3,000,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, which we refer to, collectively, as the "securities." The preferred stock, debt securities, subscription rights and warrants (including as part of a unit) offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) in connection with a rights offering to our existing stockholders, (b) with the prior approval of the majority of our common stockholders or (c) under such circumstances as the SEC may permit. This prospectus and the accompanying prospectus supplement concisely provide important information about us that you should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at *www.arescapitalcorp.com*. The SEC also maintains a website at *www.sec.gov* that contains such information.

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

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

The date of this prospectus is , 2018.

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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 ("IPO") on October 8, 2004. As of June 30, 2018, we were the largest BDC in the United States with approximately $12.3 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, pursuant to our investment advisory and management agreement. 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 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 and investments in project finance/power generation projects generally range between $10 million and $200 million. However, the investment sizes may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro-and macro-economic factors.

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

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

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

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships of Ares 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 20 years and its partners have an average of approximately 23 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 June 30, 2018, Ares had approximately 405 investment professionals and approximately 640 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.

Senior Direct Lending Program

We have 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. and other partners. The joint venture is called the Senior Direct Lending Program (the "SDLP"). In July 2016, the Company and Varagon and its clients completed the initial funding of 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 ours 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 June 30, 2018, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates. The SDLP Certificates pay a coupon of the London Interbank Offered Rate ("LIBOR") plus a stated spread and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the 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.

As of June 30, 2018, we and Varagon and its clients had agreed to make capital available to the SDLP of $6.4 billion in the aggregate, of which $1.4 billion is to be made available from us. We will continue to provide capital to the SDLP in the form of SDLP Certificates, and Varagon and its clients will provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. Investment of any unfunded amount must be approved by the investment committee of the SDLP consisting of representatives of ours and Varagon (with approval from a representative of each required).

For more information on the SDLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Co-Investment Programs Senior Direct Lending Program."

Ivy Hill Asset Management, L.P.

As of June 30, 2018, our portfolio company, IHAM, an SEC-registered investment adviser, managed 23 vehicles and served as the sub-manager/sub-servicer for two other vehicles (such vehicles, the "IHAM Vehicles"). As of June 30, 2018, IHAM had assets under management of approximately $5.0 billion. As of June 30, 2018, the amortized cost and fair value of our investment in IHAM was $444 million and $521 million, respectively. 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.

Ares Capital Management LLC

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of approximately 95 U.S.-based investment professionals as of June 30, 2018, and led by certain partners of the Ares Credit Group: 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 primarily comprised of certain of the U.S.-based partners of the Ares Credit Group.

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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 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.

- We believe the middle-market represents a significant portion of the overall economy, and the demand for capital by middle-market companies reflects generally stronger growth trends and financial performance. In addition, due to the fragmented nature of the middle-market and the lack of publicly available information, we believe lenders have an opportunity to originate and underwrite investments with more favorable terms, including stronger covenant and reporting packages, as well as better call protection and change of control provisions as compared to the large, broadly syndicated loan market.

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 our affiliation with Ares provides a distinct competitive advantage through Ares' originations, due diligence, and marketing activities. 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

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

Scale and Flexible Transaction Structuring

We believe that being one of the largest BDCs makes us a more desirable and flexible capital provider, especially in competitive markets. We are flexible 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 junior capital focused 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 June 30, 2018, Ares oversaw a portfolio of investments in over 1,500

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companies, over 500 structured assets and over 170 properties across approximately 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;
- 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 approximately 60 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

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any of its downstream affiliates (other than us and our downstream affiliates) is also co-investing. On January 18, 2017, we received an order from the SEC that permits us and other BDCs 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 "Co-investment Exemptive Order"). Co-investments made under the Co-investment Exemptive Order are subject to compliance with certain conditions and other requirements, which could limit our ability to participate in a co-investment transaction. We may also otherwise 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.

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, under the provisions of the Investment Company Act, 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"), unless the BDC obtains approval (either stockholder approval or approval of a "required majority" (as defined in Section 57(o) of the Investment Company Act) of its board of directors) to apply the modified asset coverage requirements set forth in Section 61(a)(2) of the Investment Company Act, as amended by the Small Business Credit Availability Act (the "SBCAA"), reducing the required asset coverage ratio applicable to the BDC from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us).

Currently, our asset coverage requirement applicable to senior securities is 200%. On June 21, 2018, our board of directors, including a "required majority" of our board of directors, approved the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the Investment Company Act, as amended by the SBCAA. As a result, effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150%. In order to incur this additional leverage, we intend to enter into certain amendments for our Revolving Credit Facility (as defined below) and Revolving Funding Facility (as defined below) to reduce the current asset coverage requirements specified therein. See "Risk Factors Risks Relating to Our Business Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which may increase the risk of investing with us" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources."

As of June 30, 2018, our asset coverage was 255%.

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 to be subject to additional U.S. federal corporate-level income 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 that there may be opportunity for 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.

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. In connection with evaluating potential strategic acquisition and investment transactions, we may incur significant expenses for the evaluation and due diligence investigation of these potential transactions.

INDEBTEDNESS

As of June 30, 2018, we had approximately $4.6 billion in aggregate principal amount of total outstanding indebtedness, approximately $4.2 billion aggregate principal amount of which was unsecured indebtedness of Ares Capital and approximately $414 million aggregate principal amount of which was secured indebtedness at the Ares Capital level.

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."

RISK FACTORS

Investing in Ares Capital involves risks. The following is a summary of the principal risks that you should carefully consider before investing in our securities. In addition, see "Risk Factors" beginning on page 22 for a more detailed discussion of the principal risks as well as certain other risks you should carefully consider before deciding to invest in our securities.

- The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets, 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.
- A failure on our part to maintain our status as a BDC may significantly reduce our operating flexibility and a failure to maintain our status as a RIC may subject us to additional corporate-level income taxes.

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

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 and may increase the risk of investing with us.

Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which may increase the risk of investing with us.

We operate in a highly competitive market for investment opportunities.

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

Most of our portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable. Additionally, to the extent that we need liquidity and need to sell assets, the lack of liquidity in our investments may adversely affect our business.

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

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

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

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

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

Our portfolio companies may be highly leveraged.

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

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.

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 principal 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 14, 2018, 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 14, 2019.

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."

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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." We are currently allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources." The amount of leverage that we employ at any particular time will depend on our investment adviser's and our board of directors' assessments of market and other factors at the time of any proposed borrowing.
Management arrangements	Ares Capital Management serves as our investment adviser. Ares Operations serves as our administrator. For a description of Ares Capital Management, Ares Operations, Ares and our contractual arrangements with these companies, see "Management Investment Advisory and Management Agreement," and " Administration Agreement."
Available information	We are required to file periodic reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at *www.arescapitalcorp.com.* 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*.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear, directly or indirectly, based on the assumptions set forth below. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this 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.

Stockholder transaction expenses (as a percentage of offering price):		
Sales load		(1)
Offering expenses		(2)
Dividend reinvestment plan expenses	Up to $15 Transaction Fee	(3)
Total stockholder transaction expenses paid		(4)

Annual expenses (as a percentage of consolidated net assets attributable to common stock)(5):	
Base management fees	2.60%(6)
Income based fees and capital gains incentive fees (excluding the Fee Waiver (as defined below))	2.72%(7)
Interest payments on borrowed funds	3.41%(8)
Other expenses	0.97%(9)
Acquired fund fees and expenses	1.34%(10)
Total annual expenses	11.04%(11)
Fee Waiver	(0.56)%(12)
Total annual expenses after the Fee Waiver	10.48%(11)(12)

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(1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load (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)

The "consolidated net assets attributable to common stock" used to calculate the percentages in this table is our average net assets of $7.2 billion for the six months ended June 30, 2018.

(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 six months ended June 30, 2018 by 1.5%. The 2.60% reflected on the table is higher than 1.5% because it is calculated on our average net assets (rather than our average total assets) for the same period. See "Management Investment Advisory and Management Agreement."

(7)

This item represents our investment adviser's income based fees and capital gains incentive fees estimated by annualizing income based fees for the six months ended June 30, 2018 without taking into account the Fee Waiver, and the capital gains incentive fee expense accrued in accordance with U.S. generally accepted accounting principles ("GAAP") for the six months ended June 30, 2018, even though no capital gains incentive fee was actually payable under the investment advisory and management agreement as of June 30, 2018.

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 IPO through June 30, 2018, 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) have been approximately 0.66% of our weighted average net assets for such period (2.64% 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, 2017 and the three and six months ended June 30, 2018.

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

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then receives, as a "catch-up," 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.1875% in any calendar quarter, our investment adviser will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

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 six months ended June 30, 2018. During the six months ended June 30, 2018, our average outstanding borrowings were approximately $5.0 billion and cash paid for interest expense was $97 million. We had outstanding borrowings of approximately $4.6 billion (with a carrying value of approximately $4.5 billion) as of June 30, 2018. 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." We are currently allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). See "Risk Factors Risks Relating to Our Business Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which 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 six months ended June 30, 2018. 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."

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(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 estimated annual fees and operating expenses of Acquired Funds in which the Company is invested as of June 30, 2018. 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Co-Investment Programs Senior Direct Lending Program" and Note 4 to our consolidated financial statements for the year ended December 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 June 30, 2018 and include interest payments on the senior notes and intermediate funding notes provided by Varagon and its clients, which represent 91% of such expenses.

(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.

(12)

In connection with our acquisition of American Capital, Ltd. ("American Capital") (the "American Capital Acquisition"), our investment adviser 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 and ending with the third quarter of 2019, in an amount equal to the lesser of (1) $10 million of 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"). This item represents the estimated adjustment of $40 million on an annualized basis to our investment adviser's income based fees to take into account the Fee Waiver.

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

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following example. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 common stock investment, assuming a 5% annual return (none of which is subject to the capital gains incentive fee)(1)	$ 85	$ 247	$ 398	$ 730
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)	$ 95	$ 275	$ 441	$ 800

(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, 2017, 2016, 2015, 2014 and 2013 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 six months ended June 30, 2018 and June 30, 2017 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. 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 Six Months Ended June 30, 2018 and June 30, 2017 and
As of and For the Years Ended December 31, 2017, 2016, 2015, 2014 and 2013
(dollar amounts in millions, except per share data and as otherwise indicated)

	As of and For the Six Months Ended June 30,		As of and For the Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(unaudited)	(unaudited)					
Total Investment Income	$ 650	$ 559	$ 1,160	$ 1,012	$ 1,025	$ 989	$ 882
Total Expenses, Net of Waiver of Income Based Fees	333	332	630	497	499	533	437
Net Investment Income Before Income Taxes	317	227	530	515	526	456	445
Income Tax Expense, Including Excise Tax	11	9	19	21	18	18	14
Net Investment Income	306	218	511	494	508	438	431
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	190	78	156	(20)	(129)	153	58
Net Increase in Stockholders' Equity Resulting from Operations	$ 496	$ 296	$ 667	$ 474	$ 379	$ 591	$ 489
Per Share Data:							
Net Increase in Stockholder's Equity Resulting from Operations:							
Basic	$ 1.16	$ 0.70	$ 1.57	$ 1.51	$ 1.20	$ 1.94	$ 1.83
Diluted	$ 1.16	$ 0.70	$ 1.57	$ 1.51	$ 1.20	$ 1.94	$ 1.83
Cash Dividends Declared and Payable(1)	$ 0.76	$ 0.76	$ 1.52	$ 1.52	$ 1.57	$ 1.57	$ 1.57
Net Asset Value	$ 17.05	$ 16.54	$ 16.65	$ 16.45	$ 16.46	$ 16.82	$ 16.46
Total Assets(2)	$ 12,297	$ 12,328	$ 12,347	$ 9,245	$ 9,507	$ 9,454	$ 8,094
Total Debt (Carrying Value)(2)	$ 4,542	$ 4,838	$ 4,854	$ 3,874	$ 4,114	$ 3,881	$ 2,939
Total Debt (Principal Amount)	$ 4,632	$ 4,928	$ 4,943	$ 3,951	$ 4,197	$ 3,999	$ 3,079
Total Stockholders' Equity	$ 7,270	$ 7,051	$ 7,098	$ 5,165	$ 5,173	$ 5,284	$ 4,904
Other Data:							
Number of Portfolio Companies at Period End(3)	346	319	314	218	218	205	193
Principal Amount of Investments Purchased(4)	$ 2,994	$ 2,811	$ 7,263	$ 3,490	$ 3,905	$ 4,534	$ 3,493
Principal Amount of Investments Acquired as part of the American Capital Acquisition on January 3, 2017		$ 2,543	$ 2,543				
Principal Amount of Investments Sold and Repayments	$ 3,508	$ 2,710	$ 7,107	$ 3,655	$ 3,651	$ 3,213	$ 1,801
Total Return Based on Market Value(5)	9.5%	3.9%	4.5%	26.4%	1.3%	(3.3)%	10.5%
Total Return Based on Net Asset Value(6)	7.0%	5.5%	10.5%	9.2%	7.2%	11.8%	11.4%
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(7):	10.5%	9.5%	9.8%	9.4%	10.3%	10.1%	10.4%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(7):	10.4%	9.4%	9.7%	9.3%	10.1%	10.1%	10.4%
Weighted Average Yield of Total Investments at Fair Value(8):	9.0%	8.3%	8.7%	8.5%	9.2%	9.1%	9.3%
	9.1%	8.2%	8.7%	8.3%	9.1%	9.3%	9.4%

Weighted Average Yield of Total Investments at Amortized Cost(8):

(1) Includes 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 and an additional dividend of $0.05 per share paid in the year ended December 31, 2013.

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(2)

Certain prior year amounts have been reclassified to conform to the 2017 and 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.

(3)

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

(4)

Excludes $2.5 billion of investments acquired as part of the American Capital Acquisition on January 3, 2017.

(5)

For the six months ended June 30, 2018, the total return based on market value equaled the increase of the ending market value at June 30, 2018 of $16.45 per share from the ending market value at December 31, 2017 of $15.72 per share plus the declared and payable dividends of $0.76 per share for the six months ended June 30, 2018, divided by the market value at December 31, 2017. For the six months ended June 30, 2017, the total return based on market value equaled the decrease of the ending market value at June 30, 2017 of $16.38 per share from the ending market value at December 31, 2016 of $16.49 per share plus the declared and payable dividends of $0.76 per share for the six months ended June 30, 2017, divided by the market value at December 31, 2016. For the year ended December 31, 2017, the total return based on market value equaled the decrease of the ending market value at December 31, 2017 of $15.72 per share from the ending market value at December 31, 2016 of $16.49 per share plus the declared and payable dividends of $1.52 per share for the year ended December 31, 2017, divided by the market value at December 31, 2016. 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. 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 six months ended June 30, 2018, 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 $0.76 per share for the six months ended June 30, 2018, divided by the beginning net asset value for the period. For the six months ended June 30, 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 $0.76 per share for the six months ended June 30, 2017, divided by the beginning net asset value for the period. For the year ended December 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 $1.52 per share for the year ended December 31, 2017, 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. 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.

(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.

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

	2018			
	Q4	Q3	Q2	Q1
Total investment income			$ 333	$ 317
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees, net of waiver of income based fees			$ 210	$ 192
Income based fees, and capital gains incentive fees, net of waiver of income based fees			$ 48	$ 48
Net investment income before net realized and unrealized gains			$ 162	$ 144
Net realized and unrealized gains			$ 92	$ 98
Net increase in stockholders' equity resulting from operations			$ 254	$ 242
Basic and diluted earnings per common share			$ 0.60	$ 0.57
Net asset value per share as of the end of the quarter			$ 17.05	$ 16.84

	2017			
	Q4	Q3	Q2	Q1
Total investment income	$ 307	$ 294	$ 284	$ 275
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees, net of waiver of income based fees	$ 185	$ 175	$ 154	$ 142
Income based fees, and capital gains incentive fees, net of waiver of income based fees	$ 45	$ 22	$ 30	$ 48
Net investment income before net realized and unrealized gains	$ 140	$ 153	$ 124	$ 94
Net realized and unrealized gains	$ 92	$ (14)	$ 54	$ 24
Net increase in stockholders' equity resulting from operations	$ 232	$ 139	$ 178	$ 118
Basic and diluted earnings per common share	$ 0.54	$ 0.33	$ 0.42	$ 0.28
Net asset value per share as of the end of the quarter	$ 16.65	$ 16.49	$ 16.54	$ 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	$ 157	$ 164	$ 144	$ 147
Income based fees and capital gains incentive fees	$ 19	$ 27	$ 39	$ 33
Net investment income before net realized and unrealized gains (losses)	$ 138	$ 137	$ 105	$ 114
Net realized and unrealized gains (losses)	$ (63)	$ (28)	$ 53	$ 18
Net increase in stockholders' equity resulting from operations	$ 75	$ 109	$ 158	$ 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

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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, if any, 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 ("Brexit") in June 2016 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 14, 2018, 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 14, 2019.

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, including being at a higher cost due to a rising rate environment. 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 under certain circumstances. 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 has raised the Federal Funds Rate seven times during the period between December 2015 and June 2018, 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 European sovereign debt crisis and the economic slowdown in China, could cause interest

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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 may 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.

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

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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, we are currently 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. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). Such requirement, 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.

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 currently 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. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). If the value of our assets declines, we may be unable to satisfy this test, which may prohibit us from paying dividends and could prevent us from maintaining our status as a RIC or may prohibit us from repurchasing shares of our common stock. In addition, our inability to satisfy this test could cause an event of default under our existing indebtedness. If we cannot satisfy this test, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. Accordingly, any failure to satisfy this test could have a material adverse effect on our business, financial condition or results of operations. As of June 30, 2018, our asset coverage calculated in accordance with the Investment Company Act was 255%. 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.

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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 14, 2018, 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 14, 2019.

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 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 June 30, 2018, we had approximately $414 million of outstanding borrowings under the Facilities, approximately $688 million in aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below) and approximately $3.5 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 June 30, 2018, we must achieve annual returns on our June 30, 2018 total assets of at least 1.6%. The weighted average stated interest rate charged on our principal amount of outstanding indebtedness as of June 30, 2018 was 4.2%. 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." 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. We are currently allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). Accordingly, our interest expenses as a percentage of our total assets will be higher if we use increased leverage permitted under our modified asset coverage requirement applicable to senior securities.

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

The following table illustrates the effect on return to a holder of our common stock of the leverage created by our use of borrowing at the weighted average stated interest rate of 4.2% as of June 30, 2018, together with (a) our total value of net assets as of June 30, 2018; (b) approximately $4.6 billion in aggregate principal amount of indebtedness outstanding as of June 30, 2018 and (c) hypothetical annual returns on our portfolio of minus 15% to plus 15%.

Assumed Return on Portfolio (Net of Expenses)(1)	15.00%	10.00%	5.00%	%	5.00%	10.00%	15.00%
Corresponding Return to Common Stockholders(2)	28.02%	19.56%	11.11%	2.65%	5.81%	14.27%	22.72%

(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 June 30, 2018. As a result, it has not been updated to take into account any changes in assets or leverage since June 30, 2018.

