

ARES CAPITAL CORP  
Form 497  
January 26, 2010

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

**Subject to Completion  
Preliminary Prospectus Supplement dated January 26, 2010**

**Filed pursuant to Rule 497  
Registration No. 333-158211**

**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated January , 2010)

**19,000,000 Shares**

## **Common Stock**

We are offering for sale 19,000,000 shares of our common stock.

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

We are externally managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, a global alternative asset manager and SEC registered investment adviser that as of December 31, 2009 managed investment funds with approximately \$33 billion of committed capital. Ares Operations LLC, an affiliate of Ares Management LLC, provides the administrative services necessary for us to operate.

Our common stock is traded on The NASDAQ Global Select Market under the symbol "ARCC." On January 25, 2010, the last reported sales price of our common stock on The NASDAQ Global Select Market was \$13.15 per share. The net asset value per share of our common stock at September 30, 2009 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$11.16.

**Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 26 of the accompanying prospectus, including the risk of leverage.**

This prospectus supplement and the accompanying prospectus concisely provide important information you should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before you invest and keep it for future reference. Our Internet address is [www.arescapitalcorp.com](http://www.arescapitalcorp.com). We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission or the "SEC." The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

(1) Before deducting expenses payable by us related to this offering, estimated at \$0.6 million.

The underwriters may also purchase up to an additional 2,850,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallocments. If the underwriters exercise this option in full, the total public offering price will be \$ , the total underwriting discount (sales load) paid by us will be \$ , and total proceeds, before expenses, will be \$ .

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

The shares will be ready for delivery on or about , 2010.

**BofA Merrill Lynch**  
**SunTrust Robinson Humphrey**

**J.P. Morgan**  
**Wells Fargo Securities**

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**BB&T Capital Markets**

**BMO Capital Markets**

**Deutsche Bank Securities**

**Morgan Stanley**

**UBS Investment Bank**

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The date of this prospectus supplement is , 2010.

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

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**FORWARD-LOOKING STATEMENTS**

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

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

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

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

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

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

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**THE COMPANY**

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

**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 business development company, or a "BDC," under the Investment Company Act of 1940, or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. We are one of the largest BDCs with approximately \$8 billion of total committed capital under management, including \$1.2 billion of available debt capacity (subject to leverage restrictions), \$3.0 billion attributable to the SL Fund (as defined) and \$2.1 billion managed by our portfolio company IHAM (as defined).

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 companies. In this prospectus supplement, we generally use the term "middle market" to refer to companies with annual EBITDA (earnings before interest, taxes, depreciation and amortization) of between \$10 million and \$250 million. As discussed in "Recent Developments" below, on October 26, 2009, we entered into a definitive agreement (the "Merger Agreement") under which we have agreed, subject to the satisfaction of certain closing conditions, to acquire Allied Capital Corporation ("Allied Capital") in an all stock transaction, which we refer to as the "Allied Acquisition." We cannot assure you that the Allied Acquisition will be consummated as scheduled, or at all, and any investment decision you make should be made independent of the consummation of the Allied Acquisition. See "Pending Allied Acquisition" in the accompanying prospectus for a description of the terms of the Allied Acquisition, "Risk Factors Risks Relating to Our Business We may fail to consummate the Allied Acquisition" in the accompanying prospectus for a description of the risks associated with a failure to consummate the Allied Acquisition and "Risk Factors Risks Relating to a Consummation of the Allied Acquisition" in the accompanying prospectus for a description of the risks that the combined company may face if the Allied Acquisition is consummated.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our debt investments have ranged between \$10 million and \$100 million each, although the investment sizes may be more or less than the targeted range. Our investment sizes are expected to grow with our capital availability and, if completed, upon consummation of the Allied Acquisition. To a lesser extent, we also make equity investments. Each of our equity investments have

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generally been less than \$20 million, but may grow with our capital availability and are usually made in conjunction with loans we make to these portfolio companies.

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

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

We believe that our investment adviser, Ares Capital Management, is able to leverage Ares' current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 12 years and its senior principals have an average of over 20 years experience investing in senior loans, high yield bonds, mezzanine debt and private equity securities. The Company has access to the Ares staff of approximately 110 investment professionals and to over 150 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance, operations, technology and investor relations.