(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of our assets at June 30, 2018 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 4.2% by the approximately $4.6 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 June 30, 2018 to determine the "Corresponding Return to Common Stockholders."

Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which may increase the risk of investing with us.

On June 21, 2018, our board of directors, including a "required majority" of our board of directors, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the Investment Company Act, as amended by the SBCAA. As a result, effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us), and the risks associated with an investment in us may increase.

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

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

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

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

Accordingly, although we believe we will continue to be in compliance, there are no assurances that we will continue to comply with the covenants in the Facilities, the Convertible Unsecured Notes and the Unsecured Notes. Failure to comply with these covenants could result in a default under the Facilities, the Convertible Unsecured Notes or the Unsecured Notes, that, if we were unable to obtain a waiver from the lenders or holders of such indebtedness, as applicable, such lenders or holders could 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.

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

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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. The loss of such investment opportunities may limit our ability to grow or cause us to have to shrink the size of our portfolio, which could decrease our earnings. 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 assure you that we would qualify for any such relief should we fail the source of income or asset diversification requirements.

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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 could 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. From time to time, we may also enter into certain hedging transactions to mitigate our exposure to rising borrowing costs. 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 indebtedness.

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 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.

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 investment adviser or its 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 could interfere with the time available to provide services to us. 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 our investment adviser 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.

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 (including our investment adviser). In addition, there may be conflicts in the allocation of investments among us and the funds managed by investment managers affiliated with Ares (including our investment adviser) or one or more of our controlled affiliates or among the funds they manage, including investments made pursuant to the Co-investment Exemptive 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 IHAM Vehicles and, as part of our investment strategy, we may offer to sell additional assets to vehicles managed by one or more of our affiliates (including IHAM) or we may purchase assets from vehicles managed by one or more of our affiliates (including IHAM). In addition, vehicles managed by one or more of our 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 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 could affect our total assets, such as decisions as to whether to incur indebtedness or to make future investments. We are currently allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). Accordingly, our investment adviser may have conflicts of interest in connection with decisions to use increased leverage permitted under our modified asset coverage requirement applicable to senior securities, as the incurrence of such additional indebtedness would result in an increase in the base management fees payable to our investment adviser and may also result in an increase in the income based fees and capital gains incentive fees payable to our investment adviser.

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 to our investment adviser. 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 compensation, rent and other expenses of certain of our officers (including our chief compliance officer, chief financial officer, chief accounting officer, general counsel, secretary, 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 Management (including those members of management focused primarily on managing Ares Capital) has interests that differ from those of yours, giving rise to a conflict.

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

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

Our business is dependent on our and third parties' communications and information systems. Further, in the ordinary course of our business we or our investment adviser may engage certain third party service providers to provide us with services necessary for our business. Any failure or interruption of those systems or services, including as a result of the termination or suspension of an agreement with any third-party service providers, could cause delays or other problems in our business 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.

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

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the information resources of us or our portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our portfolio companies 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 business relationships. As our and our portfolio companies' 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, and the information systems of our portfolio companies. 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.

Changes in laws or regulations governing our operations or the operations of our portfolio companies, changes in the interpretation thereof or newly enacted laws or regulations, such as the Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), Public Law No. 115-97 (the "Tax Cuts and Jobs Act") and the SBCAA, 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 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

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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 relating to capital, margin, trading and clearance and settlement of derivatives, 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.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies.

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 any laws, regulations or other government policies that inhibit federal regulation of the U.S. financial system. On June 12, 2017, the U.S. Department of the Treasury published the first of several reports in response to the Executive Order on the depository system covering banks and other savings institutions. On October 6, 2017, the Treasury released a second report outlining ways to streamline and reform the U.S. regulatory system for capital markets, followed by a third report, on October 26, 2017, examining the current regulatory framework for the asset management and insurance industries. Subsequent reports are expected to address: retail and institutional investment products and vehicles; as well as non-bank financial institutions, financial technology, and financial innovation.

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from $50 billion to $250 billion the asset threshold for designation of "systemically important financial institutions" or "SIFIs" subject to enhanced prudential standards set by the Federal Reserve, staggering application of this change based on the size and risk of the covered bank holding company. On May 30th, the Federal Reserve voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. On July 17, 2018, the House of Representatives passed the JOBS and Investor Confidence Act, which includes 32 pieces of legislation intended to help small businesses, entrepreneurs and investors by reforming capital markets. The proposed legislation includes provisions to expand the definition of "accredited investors," extend on-ramp exemptions for emerging growth companies (EGCs) and ease securities regulations on initial public offerings. The legislation was forwarded to the Senate for consideration, where it may be approved, amended or set aside with no further action. At this time it is not possible to determine the potential impact of these new laws and proposals on us.

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On March 23, 2018, the SBCAA was signed into law. The SBCAA, among other things, modifies the applicable provisions of the Investment Company Act to reduce the required asset coverage ratio applicable to BDCs from 200% to 150% subject to certain approval, time and disclosure requirements (including either stockholder approval or approval of a "required majority" of its board of directors). On June 21, 2018, our board of directors, including a "required majority" of our board of directors, approved the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the Investment Company Act, as amended by the SBCAA. As a result, effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us), and the risks associated with an investment in us may increase.

Changes to United States tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.

There has been ongoing discussion and commentary regarding potential significant changes to United States trade policies, treaties and tariffs. The current administration, along with Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to the trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities or the cost of our borrowings.

Concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities. The future of LIBOR at this time is uncertain. Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities, or the cost of our borrowings. In addition, changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities, including the value of our portfolio of LIBOR-indexed, floating-rate debt securities, or the cost of our borrowings. Additionally, if LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate and certain of our existing credit facilities to replace LIBOR with the new standard that is established.

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 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 interest, it is possible that accrued and unpaid 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.

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.

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 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 generally 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;
- we, 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 (including the Tax Cuts and Jobs Act), as well as their interpretations, may adversely affect their business, financial structure or prospects; and
- they may have difficulty accessing the capital markets to meet future capital needs.

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

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

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

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

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

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

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

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We may invest, to the extent permitted by law, in the equity securities of investment funds that are operating pursuant to certain exceptions to the Investment Company Act and in advisers to similar investment funds and, to the extent we so invest, will bear our ratable share of any such company's expenses, including management and performance fees. We will also remain obligated to pay 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.

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

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

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

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

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

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 investment in such portfolio company.

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.

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.

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

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

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

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

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

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

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

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

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

RISKS RELATING TO OFFERINGS PURSUANT TO THIS PROSPECTUS

Our shares of common stock have traded at a discount from net asset value and may do so again, 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 below net asset value. In the recent past, the stocks of BDCs as an industry, including at times 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 14, 2018, 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 14, 2019.

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 non-income producing securities, it could reduce the amount available for distribution and may also inhibit our ability to make required interest payments to holders of our debt, which may cause a default under the

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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. See "Price Range of Common Stock and Distributions."

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

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

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- changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to RICs or BDCs;
- loss of our RIC status;
- 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;
- changes in our earnings or variations in our operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of Ares' key personnel;
- operating performance of companies comparable to us;
- short-selling pressure with respect to shares of our common stock or BDCs generally;
- future sales of our securities convertible into or exchangeable or exercisable for our common stock or the conversion of such securities, including the Convertible Unsecured Notes;
- uncertainty surrounding the strength of the U.S. economy;
- 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 asset coverage test.

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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 14, 2018, 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 14, 2018 and expires on May 14, 2019.

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

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

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

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

Further, if 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

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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 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 2019 Convertible Notes (as defined below) are convertible into shares of our common stock. 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. To the extent the 2019 Convertible Notes are converted, the 2019 Convertible Notes will settle with a combination of cash and shares of our common stock. Upon conversion of the 2022 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 June 30, 2018, 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.

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

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

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

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

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

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

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of 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

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proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

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

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

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FORWARD-LOOKING STATEMENTS

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

- our, or our portfolio companies', future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations (including the interpretation thereof), including the Tax Cuts and Jobs Act and the SBCAA, governing our operations or the operations of our portfolio companies or the operations of our competitors;
- that effective June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which may increase the risk of investing with us;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to recover unrealized losses;
- our ability to successfully invest any capital raised in 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 program;
- 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;

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 adequacy of our cash resources and working capital;

the timing, form and amount of any dividend distributions;

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

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

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We use words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions to identify forward- looking statements, 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").

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USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which 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 $4.6 billion aggregate principal amount outstanding as of June 30, 2018) under (a) the Revolving Credit Facility ($414 million outstanding as of June 30, 2018), (b) the Revolving Funding Facility (no amounts outstanding as of June 30, 2018), (c) the SMBC Funding Facility (no amounts outstanding as of June 30, 2018), (d) the 2019 Convertible Notes (approximately $300 million aggregate principal amount outstanding as of June 30, 2018), (e) the 2022 Convertible Notes (approximately $388 million aggregate principal amount outstanding as of June 30, 2018), (f) the 2018 Notes (as defined below) (approximately $750 million aggregate principal amount outstanding as of June 30, 2018), (g) the 2020 Notes (as defined below) (approximately $600 million aggregate principal amount outstanding as of June 30, 2018), (h) the January 2022 Notes (as defined below) (approximately $600 million aggregate principal amount outstanding as of June 30, 2018), (i) the 2023 Notes (as defined below) (approximately $750 million aggregate principal amount outstanding as of June 30, 2018), (j) the 2025 Notes (as defined below) (approximately $600 million aggregate principal amount outstanding as of June 30, 2018) and (k) the 2047 Notes (as defined below) (approximately $230 million aggregate principal amount outstanding as of June 30, 2018).

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 1.875% or an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of either 0.75% or 0.875%, 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 June 30, 2018, the one, two, three and six month LIBOR was 2.09%, 2.17%, 2.34% and 2.50%, respectively. As of June 30, 2018, for $1.6 billion of the total Revolving Credit Facility capacity, the expiration date is March 30, 2023, for $50 million of the Revolving Credit Facility capacity, the expiration date is January 4, 2022 and for the remaining $45 million, the expiration date is May 4, 2020. The interest charged on the indebtedness incurred under the Revolving Funding Facility is based on LIBOR plus 2.15% per annum or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) of 1.15% 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, 2023 (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) 4.375% in the case of the 2019 Convertible Notes, (b) 3.75% in the case of the 2022 Convertible Notes, (c) 4.875% in the case of the 2018 Notes, (d) 3.875% in the case of the 2020 Notes, (e) 3.625% in the case of the January 2022 Notes, (f) 3.500% in the case of the 2023 Notes, (g) 4.250% in the case of the 2025 Notes and (h) 6.875% in the case of the 2047 Notes. The 2019 Convertible Notes and the 2022 Convertible Notes mature on January 15, 2019 and February 1, 2022, respectively. The 2018 Notes, the 2020 Notes, the January 2022 Notes, the 2023 Notes, the 2025 Notes and the 2047 Notes mature on November 30, 2018, January 15, 2020, January 19, 2022, February 10, 2023, March 1, 2025 and April 15, 2047, respectively. The supplement to this prospectus relating to an offering may more fully identify the use of the proceeds from such offering.

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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.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." Our common stock has historically traded at prices both above and below 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 first three quarters of the year ended December 31, 2018 and each fiscal quarter for the fiscal years ended December 31, 2017 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 August 30, 2018, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was $17.44 per share, which represented a premium of approximately 2.3% to the net asset value per share reported by us as of June 30, 2018.

	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			
Year ended December 31, 2016						
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
Year ending December 31, 2017						
First Quarter	$ 16.50	$ 17.81	$ 16.42	7.94%	(0.48)%	$ 0.38
Second Quarter	$ 16.54	$ 17.64	$ 16.18	6.65%	(2.18)%	$ 0.38
Third Quarter	$ 16.49	$ 16.52	$ 15.67	(0.18)%	(5.07)%	$ 0.38
Fourth Quarter	$ 16.65	$ 16.61	$ 15.69	(0.24)%	(5.77)%	$ 0.38
Year ending December 31, 2018						
First Quarter	$ 16.84	$ 16.28	$ 15.25	(3.33)%	(9.44)%	$ 0.38
Second Quarter	$ 17.05	$ 17.09	$ 15.90	0.23%	(6.75)%	$ 0.38
Third Quarter (through August 30, 2018)	*	$ 17.47	$ 16.45	*	*	$ 0.39

(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.

* Net asset value has not yet been calculated 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 dividends or make additional distributions to our stockholders from time to time. Our quarterly and additional dividends or distributions, if any, will be determined by our board of directors.

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The following table summarizes our dividends or distributions declared and payable for the fiscal years ended December 31, 2016, 2017 and 2018:

Date Declared	Record Date	Payment Date	Amount
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
August 2, 2017	September 15, 2017	September 29, 2017	$ 0.38
November 2, 2017	December 15, 2017	December 29, 2017	$ 0.38
Total declared and payable for 2017			$ 1.52
February 13, 2018	March 15, 2018	March 30, 2018	$ 0.38
May 2, 2018	June 15, 2018	June 29, 2018	$ 0.38
August 1, 2018	September 14, 2018	September 28, 2018	$ 0.39
Total declared and payable for 2018			$ 1.15

Of the $1.52 per share in dividends declared and payable for the year ended December 31, 2017, $1.45 per share was comprised of ordinary income and $0.07 was comprised of long-term capital gains. 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.

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 (to the extent that income tax was not imposed on such amounts). 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 six months ended June 30, 2018, we recorded an excise tax expense of $7 million. For the years ended December 31, 2017 and 2016, we recorded a net excise tax expense of $12 million and $12 million, respectively. The net expense for the years ended December 31, 2017 and 2016 each included a net 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 and $1 million, respectively. We cannot assure you that we will achieve results that will permit the payment of any cash distributions. We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend, stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. See "Dividend Reinvestment Plan."

RATIOS OF EARNINGS TO FIXED CHARGES

For the six months ended June 30, 2018 and years ended December 31, 2017, 2016, 2015, 2014 and 2013, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the Six Months Ended June 30, 2018	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
Earnings to Fixed Charges(1)	5.2	4.0(2)	3.7	2.7(3)	3.8(4)	3.9

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 3.9 for the six months ended June 30, 2018, 3.5 for the year ended December 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 and 3.7 for the year ended December 31, 2013.

(2) Earnings for the year ended December 31, 2017 included a net realized loss on the extinguishment of debt of $4.2 million.

(3) Earnings for the year ended December 31, 2015 included a net realized loss on the extinguishment of debt of $10.4 million.

(4) Earnings for the year ended December 31, 2014 included a net realized loss on the extinguishment of debt of $0.1 million.

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

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

OVERVIEW

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

We are externally managed by Ares Capital Management, a subsidiary of Ares Management, a publicly traded, leading global 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.

Since our IPO on October 8, 2004 through June 30, 2018, our exited investments resulted in an asset level realized gross internal rate of return to us of approximately 14% (based on original cash invested, net of syndications, of approximately $23.1 billion and total proceeds from such exited investments of approximately $29.3 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 63% of these exited investments resulted in an asset level realized gross internal rate of return to us of 10% or greater.

Additionally, since our IPO on October 8, 2004 through June 30, 2018, our realized gains have exceeded our realized losses by approximately $629 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 1.0% (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.

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") to acquire American Capital, a Delaware corporation, in a cash and stock transaction valued at approximately $4.2 billion. 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), (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 January 3, 2017, 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 and ending with the third quarter of 2019, 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 16 to our consolidated financial statements for the year ended December 31, 2017 and Notes 3 and 14 for the three and six months ended June 30, 2018 for additional information regarding the American Capital Acquisition.

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PORTFOLIO AND INVESTMENT ACTIVITY

Our investment activity for the six months ended June 30, 2018 and 2017 and for the years ended December 31, 2017, 2016 and 2015 is presented below (information presented herein is at amortized cost unless otherwise indicated).

	For the Six Months Ended June 30,		For the Years Ended December 31,		
(dollar amounts in millions)	**2018**	**2017**	**2017**	**2016**	**2015**
New investment commitments(1)(5)(10):					
New portfolio companies	$ 1,134	$ 909	$ 2,155	$ 2,107	$ 2,483
Existing portfolio companies	2,277	1,928	3,734	1,596	1,334
Total new investment commitments(2)	3,411	2,837	5,889	3,703	3,817
Less:					
Investment commitments exited(3)	3,542	2,628	5,593	3,844	3,816
Net investment commitments	$ (131)	$ 209	$ 296	$ (141)	$ 1
Principal amount of investments funded(5)(10):					
First lien senior secured loans	$ 1,612	$ 1,773	$ 3,442	$ 1,965	$ 2,071
Second lien senior secured loans	626	663	1,491	987	1,232
Subordinated certificates of the SDLP(4)	155	125	222	272	
Subordinated certificates of the SSLP				3	229
Senior subordinated loans	366	57	273	173	257
Preferred equity securities	6	113	120	37	89
Other equity securities	229	80	116	53	27
Total	$ 2,994	$ 2,811	$ 5,664	$ 3,490	$ 3,905
Principal amount of investments sold or repaid(6):					
First lien senior secured loans	$ 2,144	$ 1,481	$ 2,394	$ 2,522	$ 2,948
Second lien senior secured loans	927	626	1,536	903	195
Subordinated certificates of the SDLP(4)	53	2	4	2	
Subordinated certificates of the SSLP			474		330
Senior subordinated loans	323	165	269	189	132
Collateralized loan obligations	21	63	150		
Preferred equity securities	21	77	275	4	11
Other equity securities	19	296	476	35	33
Commercial real estate					2
Total	$ 3,508	$ 2,710	$ 5,578	$ 3,655	$ 3,651
Principal amount of investments acquired as part of the American Capital Acquisition on January 3, 2017:					
First lien senior secured loans		$ 550	$ 550		
Second lien senior secured loans		855	855		
Senior subordinated loans		244	244		
Collateralized loan obligations		265	265		
Preferred equity securities		109	109		
Other equity securities		520	520		
Total		$ 2,543	$ 2,543		
Number of new investment commitments(5)(7)(10)	80	75	155	82	86
Average new investment commitment amount(5)(10)	$ 43	$ 38	$ 38	$ 45	$ 44
Weighted average term for new investment commitments (in months)(5)(8)(10)	74	75	75	80	65
Percentage of new investment commitments at floating rates(5)(10)	90%	96%	94%	91%	89%
Percentage of new investment commitments at fixed rates(5)(10)	3%	1%	4%	6%	8%
Weighted average yield of debt and other income producing securities(5)(8):					
Funded during the period at amortized cost(10)	9.5%	8.7%	9.0%	9.3%	9.0%
Funded during the period at fair value(9)(10)	9.5%	8.6%	9.0%	9.2%	9.0%
Exited or repaid during the period at amortized cost	8.9%	8.8%	8.9%	8.5%	7.9%
Exited or repaid during the period at fair value(9)	8.9%	8.7%	8.9%	8.4%	7.9%
Weighted average yield of debt and other income producing securities acquired as part of the American Capital Acquisition on January 3, 2017:					
Funded during the period at amortized cost		10.0%	10.0%		
Funded during the period at fair value(9)		10.0%	10.0%		

(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 and six months ended June 30, 2018 and the year ended December 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 $2.7 billion and $2.6 billion for the six months ended June 30, 2018 and 2017, respectively, and $5.1 billion, $3.3 billion and $3.6 billion for the years ended December 31, 2017, 2016 and 2015, respectively.