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

In addition to making investments in the Ares Capital portfolio, our portfolio company, Ivy Hill Asset Management, L.P. ("IHAM"), manages three unconsolidated senior debt funds, Ivy Hill Middle Market Credit Fund, Ltd. ("Ivy Hill I"), Ivy Hill Middle Market Credit Fund II, Ltd. ("Ivy Hill II") and the Ivy Hill Senior Debt Fund, L.P. and related vehicles ("Ivy Hill SDF" and, together with Ivy Hill I and Ivy Hill II, the "Ivy Hill Funds") and serves as the sub-adviser/sub-manager for four others: CoLTS 2005-1 Ltd., CoLTS 2005-2 Ltd., CoLTS 2007-1 Ltd and FirstLight Financial Corporation, or "FirstLight." As of December 31, 2009, IHAM had total committed capital under management of over \$2.3 billion.



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

As of September 30, 2009, we had invested over \$4.0 billion in debt and equity investments since our inception with a total realized internal rate of return to Ares Capital of approximately 17%. Internal rate of return is the unlevered internal rate of return on our portfolio company exits from October 8, 2004 through September 30, 2009. 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 our 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. These internal rate of return results are historical results relating to our past performance and are not necessarily indicative of future results, the achievement of which cannot be assured.

### **About Ares**

Founded in 1997, Ares is a global alternative asset manager and SEC registered investment adviser with approximately \$33 billion of total committed capital and over 250 employees as of December 31, 2009.

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

Ares is comprised of the following groups:

**Private Debt Group.** The Ares Private Debt Group manages the assets of Ares Capital and Ares' private debt middle market financing business in Europe, Ares Capital Europe. The Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt, which in some cases may include an equity component. The Private Debt Group also makes equity investments in private middle-market companies, usually in conjunction with loans.

**Capital Markets Group.** The Ares Capital Markets Group manages a variety of funds and investment vehicles that managed approximately \$18 billion of committed capital as of December 31, 2009, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

**Private Equity Group.** The Ares Private Equity Group manages Ares Corporate Opportunities Fund L.P., Ares Corporate Opportunities Fund II, L.P. and Ares Corporate Opportunities Fund III, L.P. (collectively referred to as "ACOF"), which together managed approximately \$6 billion of committed capital as of December 31, 2009. ACOF generally makes private equity investments in companies substantially larger than the private equity investments anticipated to be made by the Company. In particular, the Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

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

**Ares Capital Management**

Ares Capital Management, our investment adviser, is served by a dedicated origination and transaction development team of approximately 34 investment professionals led by the partners of Ares Capital Management, Michael Arougheti, Eric Beckman, Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' entire investment platform and benefits from the significant capital markets, trading and research expertise of all of Ares' investment professionals. Ares funds currently hold over 700 investments in over 30 different industries. Ares Capital Management's investment committee has nine members, including the partners of Ares Capital Management and Senior Partners of Ares' Capital Markets Group and Private Equity Group.

**Recent Developments**

*Allied Acquisition*

On October 26, 2009, we entered into a definitive agreement to acquire Allied Capital in an all stock transaction valued at \$862 million, or approximately \$4.61 per Allied Capital share as of January 20, 2010. The boards of directors of both companies have each unanimously approved the Allied Acquisition.

Allied Capital is an internally managed BDC. Allied Capital invests in primarily private middle-market companies in a variety of industries through long-term debt and equity capital instruments.

While there can be no assurances as to the exact timing, or that the Allied Acquisition will be completed at all, we are working to complete the Allied Acquisition in the first quarter of 2010. The consummation of the Allied Acquisition is subject to certain conditions, including, among others, Allied Capital stockholder approval, Ares Capital stockholder approval, receipt of certain Ares Capital and Allied Capital lender consents and other customary closing conditions.

We cannot assure you that the Allied Acquisition will be consummated as scheduled, or at all, and any investment decision you make should be made independent of the consummation of the Allied Acquisition. See "Pending Allied Acquisition" in the accompanying prospectus for a more detailed description of the terms of the Allied Acquisition, "Risk Factors Risks Relating to Our Business We may fail to consummate the Allied Acquisition" in the accompanying prospectus for a description of the risks associated with a failure to consummate the Allied Acquisition and "Risk Factors Risks Relating to a Consummation of the Allied Acquisition" in the accompanying prospectus for a description of the risks that the combined company may face if the Allied Acquisition is consummated.