(3) Includes both funded and unfunded commitments. For the six months ended June 30, 2018 and 2017, investment commitments exited included exits of unfunded commitments of $180 million and $73 million, respectively. For the years ended December 31, 2017, 2016 and 2015, investment commitments exited included exits of unfunded commitments of $301 million, $341 million and $263 million, respectively.

(4) See "Senior Direct Lending Program" below and Note 4 to our consolidated financial statements for the three and six months ended June 30, 2018 and the year ended December 31, 2017 for more information on the SDLP.

(5) In July 2017, in connection with the effective termination of Senior Secured Loan Fund LLC (d/b/a the "Senior Secured Loan Program" or the "SSLP"), we purchased $1.6 billion in aggregate principal amount of first lien senior secured loans outstanding at par plus accrued and unpaid interest and fees from the SSLP (the "SSLP Loan Sale") and assumed the SSLP's remaining unfunded loan commitments totaling $50 million. The loans purchased from the SSLP included loans to 10 different borrowers with a weighted average yield at amortized cost and fair value of 7.1% and 7.1%, respectively. Upon completion of the SSLP Loan Sale, the SSLP made a liquidation distribution to the holders of the subordinated certificates of the SSLP (the "SSLP Certificates"), of which Ares Capital received $1.5 billion. The impact of these transactions is excluded from the information presented in the table. See "Senior Secured Loan Program" below and Note 4 to our consolidated financial statements for the three and six months ended June 30, 2018 and the year ended December 31, 2017 for more information on the SSLP.

(6) For the six months ended June 30, 2018 and 2017, the principal amount of investments sold or repaid included $415 million and $515 million, respectively, of investments acquired as part of the American Capital Acquisition. For the year ended December 31, 2017, the principal amount of investments sold or repaid included $1.1 billion of investments acquired as part of the American Capital Acquisition.

(7) 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).

(8) "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.

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

(10) Excludes investments acquired as part of the American Capital Acquisition on January 3, 2017. See Note 14 to our consolidated financial statements for the three and six months ended June 30, 2018 and Note 16 for the year ended December 31, 2017 for additional information regarding the American Capital Acquisition.

As of June 30, 2018 and December 31, 2017, our investments consisted of the following:

	As of			
	June 30, 2018		December 31, 2017	
(in millions)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
First lien senior secured loans	$ 4,739	$ 4,626	$ 5,337	$ 5,197
Second lien senior secured loans	3,618	3,449	3,885	3,744
Subordinated certificates of the SDLP(1)	589	589	487	487
Senior subordinated loans	1,059	1,077	978	995
Collateralized loan obligations	93	92	115	114
Preferred equity securities	496	679	485	532
Other equity securities	841	1,015	618	772
Total	$ 11,435	$ 11,527	$ 11,905	$ 11,841

(1) The proceeds from these certificates were applied to co-investments with Varagon and its clients to fund first lien senior secured loans to 20 and 19 different borrowers as of June 30, 2018 and December 31, 2017, respectively.

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The weighted average yields at amortized cost and fair value of the following portions of our portfolio as of June 30, 2018 and December 31, 2017 were as follows:

	As of			
	June 30, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities(1)	10.4%	10.5%	9.7%	9.8%
Total portfolio(2)	9.1%	9.0%	8.7%	8.7%
First lien senior secured loans(2)	8.5%	8.7%	7.9%	8.1%
Second lien senior secured loans(2)	10.3%	10.8%	9.7%	10.0%
Subordinated certificates of the SDLP(2)(3)	15.0%	15.0%	14.5%	14.5%
Senior subordinated loans(2)	13.4%	13.1%	13.0%	12.8%
Collateralized loan obligations	9.6%	9.8%	9.7%	9.7%
Income producing equity securities(2)	13.3%	13.3%	13.0%	13.0%

(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 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 June 30, 2018 was 11.7% and 11.5% at amortized cost and fair value, respectively. 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 December 31, 2017 was 10.3% and 10.1% 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 June 30, 2018 was 9.5% and 7.2% at amortized cost and fair value, respectively. The weighted average yield on total investments that were acquired as part of the American Capital Acquisition and held as of December 31, 2017 was 8.7% 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.

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

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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.

We assigned a fair value as of January 3, 2017 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 January 3, 2017. 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 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 after January 3, 2017.

Set forth below is the grade distribution of our portfolio companies as of June 30, 2018 and December 31, 2017:

	As of							
	June 30, 2018				December 31, 2017			
(dollar amounts in millions)	**Fair Value**	**%**	**Number of Companies**	**%**	**Fair Value**	**%**	**Number of Companies**	**%**
Grade 1	$ 153	1.3%	20	5.8%	$ 72	0.6%	16	5.1%
Grade 2	416	3.6%	11	3.2%	343	2.9%	14	4.5%
Grade 3	9,059	78.6%	300	86.7%	10,099	85.3%	268	85.3%
Grade 4	1,899	16.5%	15	4.3%	1,327	11.2%	16	5.1%
Total	$ 11,527	100.0%	346	100.0%	$ 11,841	100.0%	314	100.0%

As of June 30, 2018 and December 31, 2017, the weighted average grade of the investments in our portfolio at fair value was 3.1 and 3.1, respectively.

As of June 30, 2018, investments on non-accrual status represented 2.7% and 0.8% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2017, investments on non-accrual status represented 3.1% and 1.4% 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. 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. 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).

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 June 30, 2018, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates.

As of June 30, 2018 and December 31, 2017, we and Varagon and its clients had agreed to make capital available to the SDLP of $6.4 billion and $2.9 billion, respectively, in the aggregate, of which $1.4 billion and $591 million, respectively, is to be 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.

	As of	
	June 30, 2018	December 31, 2017
Total capital funded to the SDLP(1)	$ 2,928	$ 2,319
Total capital funded to the SDLP by the Company(1)	$ 589	$ 487
Total unfunded capital commitments to the SDLP(2)	$ 115	$ 92
Total unfunded capital commitments to the SDLP by the Company(2)	$ 24	$ 19

(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 $589 million and $589 million, respectively, as of June 30, 2018 and $487 million and $487 million, respectively, as of December 31, 2017. Our yield on our investment in the SDLP at amortized cost and fair value was 15.0% and 15.0%, respectively, as of June 30, 2018 and 14.5% and 14.5%, respectively, as of December 31, 2017. For the three and six months ended June 30, 2018, we earned interest income of $20 million and $39 million, respectively, from our investment in the SDLP Certificates. For the three and six months ended June 30, 2017, we earned interest income of $11 million and $21 million, respectively, from our investment in the SDLP Certificates. We are also entitled to certain fees in connection with the SDLP. For the three and six months ended June 30, 2018, in connection with the SDLP, we earned capital structuring service and other fees totaling $5 million and $8 million, respectively. For the three and six months ended June 30, 2017, in connection with the SDLP, we earned capital structuring service and other fees totaling $5 million and $6 million, respectively.

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As of June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, none of the loans were on non-accrual status. Below is a summary of the SDLP's portfolio as of June 30, 2018 and December 31, 2017:

(dollar amounts in millions)	As of June 30, 2018	As of December 31, 2017
Total first lien senior secured loans(1)	$ 2,760	$ 2,316
Weighted average yield on first lien senior secured loans(2)	8.2%	7.6%
Largest loan to a single borrower(1)	$ 249	$ 200
Total of five largest loans to borrowers(1)	$ 1,087	$ 947
Number of borrowers in the SDLP	20	19
Commitments to fund delayed draw loans(3)	$ 115	$ 92

(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 General Electric Capital Corporation and GE Global Sponsor Finance LLC (collectively, "GE") had previously co-invested in first lien senior secured loans of middle market companies through an unconsolidated Delaware limited liability company, the SSLP. The SSLP was capitalized as transactions were completed. All portfolio decisions and generally all other decisions in respect of the SSLP were approved by an investment committee of the SSLP consisting of representatives of ours and GE (with approval from a representative of each required). We provided capital to the SSLP in the form of the SSLP Certificates. GE provided capital to the SSLP in the form of senior notes and SSLP Certificates.

As of June 30, 2017, our investment in the SSLP Certificates at amortized cost and fair value was $1.9 billion and $1.9 billion, respectively, and our yield on our investment in the SSLP Certificates at amortized cost and fair value was 5.8% and 5.8%, respectively. As of June 30, 2017, the SSLP had $1.2 billion in cash and GE's senior notes outstanding totaled $601 million. In July 2017, the SSLP made its monthly waterfall distribution from this cash, which fully repaid the outstanding principal amount of the senior notes of the SSLP with the remaining amounts distributed to the holders of the SSLP Certificates. From this distribution, we received $474 million in respect of our SSLP Certificates. After this distribution, the amortized cost of our SSLP Certificates was $1.5 billion.

In addition, in July 2017, we and GE agreed to an effective termination of the SSLP whereby on July 26, 2017, we purchased the remaining $1.6 billion in aggregate principal amount of first lien senior secured loans outstanding at par plus accrued and unpaid interest and fees from the SSLP and assumed the SSLP's remaining unfunded loan commitments totaling $50 million. Upon completion of the SSLP Loan Sale, the SSLP made a liquidation distribution to the holders of the SSLP Certificates (the "SSLP Liquidation Distribution"), of which we received $1.5 billion. In connection with the SSLP Liquidation Distribution, we recognized an $18 million realized loss. After completion of the transactions described above, the operations of the SSLP were effectively terminated pursuant to the terms of the documents governing the SSLP and the SSLP no longer has an obligation to fund existing commitments and other amounts in respect of its former portfolio companies.

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For the three and six months ended June 30, 2017, we earned interest income of $29 million and $63 million, respectively, from our investment in the SSLP Certificates. We were also entitled to certain fees in connection with the SSLP. For the three and six months ended June 30, 2017, in connection with the SSLP, we earned capital structuring service, sourcing and other fees totaling $3 million and $5 million, respectively, from our investment in the SSLP Certificates.

RESULTS OF OPERATIONS

For the three and six months ended June 30, 2018 and 2017

Operating results for the three and six months ended June 30, 2018 and 2017 were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	**2018**	**2017**	**2018**	**2017**
Total investment income	$ 333	$ 284	$ 650	$ 559
Total expenses, net of waiver of income based fees	165	153	333	332
Net investment income before income taxes	168	131	317	227
Income tax expense, including excise tax	6	7	11	9
Net investment income	162	124	306	218
Net realized gains on investments and foreign currency transactions	27	110	15	112
Net unrealized gains (losses) on investments, foreign currency and other transactions	65	(52)	175	(30)
Realized losses on extinguishment of debt		(4)		(4)
Net increase in stockholders' equity resulting from operations	$ 254	$ 178	$ 496	$ 296

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	**2018**	**2017**	**2018**	**2017**
Interest income from investments	$ 262	$ 231	$ 516	$ 462
Capital structuring service fees	25	29	54	41
Dividend income	24	16	46	40
Other income	22	8	34	16
Total investment income	$ 333	$ 284	$ 650	$ 559

The increase in interest income from investments for the three months ended June 30, 2018 from the comparable period in 2017 was primarily due to an increase in the average size of our portfolio and an increase in the weighted average yield of our portfolio. The size of our portfolio increased from an average of $11.7 billion at amortized cost for the three months ended June 30, 2017 to an average of $11.8 billion at amortized cost for the comparable period in 2018. The weighted average yield of our portfolio increased from 8.0% for the three months ended June 30, 2017 to 9.1% for the comparable period in 2018. The increase in the weighted average yield was primarily due to an increase in LIBOR during the period. The decrease in capital structuring service fees for the three

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months ended June 30, 2018 from the comparable period in 2017 was primarily due to the decrease in new investment commitments, which decreased from $2.0 billion for the three months ended June 30, 2017 to $1.6 billion for the comparable period in 2018. Dividend income for the three months ended June 30, 2018 and 2017 included dividends received from IHAM totaling $15 million and $10 million, respectively. Also during the three months ended June 30, 2018, we received $2 million in other non-recurring dividends from non-income producing equity securities compared to $3 million for the comparable period in 2017. Dividend income for the three months ended June 30, 2018 included other recurring dividends of $7 million compared to $4 million for the comparable period in 2017.

The increase in interest income from investments for the six months ended June 30, 2018 from the comparable period in 2017 was primarily due to an increase in the size of our portfolio and an increase in the weighted average yield of our portfolio. The size of our portfolio increased from an average of $11.6 billion at amortized cost for the six months ended June 30, 2017 to an average of $11.9 billion at amortized cost for the comparable period in 2018. The weighted average yield of our portfolio increased from 8.1% for the six months ended June 30, 2017 to 9.0% for the comparable period in 2018, primarily due to an increase in LIBOR during the period. The increase in capital structuring service fees for the six months ended June 30, 2018 from the comparable period in 2017 was due to the increase in new investment commitments (excluding investments acquired as a result of the American Capital Acquisition), which increased from $2.8 billion for the six months ended June 30, 2017 to $3.4 billion for the comparable period in 2018, as well as the increase in the weighted average capital structuring service fees received on new investment commitments, which increased from 1.4% for the six months ended June 30, 2017 to 1.6% for the comparable period in 2018. Dividend income for the six months ended June 30, 2018 and 2017 included dividends received from IHAM totaling $28 million and $20 million, respectively. Also during the six months ended June 30, 2018, we received $5 million in other non-recurring dividends from non-income producing equity securities compared to $15 million for the comparable period in 2017.

Operating Expenses

(in millions)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Interest and credit facility fees	$ 61	$ 55	$ 121	$ 110
Base management fees	45	44	91	83
Income based fees	40	30	78	62
Capital gains incentive fees	18	10	38	26
Administrative fees	4	3	7	6
Net professional fees and other costs related to the American Capital Acquisition	(1)	12	2	38
Other general and administrative	8	9	16	17
Total operating expenses	175	163	353	342
Waiver of income based fees	(10)	(10)	(20)	(10)
Total expenses, net of waiver of income based fees	$ 165	$ 153	$ 333	$ 332

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Interest and credit facility fees for the three and six months ended June 30, 2018 and 2017 were comprised of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in millions)	**2018**	**2017**	**2018**	**2017**
Stated interest expense	$ 51	$ 47	$ 101	$ 94
Facility fees	4	3	8	4
Amortization of debt issuance costs	5	4	9	9
Net accretion of discount on notes payable	1	1	3	3
Total interest and credit facility fees	$ 61	$ 55	$ 121	$ 110

Stated interest expense for the three months ended June 30, 2018 increased from the comparable period in 2017 primarily due to the increase in the average principal amount of debt outstanding. For the three months ended June 30, 2018, our average principal debt outstanding increased to $4.9 billion as compared to $4.6 billion for the comparable period in 2017. The weighted average stated interest rate on our outstanding debt was 4.1% for the three months ended June 30, 2018 as compared to 4.1% for the comparable period in 2017. Facility fees for the three months ended June 30, 2018 increased from the comparable period in 2017 primarily due to the lower utilization of our revolving facilities resulting in higher unused commitment fees.

Stated interest expense for the six months ended June 30, 2018 increased from the comparable period in 2017 primarily due to the increase in the average principal amount of debt outstanding. For the six months ended June 30, 2018, our average principal debt outstanding increased to $4.9 billion as compared to $4.6 billion for the comparable period in 2017. The weighted average stated interest rate on our outstanding debt was 4.1% for the six months ended June 30, 2018 as compared to 4.1% for the comparable period in 2017. Facility fees for the six months ended June 30, 2018 increased from the comparable period in 2017 primarily due to the lower utilization of our revolving facilities resulting in higher unused commitment fees.

The increase in base management fees for the three and six months ended June 30, 2018 from the comparable periods in 2017 was primarily due to the increase in the average size of our portfolio for the three and six months ended June 30, 2018 as compared to the three and six months ended June 30, 2017. The increase in income based fees for the three months ended June 30, 2018 from the comparable period in 2017 was primarily due to the pre-incentive fee net investment income, as defined in the investment advisory and management agreement, for the three and six months ended June 30, 2018 being higher than in the comparable period in 2017. The results for the three and six months ended June 30, 2018 reflect the Fee Waiver of $10 million and $20 million, respectively. The results for the three and six months ended June 30, 2017 also reflect the Fee Waiver of $10 million and $10 million, respectively.

For the three and six months ended June 30, 2018, the capital gains incentive fees calculated in accordance with GAAP was $18 million and $38 million, respectively. For the three and six months ended June 30, 2017, the capital gains incentive fees calculated in accordance with GAAP was $10 million and $26 million, respectively. The capital gains incentive fee expense accrual for the three and six months ended June 30, 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 June 30, 2018, the total capital gains incentive fee accrual calculated in accordance with GAAP was $117 million. As of June 30, 2018, there was no capital gains incentive fee actually payable under our investment advisory and management agreement. See Note 3 to our consolidated financial statements for the three and six months ended June 30, 2018 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 compensation, rent and other expenses of certain of our executive officers and their respective staffs. Administrative fees incurred related specifically to the American Capital Acquisition are included in net professional fees and other costs related to the American Capital Acquisition as discussed below.

For the three and six months ended June 30, 2018 and 2017, we incurred a net expense of $(1) million and $2 million, respectively, in professional fees and other costs related to the American Capital Acquisition. For the three and six months ended June 30, 2017, we incurred $12 million and $38 million, respectively, in net professional fees and other costs related to the American Capital Acquisition. For the six months ended June 30, 2017, these costs included $18 million in one-time investment banking fees incurred upon the closing of the American Capital Acquisition.

Other general and administrative expenses includes, among other costs, professional fees, insurance, fees and expenses related to evaluating and making investments in portfolio companies, including the costs associated with meeting with and marketing to financial sponsors and independent directors' fees.

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.

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 and six months ended June 30, 2018, we recorded a net expense of $3 million and $7 million for U.S. federal excise tax, respectively. For the three and six months ended June 30, 2017, we recorded a net expense of $4 million and $7 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 and six months ended June 30, 2018, we recorded a net tax expense of approximately $3 million and $4 million for these subsidiaries, respectively. For the three and six months ended June 30, 2017, we recorded a net tax expense of approximately $3 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 respective periods.

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Net Realized Gains/Losses

The net realized gains from the sales, repayments or exits of investments during the three and six months ended June 30, 2018 and 2017 were comprised of the following:

(in millions)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Sales, repayments or exits of investments(1)	$ 2,142(1)	$ 1,900(2)	$ 3,510(1)	$ 2,800(2)
Net realized gains on investments:				
Gross realized gains	31	$ 150	42	164
Gross realized losses	(9)	(38)	(20)	(39)
Total net realized gains on investments	$ 22(3)	$ 112(4)	$ 22(3)	$ 125(4)

(1) Includes $447 million of investments sold to IHAM and certain vehicles managed by IHAM during the three and six months ended June 30, 2018. A net realized loss of $0 million was recorded on these transactions with IHAM during the three and six months ended June 30, 2018. See Note 4 to our consolidated financial statements for the three and six months ended June 30, 2018 for more detail on IHAM and its managed vehicles.

(2) Includes $8 million and $29 million of investments sold to IHAM and certain vehicles managed by IHAM during the three and six months ended June 30, 2017, respectively. No realized gains or losses were recorded on these transactions with IHAM during the three months ended June 30, 2017. A net realized loss of $0 million was recorded on these transactions with IHAM during six months ended June 30, 2017.

(3) Includes approximately $5 million and $12 million, respectively, of net realized gains on investments acquired as part of the American Capital Acquisition for the three and six months ended June 30, 2018.

(4) Includes approximately $21 million and $23 million, respectively, of net realized gains on investments acquired as part of the American Capital Acquisition for the three and six months ended June 30, 2017.

The net realized gains (losses) on investments during the three months ended June 30, 2018 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
TDG Group Holding Company	$ 8
PowerPlan, Inc.	7
CFW Co-Invest, L.P.	3
AwarePoint Corporation	(4)
Other, net	8
Total	$ 22

During the three months ended June 30, 2018, we recognized net realized gains on foreign currency transactions of $5 million.

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The net realized gains (losses) on investments during the three months ended June 30, 2017 consisted of the following:

(in millions) **Portfolio Company**	**Net Realized Gains (Losses)**
10th Street, LLC	$ 34
Community Education Centers, Inc.	24
TA THI Parent, Inc.	16
NECCO Realty Investments LLC	13
GHX Ultimate Parent Corporation	11
Wilcon Holdings LLC	10
Project Alpha Intermediate Holding, Inc. and Qlik Parent, Inc.	8
CIBT Investment Holdings, LLC	6
Market Track Holdings, LLC	6
Hard 8 Games, LLC	5
Competitor Group, Inc.	(21)
The Greeley Company, Inc. and HCP Acquisition Holdings, LLC	(13)
Other, net	13
Total	$ 112

During the three months ended June 30, 2017, we recognized net realized losses on foreign currency transactions of $2 million.

During the three months ended June 30, 2017, we redeemed the entire $183 million in aggregate principal amount outstanding of the unsecured notes that were scheduled to mature on October 1, 2022 (the "October 2022 Notes") in accordance with the terms of the indenture governing the October 2022 Notes. The October 2022 Notes were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately $185 million, which resulted in a realized loss on the extinguishment of debt of $4 million.

The net realized gains (losses) on investments during the six months ended June 30, 2018 consisted of the following:

(in millions) **Portfolio Company**	**Net Realized Gains (Losses)**
TDG Group Holding Company	$ 8
PowerPlan, Inc.	7
CFW Co-Invest, L.P.	4
AwarePoint Corporation	(4)
EcoMotors, Inc.	(9)
Other, net	16
Total, net	$ 22

During the six months ended June 30, 2018, we also recognized net realized gains on foreign currency transactions of $7 million.

The net realized gains (losses) on investments during the six months ended June 30, 2017 consisted of the following:

(in millions) **Portfolio Company**	**Net Realized Gains (Losses)**
10th Street, LLC	$ 34
Community Education Centers, Inc.	24
TA THI Parent, Inc.	16
Netsmart Technologies, Inc.	13
GHX Ultimate Parent Corporation	11
Wilcon Holdings LLC	10
Project Alpha Intermediate Holding, Inc. and Qlik Parent, Inc.	8
S Toys Holdings LLC (fka The Step2 Company, LLC)	7
CIBT Investment Holdings, LLC	6
Market Track Holdings, LLC	6
Hard 8 Games, LLC	5
Competitor Group, Inc.	(21)
The Greeley Company, Inc. and HCP Acquisition Holdings, LLC	(13)
Other, net	19
Total, net	$ 125

During the six months ended June 30, 2017, we also recognized net realized losses on foreign currency transactions of $13 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 and six months ended June 30, 2018 and 2017 were comprised of the following:

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
(in millions)	**2018**	**2017**	**2018**	**2017**
Unrealized appreciation	$ 161	$ 151	$ 281	$ 196
Unrealized depreciation	(107)	(119)	(165)	(172)
Net unrealized depreciation (appreciation) reversed related to net realized gains or losses(1)	6	(76)	40	(50)
Total net unrealized gains (losses)	$ 60	$ (44)	$ 156	$ (26)

(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 on investments during the three months ended June 30, 2018 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Alcami Holdings, LLC	$ 70
Rug Doctor, LLC	9
Varsity Brands Holding Co., Inc.	6
CCS Intermediate Holdings, LLC	5
Soil Safe, Inc.	5
PERC Holdings 1 LLC	5
OTG Management, LLC	4
GHX Ultimate Parent Corporation	4
American Academy Holdings, LLC	3
Accruent, LLC	3
FPI Holding Corporation	(3)
Patterson Medical Supply, Inc.	(3)
CFW Co-Invest, L.P.	(3)
SCM Insurance Services Inc.	(4)
Shock Doctor, Inc.	(4)
Miles 33 (Finance) Limited	(4)
ADF Capital, Inc.	(5)
SHO Holding I Corporation	(5)
Ivy Hill Asset Management, L.P.	(7)
New Trident Holdcorp, Inc.	(10)
Indra Holdings Corp.	(13)
Other, net	1
Total	$ 54

During the three months ended June 30, 2018, we recognized net unrealized gains on foreign currency and other transactions of $5 million.

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The changes in net unrealized appreciation and depreciation on investments during the three months ended June 30, 2017 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Bellotto Holdings Limited	$ 49
Alcami Holdings, LLC	18
Ciena Capital LLC	10
EDS Group	9
Miles 33 (Finance) Limited	7
Columbo MidCo Limited	6
Imaging Business Machines, L.L.C.	6
CCS Intermediate Holdings, LLC	(3)
Javlin Three LLC	(3)
Indra Holdings Corp.	(3)
Green Energy Partners	(5)
Rug Doctor, LLC	(5)
Urgent Cares of America Holdings I, LLC	(6)
Infilaw Holding, LLC	(7)
ADF Capital, Inc.	(8)
New Trident Holdcorp, Inc.	(9)
Soil Safe, Inc.	(10)
Other, net	(14)
Total	$ 32

During the three months ended June 30, 2017, we also recognized net unrealized losses on foreign currency and other transactions of $8 million.

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The changes in net unrealized appreciation and depreciation during the six months ended June 30, 2018 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Alcami Holdings, LLC	$ 157
CCS Intermediate Holdings, LLC	18
Varsity Brands Holding Co., Inc.	10
Rug Doctor, LLC	9
Ivy Hill Asset Management, L.P.	6
Accruent, LLC	6
PERC Holdings 1 LLC	5
Visual Edge Technology, Inc.	4
Cent CLO 2014-22 Limited	4
Acrisure, LLC	3
American Academy Holdings, LLC	3
Imaging Business Machines, L.L.C.	3
PIH Corporation	3
GHX Ultimate Parent Corporation	3
American Residential Services L.L.C.	(3)
CFW Co-Invest, L.P.	(3)
Patterson Medical Supply, Inc.	(4)
SHO Holding I Corporation	(4)
ADF Capital, Inc.	(4)
Panda Temple Power, LLC	(5)
Miles 33 (Finance) Limited	(5)
NECCO Holdings, Inc.	(6)
SCM Insurance Services Inc.	(6)
Columbo Midco Limited	(6)
Eckler Industries, Inc.	(7)
Instituto de Banca y Comercio, Inc.	(10)
New Trident Holdcorp, Inc.	(12)
Singer Sewing Company	(15)
Indra Holdings Corp.	(22)
Other, net	(6)
Total	$ 116

During the six months ended June 30, 2018, we also recognized net unrealized gains on foreign currency and other transactions of $19 million.

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The changes in net unrealized appreciation and depreciation during the six months ended June 30, 2017 consisted of the following:

(in millions) **Portfolio Company**	**Net Unrealized Appreciation (Depreciation)**	
Bellotto Holdings Limited	$	54
Alcami Holdings, LLC		18
EDS Group		10
Ciena Capital LLC		9
Columbo Midco Limited		7
Imaging Business Machines, L.L.C.		7
Miles 33 (Finance) Limited		7
Senior Secured Loan Fund LLC		6
PIH Corporation		5
PERC Holdings 1 LLC		5
American Seafoods Investors LLC		3
Javlin Three LLC		(3)
Panda Temple Power, LLC		(4)
Cent CLO 22 Limited		(4)
Cadence Aerospace, LLC		(4)
NMSC Holdings, Inc.		(4)
Joule Unlimited Technologies, Inc.		(4)
Indra Holdings Corp.		(5)
Rug Doctor, LLC		(5)
Urgent Cares of America Holdings I, LLC		(6)
Green Energy Partners		(7)
EcoMotors, Inc.		(8)
Soil Safe, Inc.		(10)
New Trident Holdcorp, Inc.		(12)
Infilaw Holding, LLC		(13)
ADF Capital, Inc.		(17)
Other, net		(1)
Total	$	24

During the six months ended June 30, 2017, we also recognized net unrealized losses on foreign currency and other transactions of $4 million.

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For the years ended December 31, 2017, 2016 and 2015

Operating results for the years ended December 31, 2017, 2016 and 2015 were as follows:

	For the Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Total investment income	$ 1,160	$ 1,012	$ 1,025
Total expenses, net of waiver of income based fees	630	497	499
Net investment income before income taxes	530	515	526
Income tax expense, including excise tax	19	21	18
Net investment income	511	494	508
Net realized gains on investments and foreign currency transactions	24	110	127
Net unrealized gains (losses) on investments, foreign currency and other transactions	136	(130)	(246)
Realized losses on extinguishment of debt	(4)		(10)
Net increase in stockholders' equity resulting from operations	$ 667	$ 474	$ 379

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

	For the Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Interest income from investments	$ 951	$ 806	$ 817
Capital structuring service fees	105	99	95
Dividend income	76	75	74
Management and other fees	6	16	24
Other income	22	16	15
Total investment income	$ 1,160	$ 1,012	$ 1,025

The increase in interest income from investments for the year ended December 31, 2017 from the comparable period in 2016 was primarily due to an increase in the average size of our portfolio, partially offset by a decrease in the weighted average yield of our portfolio. The size of our portfolio increased from an average of $9.0 billion at amortized cost for the year ended December 31, 2016 to an average of $11.4 billion at amortized cost for the comparable period in 2017, which was largely due to the investments acquired as part of the American Capital Acquisition. The weighted average yield of our total portfolio decreased from 9.0% for the year ended December 31, 2016 to 8.5% for the comparable period in 2017. The decline in the weighted average yield was primarily due to the declining yield of the SSLP Certificates up until the SSLP Liquidation Distribution and the effective termination of the SSLP, during the year ended December 31, 2017. The increase in capital structuring service fees for the year ended December 31, 2017 from the comparable period in 2016 was due to the increase in new investment commitments (excluding investments acquired as a result of the American Capital Acquisition and investments acquired in the SSLP Loan Sale), which increased from $3.7 billion for year ended December 31, 2016 to $5.9 billion for the comparable period in 2017. This increase was

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partially offset by a decrease in weighted average capital structuring fees received on new investment commitments, which decreased from 2.7% for the year ended December 31, 2016 to 1.8% 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 year ended December 31, 2017 as compared to the comparable period in 2016. Dividend income for the years ended December 31, 2017 and 2016 included dividends received from IHAM, a wholly owned portfolio company, totaling $40 million and $40 million, respectively. Also during the year ended December 31, 2017, we received $19 million in other non-recurring dividends from non-income producing equity securities compared to $20 million for the comparable period in 2016. The decrease in management and other fees for the year ended December 31, 2017 from the comparable period in 2016 was due to lower sourcing fees from the SSLP resulting from the continued decrease in the size of the SSLP portfolio and eventually the effective termination of the SSLP in July 2017. The increase in other income for the year ended December 31, 2017 from the comparable period in 2016 was primarily attributable to higher amendment fees and administrative agent fees.

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 9.0% 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 2.7% 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.

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Operating Expenses

(in millions)	For the Years Ended December 31, 2017	2016	2015
Interest and credit facility fees	$ 225	$ 186	$ 227
Base management fees	171	137	134
Income based fees	134	123	121
Capital gains incentive fees	41	(5)	(27)
Administrative fees	12	14	14
Professional fees and other costs related to the American Capital Acquisition	45	15	
Other general and administrative	32	27	30
Total operating expenses	$ 660	$ 497	$ 499
Waiver of income based fees	(30)	$	$
Total expenses, net of waiver of income based fees	$ 630	$ 497	$ 499

Interest and credit facility fees for the years ended December 31, 2017, 2016 and 2015 were comprised of the following:

(in millions)	For the Years Ended December 31, 2017	2016	2015
Stated interest expense	$ 189	$ 161	$ 183
Facility fees	12	5	10
Amortization of debt issuance costs	18	14	17
Net accretion of discount on notes payable	6	6	17
Total interest and credit facility fees	$ 225	$ 186	$ 227

Stated interest expense for the year ended December 31, 2017 increased from the comparable period in 2016 primarily due to the increase in our average principal amount of debt outstanding. For the year ended December 31, 2017, our average debt outstanding increased to $4.6 billion as compared to $3.9 billion for the comparable period in 2016, which was largely a result of the American Capital Acquisition. The weighted average stated interest rate on our outstanding debt was 4.1% for both the year ended December 31, 2017 and for the comparable period in 2016. Facility fees for the year ended December 31, 2017 increased from the comparable period in 2016 primarily due to the increased commitments under our revolving facilities resulting in higher unused commitment fees. Amortization of debt issuance costs for the year ended December 31, 2017 increased from the comparable period in 2016 primarily due to the increase in debt issuance costs in connection with the amendments to the Revolving Credit Facility and Revolving Funding Facility.

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 certain higher cost unsecured 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 $575 aggregate principal amount of unsecured convertible notes and the $230 aggregate principal amount of unsecured convertible notes.

The increase in base management fees for the year ended December 31, 2017 from the comparable period in 2016 was primarily due to the increase in the average size of the portfolio for the year ended December 31, 2017 (including the approximately $2.5 billion in investments acquired in the American Capital Acquisition) as compared to the year ended December 31, 2016. The increase in income based fees for the year ended December 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 year ended December 31, 2017 being higher than in the comparable period in 2016. As discussed earlier, the year ended December 31, 2017 also reflects the Fee Waiver of $30 million.

For the year ended December 31, 2017, the capital gains incentive fee expense calculated in accordance with GAAP was $41 million. 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. The capital gains incentive fee expense accrual for the year ended December 31, 2017 changed from the comparable period in 2016 primarily due to net gains on investments, foreign currency and other transactions and the extinguishment of debt during the year ended December 31, 2017 of $156 million compared to net losses of $20 million during the year ended December 31, 2016. The capital gains incentive fee expense accrual for the year ended December 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 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. 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, 2017, 2016 and 2015, the total capital gains incentive fee accrual calculated in accordance with GAAP was $79 million, $38 million and $42 million, respectively. As of December 31, 2017 and 2016, 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 year ended December 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 compensation, rent and other expenses of certain of our executive officers and their respective staffs. Administrative fees incurred related specifically to the American Capital Acquisition are included in professional fees and other costs related to the American Capital Acquisition as discussed below.

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For the years ended December 31, 2017 and 2016, the Company incurred $45 million and $15 million, respectively, in professional fees and other costs related to the American Capital Acquisition. For the year ended December 31, 2017, these costs included $4 million of expenses related to a long term incentive plan liability assumed in the American Capital Acquisition. See Note 13 to our consolidated financial statements for the year ended December 31, 2017 for a description of the assumed long term incentive plan liability. For the year ended December 31, 2017, these costs also included $18 million in one-time investment banking fees incurred in January 2017 upon the closing of the American Capital Acquisition.

Other general and administrative expenses includes professional fees, rent and related utilities, insurance, marketing costs, director's fees and depreciation, 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.

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, 2017, 2016 and 2015, we recorded a net expense of $12 million, $12 million and $9 million, respectively, for U.S. federal excise tax. The net expense for the years ended December 31, 2017, 2016 and 2015 each included a net 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 $1 million, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the years ended December 31, 2017, 2016 and 2015, we recorded a net tax expense of approximately $7 million, $9 million and $9 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 respective periods.

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Net Realized Gains/Losses

The net realized gains from the sales, repayments or exits of investments during the years ended December 31, 2017, 2016 and 2015 were comprised of the following:

(in millions)	For the Years Ended December 31, 2017	2016	2015
Sales, repayments or exits of investments(1)	$ 7,037(2)	$ 3,749(3)	$ 3,741
Net realized gains on investments:			
Gross realized gains	281	$ 121	$ 125
Gross realized losses	(237)	(11)	(4)
Total net realized gains on investments	$ 44(4)	$ 110	$ 121

(1) Includes $134 million, $472 million and $538 million of investments sold to IHAM and certain vehicles managed by IHAM during the years ended December 31, 2017, 2016 and 2015, respectively. A net realized loss of $0 million was recorded on these transactions with IHAM during the year ended December 31, 2017. A net realized gain of $1 million and $1 million was recorded on these transactions with IHAM during the years ended December 31, 2016 and 2015, respectively. See Note 4 to our consolidated financial statements for the year ended December 31, 2017 for more detail on IHAM and its managed vehicles.

(2) Includes the $1.5 billion of proceeds from the SSLP Liquidation Distribution discussed above.

(3) Includes $474 million of investments sold to the SDLP in conjunction with the initial funding of the SDLP. No realized gains or losses were recorded on these transactions with the SDLP.

(4) Includes approximately $85 million of net realized gains on investments acquired as part of the American Capital Acquisition.

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The net realized gains on investments during the year ended December 31, 2017 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Bellotto Holdings Limited	$ 58
10th Street, LLC	34
Community Education Centers, Inc.	24
Tectum Holdings, Inc.	17
American Broadband Holding Company	15
NECCO Realty Investments LLC	13
GHX Ultimate Parent Corporation	11
Wilcon Holdings LLC	10
La Paloma Generating Company, LLC	(9)
Pegasus Community Energy, LLC	(9)
The Greeley Company, Inc. and HCP Acquisition Holdings, LLC	(12)
Senior Secured Loan Fund LLC	(18)
Competitor Group, Inc., Calera XVI, LLC and Champion Parent Corporation	(21)
Infilaw Holding, LLC	(140)
Other, net	71
Total, net	$ 44

During the year ended December 31, 2017, we recognized net realized losses on foreign currency transactions of $20 million. In addition, during the year ended December 31, 2017, we redeemed the entire $183 million aggregate principal amount outstanding of the October 2022 Notes. The October 2022 Notes were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately $185 million, which resulted in a realized loss on the extinguishment of debt of $4 million.