*Unitranche Fund Acquisition*

In a separate transaction, on October 30, 2009, we completed our acquisition of Allied Capital's interests in the SL Fund for \$165 million in cash. The SL Fund was formed in December 2007 to invest in "unitranche" loans of middle-market companies and has approximately \$3.6 billion of committed capital, approximately \$900 million in aggregate principal amount of which is currently funded. Of the \$2.7 billion of unfunded committed capital, approximately \$350 million would be funded by us. Since our acquisition of Allied Capital's interest in the SL Fund, we have made one investment

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in the SL Fund of \$11.6 million. Our investment entitles us to a coupon of LIBOR plus 8.0% and certain other sourcing and management fees. In addition, our underlying investment also entitles us to a substantial portion of the excess cash flows from the underlying loan portfolio.

*Ivy Hill SDF Acquisition*

On December 29, 2009, we made an incremental investment in IHAM to facilitate our acquisition of Allied Capital's management rights in respect of, and interests in, the Allied Capital Senior Debt Fund (now referred to as "Ivy Hill SDF"), for approximately \$33 million in cash. Ivy Hill SDF currently has approximately \$294 million of committed capital invested primarily in first lien loans and to a lesser extent, second lien loans of middle-market companies. IHAM manages Ivy Hill SDF and receives fee income and potential equity distributions in respect of interests that it acquired in Ivy Hill SDF.

*Revolving Credit Facility*

On January 22, 2010, we entered into an agreement to amend and restate our senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility, among other things, increased the size of the facility from \$525 million to \$690 million (comprised of \$615 million in commitments on a stand-alone basis and an additional \$75 million in commitments contingent upon the closing of the Allied Acquisition), extended the maturity date to January 22, 2013, modified pricing and added provisions to permit certain mergers, including the Allied Acquisition. Subject to certain exceptions, pricing under our prior revolving credit facility was based on LIBOR plus 1.00% or on an "alternate base rate" (which is the highest of a prime rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%). Subject to certain exceptions, pricing under the Revolving Credit Facility is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the "alternate base rate" plus an applicable spread of between 1.50% and 3.00%, in each case based on a pricing grid depending on our credit rating. The effective LIBOR spread under the Revolving Credit Facility on January 22, 2010 was 3.00%. The Revolving Credit Facility is secured by substantially all of our assets (subject to certain exceptions, including investments held by certain of our subsidiaries).

The Revolving Credit Facility includes an "accordion" feature that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$897.5 million prior to the closing of the Allied Acquisition, and up to a maximum of \$1.05 billion upon the closing of the Allied Acquisition.

*Amendment to CP Funding Facility*

On January 22, 2010, we combined our existing \$225 million amortizing Ares Capital CP Funding LLC facility (the "CP Funding Facility") with our existing \$200 million revolving CP Funding II LLC facility (together, the "CP Funding Facilities"), both with Wachovia Bank, National Association, into a single \$400 million revolving securitized facility. In connection with the combination, we entered into an Amended and Restated Purchase and Sale Agreement with Ares Capital CP Funding Holdings LLC, our wholly owned subsidiary ("CP Holdings"), pursuant to which we will sell to CP Holdings certain loans that we have originated or acquired, or will originate or acquire (the "Loans") from time to time, which Loans CP Holdings will subsequently sell to Ares Capital CP Funding LLC, a wholly owned subsidiary of CP Holdings ("Ares Capital CP"). The CP Funding Facility is secured by all of the assets held by Ares Capital CP and the membership interest in Ares Capital CP.

The combined CP Funding Facility, among other things, extended the maturity date to January 22, 2013 (with two one-year extension options, subject to mutual consent and modified pricing) and pre-approved the Allied Acquisition. Subject to certain exceptions, the interest charged on the CP Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a

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"base rate" (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case, based on a pricing grid depending upon our credit rating. The effective LIBOR spread under the CP Funding Facility on January 22, 2010 is 2.75%.

*Fourth Quarter Credit Performance*

On a preliminary basis, we do not expect any new non-accruing loans for the quarter ending December 31, 2009. We currently estimate that our non-accruing loans as a percentage of our portfolio at fair value and cost to decline from 1.7% and 5.3%, respectively, for the quarter ending September 30, 2009 to less than 1.0% and 3.5%, respectively, for the quarter ending December 31, 2009. In addition, we estimate that total loans on non-accrual status declined from seven loans for the quarter ending September 30, 2009 to five loans for the quarter ending December 31, 2009. These estimates are provided for informational purposes only and actual data may be higher or lower than these estimates. The Company's Board of Directors, which retains the ultimate authority for valuing our assets, may reach a different conclusion than these estimates. See "Determination of Net Asset Value" in the accompanying prospectus for further information regarding the determination of fair value.