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
Q9 Holdings Inc.	(9)
Other, net	64
Total, net	$ 110

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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
TPP Holdings, LLC	11
Global Healthcare Exchange, LLC	8
Protective Industries, Inc.	8
Other, net	54
Total	$ 121

During the year ended December 31, 2015, we 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. Also during the year ended December 31, 2016, 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 $6 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 years ended December 31, 2017, 2016 and 2015 were comprised of the following:

	For the Years Ended December 31,		
(in millions)	2017	2016	2015
Unrealized appreciation	$ 331	$ 168	$ 116
Unrealized depreciation	(301)	(306)	(304)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	113	13	(60)
Total net unrealized gains (losses)	$ 143	$ (125)	$ (248)

(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 on investments during the year ended December 31, 2017 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Alcami Holdings, LLC	$ 167
Ivy Hill Asset Management, L.P.	13
Columbo MidCo Limited	13
CCS Intermediate Holdings, LLC	12
Imperial Capital Private Opportunities, LP	11
Ciena Capital LLC	11
Singer Sewing Company	(9)
Shock Doctor, Inc.	(9)
Indra Holdings Corp.	(15)
ADF Capital, Inc.	(16)
Instituto de Banca y Comercio, Inc.	(23)
New Trident Holdcorp, Inc.	(45)
Other, net	(80)
Total	$ 30

During the year ended December 31, 2017, we also recognized net unrealized losses on foreign currency and other transactions of $7 million.

The changes in net unrealized appreciation and depreciation on investments during the year ended December 31, 2016 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Senior Secured Loan Fund LLC	$ 26
UL Holding Co., LLC	20
Community Education Centers, Inc.	19
ADF Capital, Inc.	(9)
10th Street, LLC	(9)
Indra Holdings Corp.	(11)
CCS Intermediate Holdings, LLC	(22)
Instituto de Banca y Comercio, Inc.	(52)
Infilaw Holdings, LLC	(127)
Other, net	27
Total, net	$ (138)

During the year ended December 31, 2016, we also recognized net unrealized losses on foreign currency and other transactions of $5 million.

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The changes in net unrealized appreciation and depreciation on investments during the year ended December 31, 2015 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
OTG Management, LLC	$ 28
Ciena Capital LLC	11
Green Energy Partners	(8)
Primexx Energy Corporation	(8)
Nodality, Inc.	(9)
Competitor Group, Inc.	(9)
2329497 Ontario Inc.	(10)
Instituto de Banca y Comercio, Inc.	(14)
CCS Intermediate Holdings, LLC	(14)
Infilaw Holdings, LLC	(14)
Ivy Hill Asset Management, L.P.	(24)
Petroflow Energy Corporation	(26)
Senior Secured Loan Fund LLC	(77)
Other, net	(14)
Total	$ (188)

During the year ended December 31, 2015, we also recognized net unrealized gains on foreign currency transactions of $2 million.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are generated primarily from the net proceeds of public offerings of equity and debt securities, advances from the Revolving Credit Facility, the Revolving Funding Facility and the SMBC Funding Facility (each as defined below, and together, the "Facilities"), net proceeds from the issuance of other securities, including unsecured notes, as well as cash flows from operations.

As of June 30, 2018, we had $509 million in cash and cash equivalents and $4.6 billion in total aggregate principal amount of debt outstanding ($4.5 billion at carrying value). Subject to leverage, borrowing base and other restrictions, we had approximately $3.1 billion available for additional borrowings under the Facilities as of June 30, 2018.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the Investment Company Act, we are currently allowed to borrow amounts such that our asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowings. On June 21, 2018, our board of directors, including a "required majority" of our board of directors, approved the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the Investment Company Act, as amended by the SBCAA. As a result, effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued

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by us). As of June 30, 2018, the aggregate principal amount outstanding of the senior securities issued by us was $4.6 billion. As of June 30, 2018, our asset coverage was 255%.

Equity Capital Activities

As of June 30, 2018 and December 31, 2017, our total equity market capitalization was $7.0 billion and $6.7 billion, respectively. There were no sales of our equity securities during the six months ended June 30, 2018 and 2017.

On January 3, 2017, in connection with the American Capital Acquisition, we issued 112 million shares valued at approximately $16.42 per share.

We are authorized under our stock repurchase program to purchase up to $300 million in the aggregate of our outstanding common stock in the open market at certain thresholds below our net asset value per share, in accordance with the guidelines specified in Rule 10b-18 under the Exchange Act. The timing, manner, price and amount of any share repurchases will be determined by us, in our discretion, based upon the evaluation of economic and market conditions, stock price, applicable legal and regulatory requirements and other factors. We cannot assure stockholders that any shares will be repurchased under the program. The expiration date of the stock repurchase program is February 28, 2019. The program may be suspended, extended, modified or discontinued at any time. As of June 30, 2018, we had repurchased a total of 0.5 million shares of our common stock in the open market under the stock repurchase program since its inception in September 2015, at an average price of $13.92 per share, including commissions paid, leaving approximately $293 million available for additional repurchases under the program. During the six months ended June 30, 2018, we did not repurchase any shares of our common stock under the stock repurchase program.

Debt Capital Activities

Our debt obligations consisted of the following as of June 30, 2018 and December 31, 2017:

	As of					
	June 30, 2018			December 31, 2017		
(in millions)	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value
Revolving Credit Facility	$ 2,133(2)	$ 414	$ 414	$ 2,108(2)	$ 395	$ 395
Revolving Funding Facility	1,000			1,000	600	600
SMBC Funding Facility	400			400	60	60
SBA Debentures			(3)	50		
2018 Convertible Notes			(4)	270	270	270(5)
2019 Convertible Notes	300	300	299(5)	300	300	298(5)
2022 Convertible Notes	388	388	370(5)	388	388	368(5)
2018 Notes	750	750	749(6)	750	750	748(6)
2020 Notes	600	600	598(7)	600	600	597(7)
January 2022 Notes	600	600	594(8)	600	600	593(8)
2023 Notes	750	750	743(9)	750	750	743(9)
2025 Notes	600	600	593(10)			
2047 Notes	230	230	182(11)	230	230	182(11)
Total	$ 7,751	$ 4,632	$ 4,542	$ 7,446	$ 4,943	$ 4,854

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

(2) Provides for a feature that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of $3.1 billion.

(3) See below for more information on the termination of the undrawn SBA Debenture (as defined below) commitments.

(4) See below for more information on the repayment of the 2018 Convertible Notes at maturity.

(5) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes. As of June 30, 2018, the total unamortized debt issuance costs and the unaccreted discount for the 2019 Convertible Notes and the 2022 Convertible Notes were $1 million and $18 million, respectively. As of December 31, 2017, the total unamortized debt issuance costs and the unaccreted discount for the 2018 Convertible Notes, the 2019 Convertible Notes and the 2022 Convertible Notes were $0 million, $2 million and $20 million, respectively.

(6) Represents the aggregate principal amount outstanding of the 2018 Notes less unamortized debt issuance costs and plus the net unamortized premium that was recorded upon the issuances of the 2018 Notes. As of June 30, 2018 and December 31, 2017, the total unamortized debt issuance costs less the net unamortized premium were $1 million and $2 million, respectively.

(7) Represents the aggregate principal amount outstanding of the 2020 Notes less unamortized debt issuance costs and the net unaccreted discount recorded upon the issuances of the 2020 Notes. As of June 30, 2018 and December 31, 2017, the total unamortized debt issuance costs and the net unaccreted discount were $2 million and $3 million, respectively.

(8) Represents the aggregate principal amount outstanding of the January 2022 Notes less unamortized debt issuance costs and the net unaccreted discount recorded upon the issuances of the January 2022 Notes. As of June 30, 2018 and December 31, 2017, the total unamortized debt issuance costs and the net unaccreted discount were $6 million and $7 million, respectively.

(9) Represents the aggregate principal amount outstanding of the 2023 Notes, less unamortized debt issuance costs and the unaccreted discount recorded upon the issuance of the 2023 Notes. As of June 30, 2018 and December 31, 2017, the total unamortized debt issuance costs and the unaccreted discount was $7 million and $7 million, respectively.

(10) Represents the aggregate principal amount outstanding of the 2025 Notes, less unamortized debt issuance costs and the unaccreted discount recorded upon the issuance of the 2025 Notes. As of June 30, 2018, the total unamortized debt issuance costs and the unaccreted discount was $7 million.

(11) Represents the aggregate principal amount outstanding of the 2047 Notes less the unaccreted purchased discount recorded as part of the acquisition of Allied Capital in April 2010 (the "Allied Acquisition"). As of June 30, 2018 and December 31, 2017, the total unaccreted purchased discount was $48 million and $48 million, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount outstanding, of all our debt outstanding as of June 30, 2018 were 4.2% and 4.5 years, respectively, and as of December 31, 2017 were 4.1% and 4.3 years, respectively.

The ratio of total principal amount of debt outstanding to stockholders' equity as of June 30, 2018 was 0.64:1.00 compared to 0.70:1.00 as of December 31, 2017.

Revolving Credit Facility

We are party to a senior secured revolving credit facility (as amended and restated, the "Revolving Credit Facility"), that allows us to borrow up to $2.1 billion at any one time outstanding. The Revolving Credit Facility consists of a $414 million term loan tranche with a stated maturity date of March 30, 2023 and a $1.7 billion revolving tranche. For $1.6 billion of the revolving tranche, the

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end of the revolving period and the stated maturity date are March 30, 2022 and March 30, 2023, respectively. For $50 million of the revolving tranche, the end of the revolving period and the stated maturity date are January 4, 2021 and January 4, 2022, respectively. For the remaining $45 million of the revolving tranche, the end of the revolving period and the stated maturity date are May 4, 2019 and May 4, 2020, respectively. The Revolving Credit Facility also provides for a feature that allows us, under certain circumstances, to increase the overall size of the Revolving Credit Facility to a maximum of $3.1 billion. The interest rate charged on the Revolving Credit Facility is based on an applicable spread of either 1.75% or 1.875% over LIBOR or 0.75% or 1.00% over an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility), 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 June 30, 2018, the interest rate in effect was LIBOR plus 1.75%. We are also required to pay a letter of credit fee of either 2.00% or 2.25% per annum on letters of credit issued, 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. Additionally, we are required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. As of June 30, 2018, there was $414 million outstanding under the Revolving Credit Facility and we were in compliance in all material respects with the terms of the Revolving Credit Facility.

Revolving Funding Facility

Our consolidated subsidiary, Ares Capital CP Funding LLC ("Ares Capital CP") is party to a revolving funding facility (as amended, the "Revolving Funding Facility"), that allows Ares Capital CP to borrow up to $1 billion at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are January 3, 2019 and January 3, 2022, respectively. As of June 30, 2018, the interest rate charged on the Revolving Funding Facility was based on LIBOR plus 2.15% per annum or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) plus 1.15% per annum. Ares Capital CP is also required to pay a commitment fee of between 0.50% and 1.50% per annum depending on the size of the unused portion of the Revolving Funding Facility. As of June 30, 2018, there were no outstanding amounts under the Revolving Funding Facility and we and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

SMBC Funding Facility

Our consolidated subsidiary, Ares Capital JB Funding LLC ("ACJB"), is party to a revolving funding facility (as amended, the "SMBC Funding Facility"), that allows ACJB to borrow up to $400 million at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. As of June 30, 2018, the end of the reinvestment period and the stated maturity date for the SMBC Funding Facility were September 14, 2018 and September 14, 2023, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement. The interest rate charged on the SMBC Funding Facility is based on 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. As of June 30, 2018, the interest rate in effect was LIBOR plus 2.00%. Additionally, ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility. As of June 30, 2018, there were no outstanding amounts under the SMBC Funding Facility and we and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

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SBA Debentures

In April 2015, our consolidated subsidiary, Ares Venture Finance, L.P. ("AVF LP"), received a license from the SBA to operate as a Small Business Investment Company ("SBIC") under the provisions of Section 301(c) of the Small Business Investment Act of 1958, as amended.

The license from the SBA allowed AVF LP to obtain leverage by issuing SBA Debentures ("SBA Debentures"), subject to issuance of a capital commitment by the SBA and other customary procedures. Leverage through the SBA Debentures was subject to required capitalization thresholds. The original amount committed to AVF LP by the SBA was $75 million. In September 2017, AVF LP fully repaid the $25 million of the aggregate principal amount of the SBA Debentures outstanding at the time. In April 2018, our consolidated subsidiary, AVF LP, surrendered its license to operate as a SBIC and the undrawn SBA Debenture commitments of $50 million were terminated.

Convertible Unsecured Notes

We have issued $300 million aggregate principal amount of unsecured convertible notes that mature on January 15, 2019 (the "2019 Convertible Notes") and the $388 million aggregate principal amount of unsecured convertible notes that mature on February 1, 2022 (the "2022 Convertible Notes" and, together with the 2019 Convertible Notes, the "Convertible Unsecured Notes"). The Convertible Unsecured Notes mature upon their respective maturity dates unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Unsecured Notes prior to maturity. The 2019 Convertible Notes and the 2022 Convertible Notes bear interest at a rate of 4.375% and 3.75%, respectively, per year, payable semi-annually.

Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of June 30, 2018 are listed below.

	2019 Convertible Notes	2022 Convertible Notes
Conversion premium	15.0%	15.0%
Closing stock price at issuance	$17.53	$16.86
Closing stock price date	July 15, 2013	January 23, 2017
Conversion price(1)	$19.99	$19.39
Conversion rate (shares per one thousand dollar principal amount)(1)	50.0292	51.5756
Conversion dates	July 15, 2018	August 1, 2021

(1) Represents conversion price and conversion rate, as applicable, as of June 30, 2018, taking into account certain de minimis adjustments that will be made on the conversion date.

In certain circumstances, the Convertible Unsecured Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at their respective conversion rates (listed below as of June 30, 2018) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the "Convertible Unsecured Notes Indentures"). Prior to the close of business on the business day immediately preceding their respective conversion date (listed above), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the respective Convertible Unsecured Notes Indenture. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require us to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

In January 2018, we repaid in full the $270 million aggregate principal amount of unsecured convertible notes due in January 2018 (the "2018 Convertible Notes") at par upon their maturity. The 2018 Convertible Notes bore interest at a rate of 4.75% per year, payable semi-annually.

Unsecured Notes

2018 Notes

We have issued $750 million in aggregate principal amount of unsecured notes, which bear interest at a rate of 4.875% per year and mature on November 30, 2018 (the "2018 Notes"). The 2018 Notes require payment of interest semi-annually, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time at our option at a redemption price equal to par plus a "make whole" premium, as determined pursuant to the indenture governing the 2018 Notes, and any accrued and unpaid interest.

2020 Notes

We have issued $600 million in aggregate principal amount of unsecured notes, which bear interest at a rate of 3.875% per year and mature on January 15, 2020 (the "2020 Notes"). The 2020 Notes require payment of interest semi-annually, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time at our option at a redemption price equal to par plus a "make whole" premium, if applicable, as determined pursuant to the indenture governing the 2020 Notes, and any accrued and unpaid interest.

January 2022 Notes

We have issued $600 million in aggregate principal amount of unsecured notes, which bear interest at a rate of 3.625% per year and mature on January 19, 2022 (the "January 2022 Notes"). The January 2022 Notes require payment of interest semi-annually, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time at our option at a redemption price equal to par plus a "make whole" premium, if applicable, as determined pursuant to the indenture governing the January 2022 Notes, and any accrued and unpaid interest.

2023 Notes

We have issued $750 million in aggregate principal amount of unsecured notes that mature on February 10, 2023 (the "2023 Notes"). The 2023 Notes bear interest at a rate of 3.500% per year, payable semi-annually and all principal is due upon maturity. The 2023 Notes may be redeemed in whole or in part at any time at our option at a redemption price equal to par plus a "make whole" premium, if applicable, as determined pursuant to the indenture governing the 2023 Notes, and any accrued and unpaid interest.

2025 Notes

We have issued $600 million in aggregate principal amount of unsecured notes that mature on March 1, 2025 (the "2025 Notes"). The 2025 Notes bear interest at a rate of 4.250% per year, payable semi-annually and all principal is due upon maturity. The 2025 Notes may be redeemed in whole or in part at any time at our option at a redemption price equal to par plus a "make whole" premium, if applicable, as determined pursuant to the indenture governing the 2025 Notes, and any accrued and unpaid interest.

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2047 Notes

As part of the Allied Acquisition, we assumed $230 million aggregate principal amount of unsecured notes which bear interest at a rate of 6.875% and mature on April 15, 2047 (the "2047 Notes" and together with the 2018 Notes, the 2020 Notes, the January 2022 Notes, the 2023 Notes and the 2025 Notes, the "Unsecured Notes"). The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option, at a par redemption price of $25.00 per security plus accrued and unpaid interest.

As of June 30, 2018, we were in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures and the indentures governing the Unsecured Notes.

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

See Note 5 to our consolidated financial statements for the three and six months ended June 30, 2018 for more information on our debt obligations.

CONTRACTUAL OBLIGATIONS

A summary of the maturities of our principal amounts of debt and other contractual payment obligations as of December 31, 2017 are as follows:

	Payments Due by Period				
(in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Revolving Credit Facility	$ 395	$	$	$ 395	$
Revolving Funding Facility	600			600(1)	
SMBC Funding Facility	60				60(2)
2018 Convertible Notes	270	270			
2019 Convertible Notes	300		300		
2022 Convertible Notes	388			388	
2018 Notes	750	750			
2020 Notes	600		600		
January 2022 Notes	600			600	
2023 Notes	750				750
2047 Notes	230				230
Operating lease obligations(3)	192	26	50	51	65
	$ 5,135	$ 1,046	$ 950	$ 2,034	$ 1,105

(1) As of December 31, 2017, the end of the reinvestment period for the Revolving Funding Facility was January 3, 2019. Subsequent to the end of this reinvestment period and prior to the stated maturity date of January 3, 2022, any principal proceeds from sales and repayments of loan assets held by Ares Capital CP will be used to repay the aggregate principal amount outstanding.

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(2) As of December 31, 2017, the end of the reinvestment period for the SMBC Funding Facility was September 14, 2018. Subsequent to the end of this reinvestment period and prior to the stated maturity date of September 14, 2023, any principal proceeds from sales and repayments of loan assets held by ACJB will be used to repay the aggregate principal amount outstanding.

(3) We are obligated under a number of operating leases and subleases to pay for office spaces with terms ranging from less than one year to more than five years. See Note 7 to our consolidated financial statements for the year ended December 31, 2017 for more information on our lease obligations.

OFF BALANCE SHEET ARRANGEMENTS

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

As of June 30, 2018 and December 31, 2017, we had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) our discretion:

	As of	
(in millions)	**June 30, 2018**	**December 31, 2017**
Total revolving and delayed draw loan commitments	$ 1,422	$ 881
Less: drawn commitments	(384)	(201)
Total undrawn commitments	1,038	680
Less: commitments substantially at our discretion	(14)	(11)
Less: unavailable commitments due to borrowing base or other covenant restrictions		
Total net adjusted undrawn revolving and delayed draw loan commitments	$ 1,024	$ 669

Included within the total revolving and delayed draw loan commitments as of June 30, 2018 and December 31, 2017 were delayed draw loan commitments totaling $348 million and $251 million, respectively. Our commitment to fund delayed draw loans is triggered upon the satisfaction of certain pre-negotiated terms and conditions. Generally, the most significant and uncertain term requires the borrower to satisfy a specific use of proceeds covenant. The use of proceeds covenant typically requires the borrower to use the additional loans for the specific purpose of a permitted acquisition or permitted investment, for example. In addition to the use of proceeds covenant, the borrower is generally required to satisfy additional negotiated covenants (including specified leverage levels).

Also included within the total revolving and delayed draw loan commitments as of June 30, 2018 were commitments to issue up to $190 million in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of June 30, 2018, we had $26 million in letters of credit issued and outstanding under these commitments on behalf of the portfolio companies. For all these letters of credit issued and outstanding, we would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. Of these letters of credit, $13 million expire in 2018 and $13 million expires in 2019. As of June 30, 2018, we recorded a liability of $5 million for certain letters of credit issued and outstanding and none of the other letters of credit issued and outstanding were recorded as a liability on our balance sheet as such other letters of credit are considered in the valuation of the investments in the portfolio company.

We also have commitments to co-invest in the SDLP for our portion of the SDLP's commitments to fund delayed draw loans to certain portfolio companies of the SDLP. See " Senior

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Direct Lending Program" above and Note 4 to our consolidated financial statements for the three and six months ended June 30, 2018 for more information.

As of June 30, 2018 and December 31, 2017, we were party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

(in millions)	As of June 30, 2018	As of December 31, 2017
Total private equity commitments	$ 116	$ 111
Less: funded private equity commitments	(70)	(62)
Total unfunded private equity commitments	46	49
Less: private equity commitments substantially our discretion	(46)	(48)
Total net adjusted unfunded private equity commitments	$	$ 1

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

In addition, in the ordinary course of business, we may guarantee certain obligations in connection with our portfolio companies (in particular, certain controlled portfolio companies). Under these guarantee arrangements, payments may be required to be made to third parties if such guarantees are called upon or if the portfolio companies were to default on their related obligations, as applicable.

RECENT DEVELOPMENTS

From July 1, 2018 through July 25, 2018, we made new investment commitments of approximately $895 million, of which $794 million were funded. Of these new commitments, 70% were in first lien senior secured loans, 25% were in second lien senior secured loans and 5% were in other equity securities. Of the approximately $895 million of new investment commitments, 95% were floating rate and 5% were non-interest bearing. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 7.5%. We may seek to sell all or a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From July 1, 2018 through July 25, 2018, we exited approximately $629 million of investment commitments, including $291 million of investment commitments acquired in the American Capital Acquisition. Of the total investment commitments, 62% were first lien senior secured loans, 25% were senior subordinated loans, 11% were second lien senior secured loans and 2% were investments in the SDLP Certificates. Of the approximately $629 million of exited investment commitments, 75% were floating rate and 25% were fixed rate. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 9.5% and the weighted average yield on total investments exited or repaid during the period at amortized cost was 9.5%. On the approximately $629 million of investment commitments exited from July 1, 2018 through July 25, 2018, we recognized total net realized gains of approximately $326 million.

In addition, as of July 25, 2018, we had an investment backlog and pipeline of approximately $710 million and $660 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may sell all or a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will sell all or any portion of these investments.

CRITICAL ACCOUNTING POLICIES

Basis of Presentation

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

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2018.

Cash and Cash Equivalents

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

Concentration of Credit Risk

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

Investments

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

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our

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

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

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

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

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

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

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

- The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms who have reviewed a portion of the investments in the Company's portfolio at fair value.

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

See Note 8 to our consolidated financial statements for the three and six months ended June 30, 2018 and the year ended December 31, 2017 for more information on our valuation process.

Interest and Dividend Income Recognition

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

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

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

Payment-in-Kind Interest

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

Capital Structuring Service Fees and Other Income

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

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Other income includes amendment fees that are fixed based on contractual terms and are generally non-recurring and non-refundable and are recognized as revenue when earned upon closing of the transaction. Other income also includes fees for management and consulting services, loan guarantees, commitments, and other services rendered by us to portfolio companies. Such fees are fixed based on contractual terms and are recognized as income as services are rendered.

Foreign Currency Translation

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

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

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

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

Derivative Instruments

We do not utilize hedge accounting and as such we value our derivatives at fair value with the unrealized gains or losses recorded in "net unrealized gains (losses) from foreign currency and other transactions" in our consolidated statement of operations.

Equity Offering Expenses

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

Debt Issuance Costs

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

Income Taxes

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

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

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

Dividends to Common Stockholders

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

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

Use of Estimates in the Preparation of Financial Statements

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for those leases previously classified as operating leases. The guidance requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The amendments in ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early adoption permitted. While we are currently evaluating the impact of ASU No. 2016-02, we expect an increase to the consolidated balance sheets for the lease assets and associated lease liabilities for our lease agreements previously accounted for as operating leases.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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Interest Rate Risk

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

As of June 30, 2018, 78% of the investments at fair value in our portfolio bore interest at variable rates, 8% bore interest at fixed rates, 13% were non-interest earning and 1% were on non-accrual status. Additionally, for the variable rate investments, 99% of these investments contained interest rate floors (representing 78% of total investments at fair value). Also, as of June 30, 2018, all the loans made through the SDLP contained interest rate floors. The Facilities all bear interest at variable rates with no interest rate floors, while the Unsecured Notes and the Convertible Unsecured Notes bear interest at fixed rates.

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

In December 2017, in connection with $395 million of the term loan tranche of our Revolving Credit Facility, we entered into a three-year interest rate swap agreement for a total notional amount of $395 million. Under the interest rate swap agreement, we pay a fixed interest rate of 2.06% and receive a floating rate based on the prevailing one-month LIBOR. See Note 5 to our consolidated financial statements for the three and six months ended June 30, 2018 and the year ended December 31, 2017 for more information on the Revolving Credit Facility and see Note 6 to our consolidated financial statements for the three and six months ended June 30, 2018 and the year ended December 31, 2017 for more information on the interest rate swap.

Based on our June 30, 2018 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure and reflecting the effect of our interest rate swap agreement discussed in the paragraph above:

(in millions) Basis Point Change	Interest Income	Interest Expense(1)	Net Income(2)
Up 300 basis points	$ 267	$ 1	$ 266
Up 200 basis points	$ 178	$	$ 178
Up 100 basis points	$ 88	$	$ 88
Down 100 basis points	$ (87)	$	$ (87)
Down 200 basis points	$ (97)	$	$ (97)
Down 300 basis points	$ (92)	$	$ (92)

(1) Includes the impact of the interest rate swap (discussed above) as a result of changes in interest rates.

(2) Excludes the impact of income based fees. See Note 3 to our consolidated financial statements for the three and six months ended June 30, 2018 for more information on the income based fees.

The above sensitivity analysis does not include our collateralized loan obligation ("CLO") equity investments. CLO equity investments are levered structures that are collateralized primarily with first lien floating rate loans that may have LIBOR floors and are levered primarily with floating rate

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debt that does not have a LIBOR floor. The residual cash flows available to the equity holders of the CLOs will decline as interest rates increase until interest rates surpass the LIBOR floors on the floating rate loans. However, the revenue recognized on our CLO equity investments is calculated using the effective interest method which incorporates a forward LIBOR curve in the projected cash flows. Any change to interest rates that is not in-line with the forward LIBOR curve used in the projections, in either the timing or magnitude of the change, will cause actual distributions to differ from the current projections and will impact the related revenue recognized from these investments.

Based on our December 31, 2017, balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

(in millions) **Basis Point Change**	**Interest** **Income**	**Interest** **Expense(1)**	**Net** **Income(2)**
Up 300 basis points	$ 289	$ 20	$ 269
Up 200 basis points	$ 192	$ 13	$ 179
Up 100 basis points	$ 96	$ 7	$ 89
Down 100 basis points	$ (44)	$ (7)	$ (37)
Down 200 basis points	$ (37)	$ (10)	$ (27)
Down 300 basis points	$ (38)	$ (10)	$ (28)

(1) Includes the impact of the interest rate swap (discussed above) as a result of changes in interest rates.

(2) Excludes the impact of income based fees. See Note 3 to our consolidated financial statements for the three and six months ended June 30, 2018 for more information on the income based fees.

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

Information about our senior securities (including preferred stock, debt securities and other indebtedness) is shown in the following tables as of the end of the last ten fiscal years and as of June 30, 2018. The report of our independent registered public accounting firm, KPMG LLP, on the senior securities table as of December 31, 2017, is attached as an exhibit to the registration statement of which this prospectus and the accompanying prospectus supplement is a part. The " "indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 413,750	$ 2,547	$	N/A
Fiscal 2017	$ 395,000	$ 2,415	$	N/A
Fiscal 2016	$ 571,053	$ 2,296	$	N/A
Fiscal 2015	$ 515,000	$ 2,213	$	N/A
Fiscal 2014	$ 170,000	$ 2,292	$	N/A
Fiscal 2013	$	$	$	N/A
Fiscal 2012	$	$	$	N/A
Fiscal 2011	$ 395,000	$ 2,393	$	N/A
Fiscal 2010	$ 146,000	$ 3,079	$	N/A
Fiscal 2009	$ 474,144	$ 2,294	$	N/A
Fiscal 2008	$ 480,486	$ 2,201	$	N/A
Revolving Funding Facility				
Fiscal 2018 (as of June 30, 2018, unaudited)	$	$	$	N/A
Fiscal 2017	$ 600,000	$ 2,415	$	N/A
Fiscal 2016	$ 155,000	$ 2,296	$	N/A
Fiscal 2015	$ 250,000	$ 2,213	$	N/A
Fiscal 2014	$ 324,000	$ 2,292	$	N/A
Fiscal 2013	$ 185,000	$ 2,547	$	N/A
Fiscal 2012	$ 300,000	$ 2,721	$	N/A
Fiscal 2011	$ 463,000	$ 2,393	$	N/A
Fiscal 2010	$ 242,050	$ 3,079	$	N/A
Fiscal 2009	$ 221,569	$ 2,294	$	N/A
Fiscal 2008	$ 114,300	$ 2,201	$	N/A
Revolving Funding II Facility				
Fiscal 2009	$	$	$	N/A
SMBC Revolving Funding Facility				
Fiscal 2018 (as of June 30, 2018, unaudited)	$	$	$	N/A
Fiscal 2017	$ 60,000	$ 2,415	$	N/A
Fiscal 2016	$ 105,000	$ 2,296	$	N/A
Fiscal 2015	$ 110,000	$ 2,213	$	N/A
Fiscal 2014	$ 62,000	$ 2,292	$	N/A
Fiscal 2013	$	$	$	N/A
Fiscal 2012	$	$	$	N/A
SBA Debentures				
Fiscal 2017	$	$	$	N/A
Fiscal 2016	$ 25,000	$ 2,296	$	N/A
Fiscal 2015	$ 22,000	$ 2,213	$	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Debt Securitization				
Fiscal 2011	$ 77,531	$ 2,393	$	N/A
Fiscal 2010	$ 155,297	$ 3,079	$	N/A
Fiscal 2009	$ 273,752	$ 2,294	$	N/A
Fiscal 2008	$ 314,000	$ 2,201	$	N/A
February 2016 Convertible Notes				
Fiscal 2015	$ 575,000	$ 2,213	$	N/A
Fiscal 2014	$ 575,000	$ 2,292	$	N/A
Fiscal 2013	$ 575,000	$ 2,547	$	N/A
Fiscal 2012	$ 575,000	$ 2,721	$	N/A
Fiscal 2011	$ 575,000	$ 2,393	$	N/A
June 2016 Convertible Notes				
Fiscal 2015	$ 230,000	$ 2,213	$	N/A
Fiscal 2014	$ 230,000	$ 2,292	$	N/A
Fiscal 2013	$ 230,000	$ 2,547	$	N/A
Fiscal 2012	$ 230,000	$ 2,721	$	N/A
Fiscal 2011	$ 230,000	$ 2,393	$	N/A
2017 Convertible Notes				
Fiscal 2016	$ 162,500	$ 2,296	$	N/A
Fiscal 2015	$ 162,500	$ 2,213	$	N/A
Fiscal 2014	$ 162,500	$ 2,292	$	N/A
Fiscal 2013	$ 162,500	$ 2,547	$	N/A
Fiscal 2012	$ 162,500	$ 2,721	$	N/A
2018 Convertible Notes				
Fiscal 2017	$ 270,000	$ 2,415	$	N/A
Fiscal 2016	$ 270,000	$ 2,296	$	N/A
Fiscal 2015	$ 270,000	$ 2,213	$	N/A
Fiscal 2014	$ 270,000	$ 2,292	$	N/A
Fiscal 2013	$ 270,000	$ 2,547	$	N/A
Fiscal 2012	$ 270,000	$ 2,721	$	N/A
2019 Convertible Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 300,000	$ 2,547	$	N/A
Fiscal 2017	$ 300,000	$ 2,415	$	N/A
Fiscal 2016	$ 300,000	$ 2,296	$	N/A
Fiscal 2015	$ 300,000	$ 2,213	$	N/A
Fiscal 2014	$ 300,000	$ 2,292	$	N/A
Fiscal 2013	$ 300,000	$ 2,547	$	N/A
2022 Convertible Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 388,000	$ 2,547	$	N/A
Fiscal 2017	$ 388,000	$ 2,415	$	N/A
2011 Notes				
Fiscal 2010	$ 300,584	$ 3,079	$	$ 1,018
2012 Notes				
Fiscal 2010	$ 161,210	$ 3,079	$	$ 1,018
2018 Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 750,000	$ 2,547	$	N/A
Fiscal 2017	$ 750,000	$ 2,415	$	N/A
Fiscal 2016	$ 750,000	$ 2,296	$	N/A
Fiscal 2015	$ 750,000	$ 2,213	$	N/A
Fiscal 2014	$ 750,000	$ 2,292	$	N/A
Fiscal 2013	$ 600,000	$ 2,547	$	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
2020 Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 600,000	$ 2,547	$	N/A
Fiscal 2017	$ 600,000	$ 2,415	$	N/A
Fiscal 2016	$ 600,000	$ 2,296	$	N/A
Fiscal 2015	$ 600,000	$ 2,213	$	N/A
Fiscal 2014	$ 400,000	$ 2,292	$	N/A
January 2022 Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 600,000	$ 2,547	$	N/A
Fiscal 2017	$ 600,000	$ 2,415	$	N/A
Fiscal 2016	$ 600,000	$ 2,296	$	N/A
February 2022 Notes				
Fiscal 2014	$ 143,750	$ 2,292	$	$ 1,024
Fiscal 2013	$ 143,750	$ 2,547	$	$ 1,043
Fiscal 2012	$ 143,750	$ 2,721	$	$ 1,035
October 2022 Notes				
Fiscal 2016	$ 182,500	$ 2,296	$	$ 1,017
Fiscal 2015	$ 182,500	$ 2,213	$	$ 1,011
Fiscal 2014	$ 182,500	$ 2,292	$	$ 1,013
Fiscal 2013	$ 182,500	$ 2,547	$	$ 993
Fiscal 2012	$ 182,500	$ 2,721	$	$ 986
2040 Notes				
Fiscal 2014	$ 200,000	$ 2,292	$	$ 1,040
Fiscal 2013	$ 200,000	$ 2,547	$	$ 1,038
Fiscal 2012	$ 200,000	$ 2,721	$	$ 1,041
Fiscal 2011	$ 200,000	$ 2,393	$	$ 984
Fiscal 2010	$ 200,000	$ 3,079	$	$ 952
2023 Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 750,000	$ 2,547	$	N/A
Fiscal 2017	$ 750,000	$ 2,415	$	N/A
2025 Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 600,000	$ 2,547	$	N/A
2047 Notes				
Fiscal 2018 (as of June 30, 2018, unaudited)	$ 229,557	$ 2,547	$	$ 1,016
Fiscal 2017	$ 229,557	$ 2,415	$	$ 1,021
Fiscal 2016	$ 229,557	$ 2,296	$	$ 1,015
Fiscal 2015	$ 229,557	$ 2,213	$	$ 1,011
Fiscal 2014	$ 229,557	$ 2,292	$	$ 985
Fiscal 2013	$ 230,000	$ 2,547	$	$ 972
Fiscal 2012	$ 230,000	$ 2,721	$	$ 978
Fiscal 2011	$ 230,000	$ 2,393	$	$ 917
Fiscal 2010	$ 230,000	$ 3,079	$	$ 847

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

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the "Asset Coverage Per Unit" (including for the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in $25 increments). In June 2016, Ares Capital received exemptive relief from the SEC allowing it to modify the asset coverage requirements to exclude SBA Debentures from this calculation. As such,

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the asset coverage ratio beginning with Fiscal 2016 excludes the SBA Debentures. Certain prior year amounts have been reclassified to conform to the 2016 and 2017 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 ASU 2015-03, Interest Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs during the first quarter of 2016.

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

(4) Not applicable, except for with respect to the 2011 Notes, the 2012 Notes, the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, as other senior securities are not registered for public trading on a stock exchange. The average market value per unit for each of the 2011 Notes, the 2012 Notes, the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes is based on the average daily prices of such notes and is expressed per $1,000 of indebtedness (including for the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in $25 increments).

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BUSINESS

Ares Capital

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a BDC under the Investment Company Act. We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our IPO on October 8, 2004. As of June 30, 2018, we were the largest BDC in the United States with approximately $12.3 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, pursuant to our investment advisory and management agreement. 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 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 and, investments in project finance/power generation projects generally range between $10 million and $200 million. However, the investment sizes may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro-and macro-economic factors.

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

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

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

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships of Ares with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investment opportunities. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for over 20 years and its partners have an average of approximately 23 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 June 30, 2018, Ares had approximately 405 investment professionals and approximately 640 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. 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.

American Capital Acquisition

On January 3, 2017, we completed the American Capital Acquisition 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.

In connection with the American Capital Acquisition, Ares Capital Management has agreed to the Fee Waiver. See Notes 3 and 14 to our consolidated financial statements for the three and six months ended June 30, 2018 and Notes 3 and 16 for the year ended December 31, 2017 for additional information regarding the American Capital Acquisition.

Ares Management, L.P.

Ares is a publicly traded, leading global alternative asset manager. As of June 30, 2018, Ares had over 1,000 employees in over 15 principal and originating offices across the United States, Europe, Asia and Australia. Since its inception in 1997, Ares has adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares believes each of its three distinct but complementary investment groups in Credit, Private Equity and Real Estate is a market leader based on investment performance. Ares was built upon the fundamental principle that each group benefits from being part of the greater whole.

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Ares Capital Management LLC

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of approximately 95 U.S.-based investment professionals as of June 30, 2018 and led by certain partners of the Ares Credit Group: 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 primarily 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 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.

- We believe the middle-market represents a significant portion of the overall economy, and the demand for capital by middle-market companies reflects generally stronger growth trends and financial performance. In addition, due to the fragmented nature of the middle-market and the lack of publicly available information, we believe lenders have an opportunity to originate and underwrite investments with more favorable terms, including stronger covenant and reporting packages, as well as better call protection and change of control provisions as compared to the large, broadly syndicated loan market.