*Other Investment Activity and Estimated Leverage Ratio*

As of January 15, 2010, we had made \$381.8 million of investments (including \$10 million of agreements to fund revolving credit facilities or delayed draw loans) since September 30, 2009. Of these investments, approximately 27% were made in first lien senior secured debt, 62% in senior subordinated debt and 11% in equity/other securities. Of these investments, 27% bear interest at floating rates with a weighted average stated rate of LIBOR plus 11% and 64% bear interest at fixed rates with a weighted average stated rate of 17%. As of January 15, 2010, we had exited \$423.9 million of investments and commitments (including \$105 million of unfunded revolving credit facility commitments or delayed draw loans) since September 30, 2009. Of these investments, approximately 48% were first lien senior secured debt, 13% were second lien senior secured debt, 36% were senior subordinated debt and 2% were equity securities. Of these investments, 19% bear interest at floating rates with a weighted average stated rate of LIBOR plus 7% and 79% bear interest at fixed rates with a weighted average stated rate of 12%.

In addition, as of January 21, 2010, we had an investment backlog and pipeline of \$137.7 million and \$214.9 million, respectively. We expect to syndicate a portion of these investments and commitments to third parties. The consummation of any of the investments in this backlog and pipeline depends upon, among other things: 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. We cannot assure you that we will make any of these investments or that we will syndicate any portion of our investments and commitments.

We currently estimate that our debt to equity ratio, net of cash and cash equivalents, was in a range of 0.675x to 0.75x for the quarter ending December 31, 2009. These estimates are provided for informational purposes only and actual data may be higher or lower than these estimates. The Company's Board of Directors, which retains the ultimate authority for valuing our assets, may reach a different conclusion than these estimates. See "Determination of Net Asset Value" in the accompanying prospectus for further information regarding the determination of fair value.

**Our Corporate Information**

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

Table of Contents**FEES AND EXPENSES**

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

**Stockholder transaction expenses (as a percentage of offering price):**

|  |              |
|--|--------------|
| Sales load paid by us                                    | 5.00%(1)     |
| Offering expenses borne by us                            | 0.24%(2)     |
| Dividend reinvestment plan expenses                      | None(3)      |
| <b>Total stockholder transaction expenses paid by us</b> | <b>5.24%</b> |

**Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(4):**

|  |                  |
|--|------------------|
| Management fees  | 2.12%(5)         |
| Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income, subject to certain limitations) | 2.18%(6)         |
| Interest payments on borrowed funds  | 1.71%(7)         |
| Other expenses   | 1.43%(8)         |
| Acquired fund fees and expenses  | 0.03%(9)         |
| <b>Total annual expenses (estimated)</b>   | <b>7.47%(10)</b> |

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- (1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.
- (2) Amount reflects estimated offering expenses of approximately \$0.6 million and based on the 19,000,000 shares offered in this offering.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses."
- (4) "Consolidated net assets attributable to common stock" equals net assets at September 30, 2009 plus the anticipated net proceeds from this offering.
- (5) Our management fee is currently 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents and that the management fee will remain at 1.5% as set forth in our current investment advisory and management agreement. We may from time to time decide it is appropriate to change the terms of the agreement. Under the Investment Company Act, any material change to our investment advisory and management agreement must be submitted to stockholders for approval. The 7.47% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement" in the accompanying prospectus.
- (6) This item represents our investment adviser's incentive fees based on annualizing actual amounts earned on our pre-incentive fee net income for the nine months ended September 30, 2009 and assumes that the incentive fees earned for the nine months ended September 30, 2009 will be based on the actual realized capital gains as of September 30, 2009, computed net of realized capital losses and unrealized capital depreciation. It also assumes that this fee will remain constant



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although it is 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 this offering within three months of the date of this offering and may have capital gains and interest income that could result in the payment of an incentive fee to our investment adviser in the first year after completion of this offering. Since our inception, the average quarterly incentive fee payable to our investment adviser has been approximately 0.56% of our weighted net assets (2.24% on an annualized basis). For more detailed information about incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the period ended September 30, 2009 in the accompanying prospectus.

The incentive fee consists of two parts:

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

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

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

See "Management Investment Advisory and Management Agreement" in the accompanying prospectus.