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

Scale and Flexible Transaction Structuring

We believe that being one of the largest BDCs makes us a more desirable and flexible capital provider, especially in competitive markets. We are flexible 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,

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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 junior capital focused 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 June 30, 2018, Ares oversaw a portfolio of investments in over 1,500 companies, over 500 structured assets and over 170 properties across approximately 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;
- 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 approximately 60 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 and supervised by our board of directors, a majority of whom are independent of Ares and its affiliates. Our investment adviser is registered under the Advisers Act. Under our investment advisory agreement we have agreed to pay

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our investment adviser base management fees, income based fees and capital gains incentive fees. See " Investment Advisory and Management Agreement". Ares Operations provides us with certain administrative and other services necessary for us to operate pursuant to the administration agreement. See " 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) is also co-investing. On January 18, 2017, we received an order from the SEC that permits us and other BDCs and registered closed-end management investment companies managed by Ares to co-invest in portfolio companies with each other and with affiliated investment funds. Co-investments made under the Co-investment Exemptive Order are subject to compliance with certain conditions and other requirements, which could limit our ability to participate in a co-investment transaction. We may also otherwise 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.

Also, while we may borrow funds to make investments, our ability to use debt is limited in certain significant aspects. See "Regulation." In particular, under the provisions of the Investment Company Act, 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"), unless the BDC obtains approval (either stockholder approval or approval of a "required majority" of its board of directors) to apply the modified asset coverage requirements set forth in Section 61(a)(2) of the Investment Company Act, as amended by the SBCAA, reducing the required asset coverage ratio applicable to the BDC from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us).

Currently, our asset coverage requirement applicable to senior securities is 200%. On June 21, 2018, our board of directors, including a "required majority" of our board of directors, approved the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the Investment Company Act, as amended by the SBCAA. As a result, effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150%. In order to incur this additional leverage, we intend to enter into certain amendments for our Revolving Credit Facility and Revolving Funding Facility to reduce the current asset coverage requirements specified therein. See "Risk Factors Risks Relating to Our Business Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which may increase the risk of investing with us" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources."

As of June 30, 2018, our asset coverage was 255%.

In addition, as a consequence of us being a RIC under 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 to be subject to additional U.S. federal corporate-level income taxes. This requirement, in turn, generally prevents us from using our earnings to support our operations, including making new investments.

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INVESTMENTS

Ares Capital Corporation Portfolio

We have built an investment portfolio of primarily first and second lien senior secured loans, mezzanine debt and, to a lesser extent, equity investments in private middle-market companies. Our portfolio is well diversified by industry sector and its concentration to any single issuer is limited.

Our debt investments in corporate borrowers generally range between $30 million and $500 million each and investments in project finance/power generation projects generally range between $10 million and $200 million each. However, the sizes of our investments 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.

Our preferred and/or common equity investments 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.

In addition, 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 expected final hold size. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate a portion of such amount 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).

We make senior secured loans primarily in the form of first lien loans (including unitranche loans) and second lien loans. Our senior secured loans generally have terms of three to ten years. In connection with our senior secured loans we generally receive a security interest in certain of the assets of the borrower and consequently such assets serve as collateral in support of the repayment of such senior secured loans. Senior secured loans are generally exposed to the least amount of credit risk because they typically hold a senior position with respect to scheduled interest and principal payments and security interests in assets of the borrower. However, unlike mezzanine debt, senior secured loans typically do not receive any stock, warrants to purchase stock or other yield enhancements. Senior secured loans may include both revolving lines of credit and term loans.

Structurally, mezzanine debt usually ranks subordinate in priority of payment to senior secured loans and is often unsecured. However, mezzanine debt ranks senior to preferred and common equity in a borrower's capital structure. Mezzanine debt investments generally offer lenders fixed returns in the form of interest payments and will often provide lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of an equity co-investment and/or warrants. Due to its higher risk profile and often less restrictive covenants as compared to senior secured loans, mezzanine debt generally bears a higher stated interest rate than senior secured loans. The equity co-investment and warrants (if any) associated with a mezzanine debt investment typically allow lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Equity issued in connection with mezzanine debt also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula.

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

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.

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. 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. 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 ours and Varagon (with approval from a representative of each required).

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 June 30, 2018, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates. The SDLP Certificates pay a coupon of LIBOR plus a stated spread and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the 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.

As of June 30, 2018, we and Varagon and its clients had agreed to make capital available to the SDLP of $6.4 billion in the aggregate, of which $1.4 billion is to be made available from us. We will continue to provide capital to the SDLP in the form of SDLP Certificates, and Varagon and its clients will provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. Investment of any unfunded amount must be approved by the investment committee of the SDLP consisting of representatives of ours and Varagon (with approval from a representative of each required).

For more information on the SDLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Co-Investment Programs Senior Direct Lending Program."

Ivy Hill Asset Management, L.P.

As of June 30, 2018, our portfolio company, IHAM, an SEC-registered investment adviser, managed 23 vehicles and served as the sub-manager/sub-servicer for two other vehicles. As of June 30, 2018, IHAM had assets under management of approximately $5.0 billion. As of June 30, 2018, the amortized cost and fair value of our investment in IHAM was $451 million and $562 million, respectively. 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

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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 January 3, 2017, in connection with the American Capital Acquisition, American Capital Asset Management, LLC, a wholly owned portfolio company of American Capital ("ACAM"), merged with and into IHAM, with IHAM remaining as the surviving entity as a wholly owned portfolio company of ours. As a result, IHAM now manages certain funds that were previously managed by ACAM.

See Notes 4 and 14 to our consolidated financial statements for the three months and six months ended June 30, 2018 for more information about IHAM and its role in the American Capital Acquisition.

Industry Composition

We generally seek to invest in companies in the industries in which Ares' investment professionals have direct expertise. The following is a representative list of the industries in which we have invested:

- Aerospace and Defense
- Automotive Services
- Business Services
- Consumer Products
- Containers and Packaging
- Education
- Environmental Services
- Financial Services
- Food and Beverage
- Healthcare Services
- Investment Funds and Vehicles
- Manufacturing
- Oil and Gas

- Other Services
- Power Generation
- Restaurant and Food Services
- Retail
- Telecommunications

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

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The industrial and geographic compositions of our portfolio at fair value as of June 30, 2018 and December 31, 2017 were as follows:

Industry	As of June 30, 2018	As of December 31, 2017
Healthcare Services	22.2%	22.5%
Business Services	16.1	19.2
Consumer Products	7.5	6.8
Financial Services	6.9	4.3
Investment Funds and Vehicles(1)	6.6	5.8
Manufacturing	5.7	6.0
Other Services	5.5	6.2
Power Generation	4.3	3.6
Restaurants and Food Services	3.9	3.3
Education	3.4	3.0
Food and Beverage	3.1	4.3
Oil and Gas	2.8	2.5
Automotive Services	2.5	3.0
Wholesale Distribution	2.3	2.5
Containers and Packaging	2.1	2.1
Other	5.1	4.9
Total	100.0%	100.0%

(1) Includes our investment in the SDLP, which had made first lien senior secured loans to 20 and 19 different borrowers as of June 30, 2018 and December 31, 2017, respectively. The portfolio companies in the SDLP are in industries similar to the companies in our portfolio.

Geographic Region	As of June 30, 2018	As of December 31, 2017
West(1)	29.0%	23.9%
Midwest	23.9	25.3
Southeast	23.1	28.5
Mid Atlantic	16.0	15.0
Northeast	5.0	3.9
International	3.0	3.4
Total	100.0%	100.0%

(1) Includes our investment in the SDLP, which represented 5.1% and 4.1% of the total investment portfolio at fair value as of June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, 2.7% of total investments at amortized cost (or 0.8% of total investments at fair value) were on non-accrual status. As of December 31, 2017, 3.1% of total investments at amortized cost (or 1.4% of total investments at fair value) were on non-accrual status.

Since our IPO on October 8, 2004 through June 30, 2018, our exited investments resulted in an asset level realized gross internal rate of return (as discussed in more detail in footnote 1 to the table below) to us of approximately 14% (based on original cash invested, net of syndications, of approximately $23.1 billion and total proceeds from such exited investments of approximately $29.3 billion). Approximately 63% of these exited investments resulted in an asset level realized gross internal rate of return to us of 10% or greater.

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The realized gross internal rate of return, original cash invested, net of syndications, and total proceeds, in each case from exited investments, are listed below from our IPO on October 8, 2004 through the end of each period shown below.

	Exited Investments IPO through														
(dollar amounts in millions)	**June 30, 2018**	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**	**December 31, 2005**	**December 31, 2004**
Realized gross internal rate of return to Ares Capital(1)	14%	14%	13%	13%	13%	13%	13%	14%	15%	14%	19%	21%	26%	41%	17%
Original cash invested, net of syndications	$ 23,058	$ 20,613	$ 14,264	$ 12,170	$ 9,883	$ 7,717	$ 6,817	$ 4,638	$ 2,696	$ 1,220	$ 923	$ 684	$ 424	$ 119	$ 28
Total proceeds	$ 29,266	$ 26,424	$ 17,523	$ 14,903	$ 12,121	$ 9,445	$ 8,264	$ 5,627	$ 3,256	$ 1,405	$ 1,104	$ 818	$ 511	$ 140	$ 32

(1) 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.

Additionally, since our IPO on October 8, 2004 through June 30, 2018, our realized gains exceeded our realized losses by approximately $629 million (excluding a one-time gain on the Allied Acquisition) 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 1.0% (excluding a one-time gain on the Allied Acquisition 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.

INVESTMENT SELECTION

Ares' investment philosophy was developed over 20 years ago and has remained consistent and relevant throughout a number of economic cycles. We are managed using a similar investment philosophy used by the investment professionals of Ares in respect of its other investment funds.

This investment philosophy involves, among other things:

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

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

- a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;

- an evaluation of management and its economic incentives;
- an analysis of business strategy and industry trends; and
- an in-depth examination of capital structure, financial results and projections.

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

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Intensive Due Diligence

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

- meeting with the target company's management team to get a detailed review of the business, and to probe for potential weaknesses in business prospects;
- checking management's backgrounds and references;
- performing a detailed review of historical financial performance, including performance through various economic cycles, and the quality of earnings;
- reviewing both short and long term projections of the business, and sensitizing them for both upside and downside risk;
- visiting headquarters and company operations and meeting with top and middle-level executives;
- contacting customers and vendors to assess both business prospects and standard practices;
- conducting a competitive analysis, and comparing the issuer to its main competitors on an operating, financial, market share and valuation basis;
- researching the industry for historic growth trends and future prospects as well as to identify future exit alternatives (including available Wall Street research, industry association literature and general news);
- assessing asset value and the ability of physical infrastructure and information systems to handle anticipated growth; and
- investigating legal risks and financial and accounting systems.

Selective Investment Process

After an investment has been identified and preliminary diligence has been completed, a credit research and analysis report is prepared. This report is reviewed by the senior investment professional in charge of the potential investment. If such senior and other investment professionals are in favor of the potential investment, then it is first presented to the investment committee on a preliminary basis.

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

Issuance of Formal Commitment

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management and/or sponsor of that company and its other capital providers, including senior, junior and equity capital providers, if any, to finalize the structure of the investment.

Approximately 5-7% of the investments initially reviewed by us eventually result in the issuance of formal commitments and the closing of such transactions.

Debt Investments

We invest in portfolio companies primarily in the form of first lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt. The first and second lien senior secured loans generally have terms of three to ten years. In connection with our first and second lien senior secured loans we generally receive security interests in certain assets of our portfolio companies that could serve as collateral in support of the repayment of such loans. First and second lien senior secured loans generally have floating interest rates, which may have LIBOR floors, and also may provide for some amortization of principal and excess cash flow payments, with the remaining principal balance due at maturity.

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

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

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

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

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

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

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

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

Equity Investments

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.

ACQUISITION OPPORTUNITIES

We believe that there may be opportunity for 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.

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. In connection with evaluating potential strategic acquisition and investment transactions, we may incur significant expenses for the evaluation and due diligence investigation of these potential transactions.

ON-GOING RELATIONSHIPS WITH AND MONITORING OF PORTFOLIO COMPANIES

We closely monitor each investment we make, maintain a regular dialogue with both the management team and other stakeholders and seek specifically tailored financial reporting. In addition, senior investment professionals may take board seats or obtain board observation rights in connection with our portfolio companies. As of June 30, 2018, of our 346 portfolio companies, we were entitled to board seats or board observation rights on 27% of these companies and these companies represented approximately 49% of our portfolio at fair value.

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

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.

We assigned a fair value as of January 3, 2017 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 January 3, 2017. 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 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 after January 3, 2017.

As of June 30, 2018, the weighted average grade of our portfolio at fair value was 3.1. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity."

MANAGERIAL ASSISTANCE

As a BDC, we must offer, and must provide upon request, significant managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting

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with and advising officers of portfolio companies and providing other organizational and financial guidance. Ares Operations may provide all or a portion of this assistance pursuant to our administration agreement, the costs of which will be reimbursed by us. We may receive fees for these services.

COMPETITION

Our primary competitors include public and private funds, commercial and investment banks, commercial finance companies, other BDCs and private equity funds, each of which we compete with for financing opportunities. Many of our competitors are substantially larger and have considerably greater financial and marketing resources than we do. For example, some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider more investments and establish more relationships than we do. Furthermore, many of our competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on us as a BDC. For additional information concerning the competitive risks we face, see "Risk Factors Risks Relating to Our Business We operate in a highly competitive market for investment opportunities."

We believe that the relationships of the members of our investment adviser's investment committee and of the partners of Ares enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we seek to invest. We believe that Ares' professionals' deep and long-standing direct sponsor relationships and the resulting proprietary transaction opportunities that these relationships often present, provide valuable insight and access to transactions and information. We use the industry information of Ares' investment professionals to which we have access to assess investment risks and determine appropriate pricing for our investments in portfolio companies.

STAFFING

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees or affiliates of our investment adviser, Ares Capital Management, and our administrator, Ares Operations, each of which is a subsidiary of Ares Management, pursuant to the terms of our investment advisory and management agreement and our administration agreement, respectively, each as described below. Each of our executive officers is an employee or affiliate of our investment adviser or our administrator. Our day-to-day investment activities are managed by our investment adviser. Most of the services necessary for the origination of our investment portfolio are provided by investment professionals employed by Ares Capital Management. Ares Capital Management had approximately 95 U.S.-based investment professionals as of June 30, 2018 who focus on origination, transaction development, investment and the ongoing monitoring of our investments. See "Management Investment Advisory and Management Agreement" below. We reimburse both our investment adviser and our administrator for a certain portion of expenses incurred in connection with such staffing, as described in more detail below. Because we have no employees, Ares Capital does not have a formal employee relations policy.

PROPERTIES

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are currently located at 245 Park Avenue, 44th Floor, New York, New York 10167. We are party to office leases pursuant to which we are leasing office facilities from third parties. For certain of these office leases, we have also entered into separate subleases with Ares Management LLC and IHAM, pursuant to which Ares Management LLC, the sole member of Ares Capital Management, and IHAM collectively sublease the full amount of these leases from us.

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LEGAL PROCEEDINGS

We are party to certain lawsuits in the normal course of business. In addition, American Capital and Allied Capital were involved in various legal proceedings that we assumed in connection with the American Capital Acquisition and the Allied Acquisition, respectively. Furthermore, third parties may try to seek to impose liability on us in connection with our activities or the activities of our portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, we do not expect that these legal proceedings will materially affect our business, financial condition or results of operations.

On May 20, 2013, we were named as one of several defendants in an action filed in the United States District Court for the Eastern District of Pennsylvania by the bankruptcy trustee of DSI Renal Holdings LLC ("DSI Renal") and two affiliate companies. On March 17, 2014, the motion by us and the other defendants to transfer the case to the United States District Court for the District of Delaware (the "Delaware Court") was granted. On May 6, 2014, the Delaware Court referred the matter to the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The complaint alleges, among other things, that each of the named defendants participated in a purported fraudulent transfer involving the restructuring of a subsidiary of DSI Renal. Among other things, the complaint seeks, jointly and severally from all defendants, (1) damages of approximately $425 million, of which the complaint states our individual share is approximately $117 million, and (2) punitive damages. The defendants filed a motion to dismiss all claims on August 5, 2013. On July 20, 2017, the Bankruptcy Court issued an order granting the motion to dismiss certain claims and denying the motion to dismiss certain other claims, including the purported fraudulent transfer claims. The defendants answered the complaint on August 31, 2017. Under the operative scheduling order, discovery will continue until early 2019 with dispositive motions due on April 30, 2019. No trial date has been set. We are currently unable to assess with any certainty whether we may have any exposure in this matter. However, we believe the plaintiff's claims are without merit and intend to vigorously defend ourselves in this matter.

On August 3, 2017, American Capital and one of its former portfolio companies were awarded a judgment plus prejudgment interest by the United States District Court for the District of Maryland (the "District Court") following a bench trial in a case first filed by one of American Capital's insurance companies concerning coverage for bodily injury claims against American Capital and/or its former portfolio company. The District Court found that the carrier breached its duty to defend American Capital and its former portfolio company against more than 1,000 bodily injury claims and awarded American Capital damages plus prejudgment interest. American Capital's carrier filed a notice of appeal to the United States Court of Appeals for the Fourth Circuit; thereafter, American Capital and its former portfolio company filed a notice of cross appeal. The appeal has been fully briefed and oral argument has been scheduled for September 2018. It is currently expected the appeal will be adjudicated in late 2018 at the earliest. American Capital's recovery, if any, will not be known until such time as the appeal is resolved.

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PORTFOLIO COMPANIES

The following table describes each of the businesses included in our portfolio and reflects data as of June 30, 2018. Percentages shown for class of investment securities held by us represent percentage of the class owned and do not necessarily represent voting ownership. Percentages shown for equity securities, other than warrants or options, represent the actual percentage of the class of security held before dilution. Percentages shown for warrants and options held represent the percentage of class of security we may own assuming we exercise our warrants or options before dilution.

We have indicated by footnote portfolio companies (a) where we directly or indirectly own more than 25% of the outstanding voting securities of such portfolio company and, therefore, are presumed to be "controlled" by us under the Investment Company Act and (b) where we directly or indirectly own 5% to 25% of the outstanding voting securities of such portfolio company or where we hold one or more seats on the portfolio company's board of directors and, therefore, are deemed to be an "affiliated person" under the Investment Company Act. We directly or indirectly own less than 5% of the outstanding voting securities of all other portfolio companies (or have no other affiliations with such portfolio companies) listed on the table. We offer to make significant managerial assistance to certain of our portfolio companies. Where we do not hold a seat on the portfolio company's board of directors, we may receive rights to observe such board meetings.

Where we have indicated by footnote the amount of undrawn commitments to portfolio companies to fund various revolving and delayed draw senior secured and subordinated loans, such undrawn commitments are presented net of (i) standby letters of credit treated as drawn commitments because they are issued and outstanding, (ii) commitments substantially at our discretion and (iii) commitments that are unavailable due to borrowing base or other covenant restrictions.