(7)

"Interest payments on borrowed funds" represents an estimate of our annualized interest expenses based on actual interest and credit facility expense incurred for the nine months ended September 30, 2009. During the nine months ended September 30, 2009, our average borrowings were \$865 million and cash paid for interest expense was \$15.1 million. We had outstanding borrowings of \$767.9 million at September 30, 2009. This item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us" in the accompanying prospectus.

(8)

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

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Administration Agreement" in the accompanying prospectus. The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses.

- (9) The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies in which the Company is invested in as of September 30, 2009. Certain of these investment companies are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% to net profits. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and for those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on average net assets of \$1.1 billion for the nine months ended September 30, 2009.
- (10) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies.

### **Example**

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents, and that our annual operating expenses would remain at the levels set forth in the table above. Transaction expenses are not included in the following example.

|  | 1 year | 3 years | 5 years | 10 years |
|--|--------|---------|---------|----------|
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return(1) | \$ 54  | \$ 162  | \$ 269  | \$ 532   |

- (1) The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a \$1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, \$64; 3 years, \$191; 5 years, \$315; and 10 years, \$615. However, cash payment of the capital incentive fee would be deferred if during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) was less than 8.0% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less



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

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

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**USE OF PROCEEDS**

We estimate that the net proceeds we will receive from the sale of 19,000,000 shares of our common stock in this offering will be approximately \$236.8 million (or approximately \$272.4 million if the underwriters fully exercise their overallotment option), in each case assuming a public offering price of \$13.15 per share, after deducting the underwriting discounts and commissions of \$12.5 million (or approximately \$14.4 million if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately \$0.6 million payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of the common stock we sell in the offering, both of which will be determined at pricing.

We expect to use the net proceeds of this offering to repay or repurchase outstanding indebtedness under the Revolving Credit Facility (\$490.7 million outstanding as of January 22, 2010). The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six month) plus an applicable spread of between 2.50% and 4.00%. As of January 22, 2010, the one, two, three and six month LIBOR were 0.23%, 0.24%, 0.25% and 0.38%, respectively, and the effective LIBOR spread was 3.00%. The Revolving Credit Facility expires on January 22, 2013.

We intend to use the remaining net proceeds from this offering for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective and strategies and market conditions. Investing in portfolio companies could include investments in our investment backlog and pipeline that as of January 21, 2010, were approximately \$137.7 million and \$214.9 million, respectively. Please note that the consummation of any of the investments in this backlog and pipeline depends upon, among other things: 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. Our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt, and, to a lesser extent, equity securities of eligible portfolio companies. In addition to such investments, we may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. As part of this 30%, we may invest in debt of middle-market companies located outside of the United States. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not be able to achieve our investment objective and/or pay any dividends during this period or, if we are able to do so, such dividends may be substantially lower than the dividends that we expect to pay when our portfolio is fully invested. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our shares may decline. See "Regulation Temporary Investments" in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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

The following table sets forth the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock as reported on The NASDAQ Global Select Market, the closing sales price as a percentage of net asset value and the dividends or distributions declared by us for each fiscal quarter since our initial public offering. On January 25, 2010, the last reported closing sales price of our common stock on The NASDAQ Global Select Market was \$13.15 per share, which represented a premium of approximately 17.8% to the net asset value per share reported by us as of September 30, 2009.

| Year ended               | Net Asset Value(1) | Price Range |          | High Sales Price to Net Asset Value(2) | Low Sales Price to Net Asset Value(2) | Cash Dividend/ Distribution Per Share(3) |
|--------------------------|--------------------|-------------|----------|--|---------------------------------------|--|
|                          |                    | High        | Low      |  |                                       |  |
| <b>December 31, 2008</b> |                    |             |          |  |                                       |  |
| First Quarter            | \$ 15.17           | \$ 14.39    | \$ 12.14 | 94.9%                                  | 80.0%                                 | \$ 0.42                                  |
| Second Quarter           | \$ 13.67           | \$ 12.98    | \$ 10.08 | 95.0%                                  | 73.7%                                 | \$ 0.42                                  |
| Third Quarter            | \$ 12.83           | \$ 12.60    | \$ 9.30  | 98.2%                                  | 72.5%                                 | \$ 0.42                                  |
| Fourth Quarter           | \$ 11.27           | \$ 10.15    | \$ 3.77  | 90.1%                                  | 33.5%                                 | \$ 0.42                                  |