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PORTFOLIO COMPANIES
As of June 30, 2018
(dollar amounts in millions)
(Unaudited)

Issuer	Business Description	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2018	Fair Value
1163227 B.C. Ltd(5) 262 Manitou Drive	Lab testing services for nicotine containing products	First lien senior secured revolving loan		6/25/2024		$ (7)
Kitchener, ON N2C 1L3 Canada		First lien senior secured loan	8.00% (Libor + 6.25%/Q)	6/25/2024		19.9
1A Smart Start, LLC 500 E Dallas Road	Provider of ignition interlock devices	First lien senior secured revolving loan	6.50% (Libor + 4.50%/M)	8/21/2020		0.4(8)
Suite 100 Grapevine, TX 76051		First lien senior secured revolving loan	6.59% (Libor + 4.50%/M)	8/21/2020		1.2(8)
A.U.L. Corp. 1250 Main Street	Provider of vehicle service contracts and limited	First lien senior secured revolving loan		6/5/2023		(9)
Suite 300 Napa, CA 94559	warranties for passenger vehicles	First lien senior secured loan	7.13% (Libor + 5.00%/M)	6/5/2023		7.7
Absolute Dental Management LLC and ADM	Dental services provider	First lien senior secured loan	9.83% (Libor + 7.50%/Q)	1/5/2022		18.1
Equity, LLC		First lien senior secured loan	9.83% (Libor + 7.50%/Q)	1/5/2022		4.8
526 South Tonopah Drive		Class A preferred units			8.46%	1.0
Suite 200 Las Vegas, NV 89106		Class A common units			8.46%	
ACAS Equity Holdings Corporation(4)(6) 2000 Avenue of the Stars 12th Floor Los Angeles, CA 90067	Investment company	Common stock			100.00%	0.5
ACAS Real Estate Holdings Corporation(4) 2000 Avenue of the Stars 12th Floor Los Angeles, CA 90067	Real estate holding company	Common stock			100.00%	2.1
Accommodations Plus Technologies LLC and Accommodations Plus Technologies	Provider of outsourced crew accommodations and logistics	First lien senior secured revolving loan		5/11/2023		(10)
Holdings LLC	management solutions to the	First lien senior secured loan	7.12% (Libor + 5.00%/B)	5/11/2024		12.5
265 Broadhollow Road Melville, NY 11747	airline industry	Class A common units			5.50%	4.6
Accruent, LLC, Accruent Holding, LLC, Athena Parent, Inc. and Athena	Real estate and facilities management software	First lien senior secured revolving loan		7/28/2023		(11)
SuperHoldco, Inc.	provider	First lien senior secured loan		7/28/2023		(12)
11500 Alterra Pkwy			7.07% (Libor + 4.75%/Q)	7/28/2023		0.4

		First lien senior secured loan				
#110		First lien senior secured loan	7.06% (Libor + 4.75%/Q)	7/28/2023		0.5
Austin, TX 78758		Second lien senior secured loan		7/28/2024		(13)
		Second lien senior secured loan	11.07% (Libor + 8.75%/Q)	7/28/2024		3.5
		Second lien senior secured loan	11.07% (Libor + 8.75%/Q)	7/28/2024		85.3
		Senior subordinated loan		7/28/2025		(14)
		Senior subordinated loan		7/28/2025		(15)
		Senior subordinated loan	11.50% PIK	7/28/2025		22.5
		Senior subordinated loan	11.50% PIK	7/28/2025		80.2
		Senior subordinated loan	11.56% (Libor + 9.25%/Q)	7/28/2025		3.4
		Common stock			0.76%	3.6
		Warrant		7/28/2037	2.50%	4.1(2)
Acessa Health Inc. (fka HALT Medical, Inc.) 121 Sand Creek Road Suite B Brentwood, CA 94513	Medical supply provider	Common stock			1.18%	
Achilles Acquisition LLC	Benefits broker and	First lien senior secured loan		6/6/2023		(16)
200 Galleria Parkway	outsourced workflow	First lien senior secured loan	8.09% (Libor + 6.00%/M)	6/6/2023		2.8
Atlanta, GA 30339	automation platform provider	First lien senior secured loan	8.09% (Libor + 6.00%/M)	6/6/2023		5.9
	for brokers	First lien senior secured loan	8.09% (Libor + 6.00%/M)	6/6/2023		2.9
Acrisure, LLC, Acrisure Investors FO, LLC	Retail insurance advisor and	Membership interests			1.91%	14.2
and Acrisure Investors SO, LLC(6) 5664 Prairie Creek Drive SE Celedonia, MI 49316	brokerage	Membership interests			0.95%	4.0
ADCS Billings Intermediate Holdings, LLC 151 South Lane Suite 300 Maitland, FL 32751	Dermatology practice	First lien senior secured revolving loan	9.75% (Base Rate + 4.75%/Q)	5/18/2022		3.2(17)

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Issuer	Business Description	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2018	Fair Value
ADF Capital, Inc., ADF Restaurant	Restaurant owner and	First lien senior secured loan		12/18/2018		(18)
Group, LLC, and ARG Restaurant	operator	First lien senior secured loan	20.33% PIK (Libor + 18.00%/Q)	12/18/2018		4.1
Holdings, Inc.(4)		First lien senior secured loan		12/18/2018		8.0
165 Passaic Avenue		Promissory note		12/18/2023	1.86%	
Fairfield, NJ 07004		Warrant		12/18/2023	95.00%	(2)
ADG, LLC and RC IV GEDC Investor LLC	Dental services provider	First lien senior secured revolving loan	6.80% (Libor + 4.75%/M)	9/28/2022		1.0(19)
29777 Telegraph Road Suite 3000		First lien senior secured revolving loan	6.84% (Libor + 4.75%/M)	9/28/2022		2.0(19)
Southfeild, MI 48304		First lien senior secured revolving loan	8.75% (Base Rate + 3.75%/M)	9/28/2022		0.6(19)
		Second lien senior secured loan	11.09% (Libor + 9.00%/M)	3/28/2024		79.6
		Membership units			0.92%	1.4
AEP Holdings, Inc. and Arrowhead Holdco	Distributor of	First lien senior secured loan	7.92% (Libor + 5.75%/B)	8/31/2021		44.3
Company	non-discretionary, mission-	Common stock			1.17%	4.1
3787 95th Avenue Blaine, MN 55104	critical aftermarket replacement parts					
Air Medical Group Holdings, Inc. and Air	Emergency air medical	Senior subordinated loan	9.96% (Libor + 7.88%/M)	3/13/2026		182.7
Medical Buyer Corp. 209 Highway 121 Bypass Suite 21 Lewisville, TX 75067	services provider	Warrant		3/14/2028	0.08%	1.5(2)
Alcami Holdings, LLC(4)	Outsourced drug	First lien senior secured revolving loan	7.50% (Libor + 5.50%/M)	10/25/2019		7.7(20)
2320 Scientific Park Drive	development services	First lien senior secured revolving loan	7.55% (Libor + 5.50%/M)	10/25/2019		2.0(20)
Wilmington, NC 28405	provider	First lien senior secured revolving loan	7.59% (Libor + 5.50%/M)	10/25/2019		15.9(20)
		First lien senior secured loan	7.59% (Libor + 5.50%/M)	10/26/2020		10.0
		First lien senior secured loan	7.59% (Libor + 5.50%/M)	10/26/2020		95.2
		First lien senior secured loan	11.50% (Base Rate + 6.50%/M)	10/26/2020		0.2
		Senior subordinated loan	12.25%	10/26/2020		25.0
		Senior subordinated loan	11.75%	10/26/2020		30.0
		Senior subordinated loan	12.00%	10/26/2020		30.0
		Senior subordinated loan	14.75% PIK	10/26/2020		38.9
		Senior subordinated loan	15.25% PIK	10/26/2020		39.5
		Series P-1 preferred membership units			98.70%	81.6
		Series P-2 preferred membership units			99.94%	117.3
					100.00%	40.6

		Series R preferred membership units Series R-2 preferred membership units			100.00%	73.4
Alegeus Technologies Holdings Corp. 1601 Trapelo Road South Building, 2nd Floor Waltham, MA 02451	Benefits administration and transaction processing provider	Preferred stock			1.50%	3.1
		Common stock			1.50%	
Alphabet Energy, Inc. 26225 Eden Landing Road Suite D Hayward, CA 94545	Technology developer to convert waste-heat into electricity	First lien senior secured loan		8/1/2017		
		Series 1B preferred stock			0.19%	
		Warrant		12/12/2023	0.88%	(2)
Alteon Health, LLC 350 Motor Parkway Suite 309 Hauppauge, NY 11788	Provider of physician management services	First lien senior secured loan	8.59% (Libor + 6.50%/M)	9/1/2022		2.6
American Academy Holdings, LLC 2233 S Presidents Dr Suite F Salt Lake City, UT 84120	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	First lien senior secured revolving loan	8.58% (Libor + 6.25%/Q)	12/15/2022		0.9(21)
		First lien senior secured loan	8.58% (Libor + 6.25%/Q)	12/15/2022		109.9
		First lien senior secured loan	8.58% (Libor + 6.25%/Q)	12/15/2022		73.4
		Senior subordinated loan	16.33% (Libor + 8.00% Cash, 6.00% PIK/Q)	6/15/2023		77.5
American Residential Services L.L.C. 965 Ridge Lake Blvd Memphis, TN 38120	Heating, ventilation and air conditioning services provider	Second lien senior secured loan	10.09% (Libor + 8.00%/M)	12/31/2022		63.0
American Seafoods Group LLC and American Seafoods Partners LLC 2025 First Avenue Suite 900 Seattle, WA 98121	Harvester and processor of seafood	Second lien senior secured loan	10.22% (Libor + 8.13%/M)	2/21/2024		66.2
		Class A units			0.24%	0.1
		Warrant		8/19/2035	3.36%	10.3(2)

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Issuer	Business Description	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2018	Fair Value	
AMZ Holding Corp. 4800 State Road 60 East Mulberry, FL 33860	Specialty chemicals manufacturer	First lien senior secured revolving loan		6/27/2022			(22)
		First lien senior secured loan	9.00% (Base Rate + 4.00%/Q)	6/27/2022		0.1	
		First lien senior secured loan	7.09% (Libor + 5.00%/Q)	6/27/2022		12.1	
ARES 2007-3R(4)(5)(6) P.O. Box 1093 South Church Street GT Queensgate House George Town, Grand Cayman Cayman Islands	Investment vehicle	Subordinated note		4/16/2021		0.1	
Associated Asphalt Partners, LLC 130 Church Avenue SW Roanoke, VA 24011	Provider of asphalt terminalling, storage and distribution	First lien senior secured loan	7.34% (Libor + 5.25%/M)	4/5/2024		3.8	
Athletic Club Holdings, Inc. 5201 East Tudor Road Anchorage, AL 99507	Premier health club operator	First lien senior secured loan	10.49% (Libor + 8.50%/M)	10/31/2020		35.0	
Avetta, LLC 17671 Cowan Suite 150 Irvine, CA 92614	Supply chain risk management SaaS platform for global enterprise clients	First lien senior secured revolving loan		4/10/2024			(23)
		First lien senior secured loan		4/10/2024			(24)
Badger Sportswear Acquisition, Inc. 111 Badger Lane Statesville, NC 28625	Provider of team uniforms and athletic wear	Second lien senior secured loan	11.09% (Libor + 9.00%/M)	3/11/2024		56.8	
Bambino CI Inc. 747 West 4170 South Murray, UT 84123	Manufacturer and provider of single-use obstetrics products	First lien senior secured revolving loan	8.09% (Libor + 6.00%/M)	10/17/2022		2.8(25)	
		First lien senior secured loan	8.09% (Libor + 6.00%/M)	10/17/2023		31.0	
BeyondTrust Software, Inc. 5090 40th Street Suite 400 Phoenix, AZ 85018	Management software solutions provider	First lien senior secured loan	8.61% (Libor + 6.25%/Q)	11/21/2023		45.9	
Blue Wolf Capital Fund II, L.P.(5)(6) 48 Wall Street 31st Floor New York, NY 10005	Investment partnership	Limited partnership interest			8.50%	3.7	
Brandtone Holdings Limited(5) 51-54 Pearse Street Dublin 2 Ireland	Mobile communications and marketing services provider	First lien senior secured loan		11/1/2018			
		First lien senior secured loan		2/1/2019			
		Warrant		8/5/2026	2.14%		(2)

BRG Sports, Inc. 669 Sugar Lane Elyria, OH 44035	Designer, manufacturer and licensor of branded sporting goods	Preferred stock			1.65%		
		Common stock			1.28%	0.4	
Cadence Aerospace, LLC 2600 94th Street SW Suite 150 Everett, WA 98204	Aerospace precision components manufacturer	First lien senior secured revolving loan		11/14/2022			(26)
		First lien senior secured loan	8.86% (Libor + 6.50%/Q)	11/14/2023		32.3	
Callidus Capital Corporation(4) 2000 Avenue of the Stars 12th Floor Los Angeles, CA 90067	Asset management services	Common stock			100.00%	1.7	
CallMiner, Inc. 200 West Street Waltham, MA 02452	Provider of cloud-based conversational analytics solutions	Warrant		7/23/2024	1.83%		(2)
Campus Management Acquisition Corp.(3) 350 Park Avenue 23rd Floor New York, NY 10022	Education software developer	Preferred stock			16.75%	10.7	
Capital Sports Holdings Inc.(5) 1000 Palladium Dr Ottawa, ON K2V 1A4 Canada	Owner and operator of a National Hockey League team		7.00% (CDOR + 5.25%/Q)	6/22/2024		15.1	
Capstone Logistics Acquisition, Inc. 6525 The Corners Parkway Suite 520 Peachtree Corners, GA 30092	Outsourced supply chain solutions provider to operators of distribution centers	First lien senior secured revolving loan		10/7/2019			(27)
Care Hospice, Inc 500 Faulconer Drive Suite 200 Charlottesville, VA 22903	Provider of hospice services	First lien senior secured revolving loan		4/12/2022			(28)

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Issuer	Business Description	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2018	Fair Value
Carlyle Global Market Strategies CLO 2015-3(5)(6) 190 Elgin Avenue George Town, Grand Cayman KY1-9005 Cayman Islands	Investment vehicle	Subordinated note	9.20%	7/28/2028		18.7
CCS Intermediate Holdings, LLC and CCS Group Holdings, LLC	Correctional facility healthcare operator	First lien senior secured revolving loan	6.33% (Libor + 4.00%/Q)	7/23/2019		4.0(29)
3343 Perimeter Hill Drive		First lien senior secured loan	6.33% (Libor + 4.00%/Q)	7/23/2021		6.4
Suite 300		Second lien senior secured loan	10.68% (Libor + 8.38%/Q)	7/23/2022		129.6
Nashville, TN 37211		Class A units			1.22%	0.9
Cent CLO 2014-22 Limited(5)(6) P.O. Box 1093 Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands	Investment vehicle	Subordinated note	11.83%	11/7/2026		25.3
Centurion CDO 8 Limited(5)(6) P.O. Box 1093 South Church Street GT Queensgate House George Town, Grand Cayman Cayman Islands	Investment vehicle	Subordinated note		3/8/2019		
CFW Co-Invest, L.P. and NCP Curves, L.P.	Health club franchisor	Limited partnership interest			12.24%	8.5
100 Ritchie Road		Limited partnership interest			7.41%	(5)
Waco, TX 76712						
Champion Parent Corporation and Calera XVI, LLC(4)	Endurance sports media and event operator	First lien senior secured loan		11/30/2018		
		First lien senior secured loan		11/30/2018		0.2
9401 Waples Street		Preferred shares			45.00%	
Suite 150		Membership units			7.88%	
San Diego, CA 92121		Common shares			32.96%	
ChargePoint, Inc. 1692 Dell Avenue Campbell, CA 95008	Developer and operator of electric vehicle charging stations	Warrant		12/24/2024	3.70%	2.1(2)
Chariot Acquisition, LLC 3510 Port Jacksonville Pkwy	Manufacturer of aftermarket golf cart parts and accessories	First lien senior secured revolving loan		9/30/2021		(30)
Jacksonville, FL 32226		First lien senior secured loan	8.83% (Libor + 6.50%/Q)	9/30/2021		17.9
		First lien senior secured loan	8.83% (Libor + 6.50%/Q)	9/30/2021		9.1
Chesapeake Research Review, LLC and Schulman Associates Institutional Review	Provider of central institutional review boards	First lien senior secured revolving loan		11/7/2023		(31)

Board, Inc. 6940 Columbia Gateway Drive Suite 110 Columbia, MD 21046	over clinical trials	First lien senior secured loan	8.08% (Libor + 5.75%/Q)	11/7/2023		16.3
CHG PPC Parent LLC 2201 Broadway San Antonio, TX 78215	Diversified food products manufacturer	Second lien senior secured loan	9.59% (Libor + 7.50%/M)	3/30/2026		59.9
CHL, LTD.	Repair and service solutions	Warrant		5/2/2020	6.00%	(2)
1023 State Street	provider for cable, satellite	Warrant		5/2/2020	6.00%	(2)
Schenectady, NY 12307	and telecommunications based service providers	Warrant		5/2/2020	6.00%	(2)
Ciena Capital LLC(4) 1633 Broadway 39th Floor New York, NY 10019	Real estate and small business loan servicer	First lien senior secured revolving loan	6.00%	9/14/2018		14.0(32)
		Equity interests			100.00%	17.8
Cipriani USA Inc. 110 E 42nd Street New York City, NY 10017	Manager and operator of banquet facilities, restaurants, hotels and other leisure properties	First lien senior secured loan	9.84% (Libor + 7.75%/M)	5/30/2023		66.4
Clearwater Analytics, LLC 777 W. Main Street Suite 900 Boise, ID 83702	Provider of integrated cloud-based investment portfolio management, accounting, reporting and analytics software	First lien senior secured revolving loan	7.08% (Libor + 5.00%/M)	9/1/2022		0.3(33)
CMW Parent LLC (fka Black Arrow, Inc.) 65 North San Pedro San Jose, CA 95110	Multiplatform media firm	Series A units			0.00%	
CoLTs 2005-1 Ltd.(4)(5)(6) P.O. Box 908 Mary Street GT Walker House George Town, Grand Cayman Cayman Islands	Investment vehicle	Preferred shares				

Issuer	Business Description	Investment	Interest(1)	Maturity Date	% of Class Held at 6/30/2018	Fair Value
CoLTs 2005-2 Ltd.(4)(5)(6) P.O. Box 908 Mary Street GT Walker House George Town, Grand Cayman Cayman Islands	Investment vehicle	Preferred shares				
Columbo Midco Limited, Columbo Bidco	Compliance, accounting and	Preferred stock			95.52%	21.5
Limited and Columbo Topco Limited(4)(5)	tax consulting services	Preferred stock			85.80%	8.7
25 Bedford Street London, WC2E 9ES United Kingdom	provider	Preferred stock			100.00%	4.3
Command Alkon Incorporated	Software solutions provider to	First lien senior secured	9.00% (Base Rate + 4.00%/M)	9/1/2022		1.5(34)
1800 International Park Drive	the ready-mix concrete	revolving loan				
Suite 400	industry	First lien senior secured loan	6.98% (Libor + 5.00%/M)	9/1/2023		20.5
Birmingham, AL 35243		Second lien senior secured loan	10.98% (Libor + 9.00%/M)	3/1/2024		