ARES CAPITAL CORP
Form N-14 8C/A
October 13, 2016

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As filed with the Securities and Exchange Commission on October 13, 2016

Registration No. 333-212604

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 2 ý
Post-Effective Amendment No. o
(Check appropriate box or boxes)

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)

Telephone Number: (212) 750-7300
(Area Code and Telephone Number)

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 **Proskauer Rose LLP** **2049 Century Park East, 32nd Floor** **Los Angeles, CA 90067** **Telephone: (310) 557-2900**	**M. Adel Aslani-Far** **James C. Gorton** **Paul F. Kukish** **Latham & Watkins LLP** **885 Third Avenue** **New York, NY 10022** **Telephone: (212) 906-1200**	**David J. Goldschmidt** **Michael K. Hoffman** **Skadden, Arps, Slate, Meagher & Flom LLP** **4 Times Square** **New York, NY 10036** **Telephone: (212) 735-3000**

Approximate Date of Proposed Public Offering: As soon as practicable after this registration statement becomes effective and upon the completion of the mergers described in the enclosed document.

Calculation of Registration Fee
under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price per Share of Common Stock	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value per share	118,336,550 shares	N/A	$1,477,369,350.93	$148,772

(1) The number of shares to be registered represents the maximum number of shares of the registrant's common stock estimated to be issuable pursuant to the merger agreement described in the enclosed document. Pursuant to Rule 416, this registration statement also covers additional securities that may be issued as a result of stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee and calculated pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, as amended, the proposed maximum aggregate offering price is equal to: (1) $16.09, the average of the high and low prices per share of American Capital, Ltd.'s common stock (the securities to be cancelled in the mergers) on July 19, 2016, as reported on the NASDAQ Global Select Market, less the cash consideration to be paid in the mergers of $10.06 per share, multiplied by (2) 245,003,209, the maximum number of shares of American Capital, Ltd.'s common stock that may be exchanged for shares of the registrant's common stock in accordance with the terms of the merger agreement.

(3) Based on a rate of $100.70 per $1,000,000 of the proposed maximum aggregate offering price.

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 the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED OCTOBER 13, 2016

October [•], 2016

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder,

Ares Capital Corporation ("Ares Capital") and American Capital, Ltd. ("American Capital") have entered into an Agreement and Plan of Merger, dated as of May 23, 2016 (the "merger agreement"), providing for the acquisition of American Capital by Ares Capital through a series of mergers (the "mergers"). After the completion of the mergers, American Capital will be a wholly owned subsidiary of Ares Capital and American Capital's portfolio company, American Capital Asset Management, LLC, will have been acquired by Ares Capital's portfolio company, Ivy Hill Asset Management, L.P.

Upon the completion of the mergers, and subject to the terms and conditions of the merger agreement, American Capital stockholders will be entitled to receive the following merger consideration for each share of American Capital common stock owned:

Merger Consideration (per share of American Capital common stock)	**Amount**
Ares Capital common stock (dollar equivalent; based on the Ares Capital per share closing price at market close on May 20, 2016)	$ 7.34
Cash from Ares Capital	$ 6.41
Cash from Ares Capital Management LLC	$ 1.20
Cash from the Mortgage Manager Sale	$ 2.45
Total	**$ 17.40**

In addition, American Capital stockholders may be entitled to additional consideration if Ares Capital declares dividends after certain dates but before the mergers are completed, as described in more detail in this document.

After the completion of the mergers, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof, Ares Capital stockholders and American Capital stockholders are expected to own approximately 74% and 26% of the combined company's outstanding common stock, respectively.

The market prices of both Ares Capital common stock and American Capital common stock will fluctuate before the completion of the mergers and the other transactions contemplated by the merger agreement (collectively, the "Transactions"), and the market value of the stock portion of the merger consideration will fluctuate with the market price of Ares Capital common stock. You should obtain current stock price quotations for Ares Capital and American Capital common stock. Ares Capital common stock trades on NASDAQ under the symbol "ARCC." American Capital common stock trades on NASDAQ under the symbol "ACAS."

Your vote is extremely important. At a special meeting of Ares Capital stockholders, Ares Capital stockholders will be asked to vote on BOTH (1) the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable AND (2) the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements. In order to complete the Transactions, Ares Capital stockholders are required to approve both proposals, as applicable. For more information about the required stockholder approval, see the sections entitled "The Special Meeting of Ares Capital," "Ares Capital Proposal #1: Issuance of Ares Capital Common Stock Pursuant to the Merger Agreement at a Price That is Below Its Then Current Net Asset Value Per Share, if Applicable" and "Ares Capital Proposal #2: Issuance of Ares Capital Common Stock Pursuant to the Merger Agreement in Accordance with NASDAQ Listing Rule Requirements" in this document.

Ares Capital urges you to promptly fill out, sign, date and mail the enclosed proxy card or authorize your proxy by telephone or through the Internet as soon as possible even if you plan to attend the Ares Capital special meeting. Instructions are shown on the proxy card. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to

you by such record holder. If you have any questions about the Transactions or need assistance voting your shares, please call D. F. King & Co., Inc., which is assisting Ares Capital with the solicitation of proxies, toll-free at 1-800-967-7635 or call collect at 1-212-269-5550.

After careful consideration, the board of directors, including the independent directors, of Ares Capital unanimously recommends that its stockholders vote:

"FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable;

"FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements; and

"FOR" the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals.

This document describes the American Capital annual meeting, the Ares Capital special meeting, the Transactions, the merger agreement, the other documents related to the Transactions and other related matters that an Ares Capital stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including "Questions and Answers about the American Capital Annual Meeting, the Ares Capital Special Meeting and the Transactions" beginning on page 3, "Risk Factors" beginning on page 58, "Description of the Transactions" beginning on page 130, "Description of the Merger Agreement" beginning on page 221, "Ares Capital Proposal #1: Issuance of Ares Capital Common Stock Pursuant to the Merger Agreement at a Price That is Below Its Then Current Net Asset Value Per Share, if Applicable" beginning on page 296 and "Ares Capital Proposal #2: Issuance of Ares Capital Common Stock Pursuant to the Merger Agreement in Accordance with NASDAQ Listing Rule Requirements" beginning on page 297, for a discussion of the Transactions, the risks relating to the Transactions, and other important information. You also can obtain information about Ares Capital and American Capital from documents that each has filed with the Securities and Exchange Commission. See "Where You Can Find More Information" for instructions on how to obtain such information.

Sincerely,
Michael J Arougheti
Co-Chairman of the Board of Directors
Bennett Rosenthal
Co-Chairman of the Board of Directors
R. Kipp deVeer
Chief Executive Officer

The Securities and Exchange Commission has not approved or disapproved the Ares Capital common stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this document is October [•], 2016 and it is first being mailed or otherwise delivered to Ares Capital's stockholders on or about October [•], 2016.

Ares Capital Corporation
245 Park Avenue, 44th Floor
New York, New York 10167
(212) 750-7300

In addition, if you have questions about the Transactions or this document, would like additional copies of this document or need to obtain proxy cards or other information related to the proxy solicitation, you may contact D.F. King & Co., Inc., Ares Capital's proxy solicitor, at the address and telephone number listed below. You will not be charged for any of these documents that you request.

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
1-800-967-7635 (toll free) or 1-212-269-5550 (call collect)

Ares Capital Corporation

245 Park Avenue, 44th Floor
New York, New York 10167

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 15, 2016

To the Stockholders of Ares Capital Corporation:

Notice is hereby given that Ares Capital Corporation, a Maryland corporation, or "Ares Capital," will hold a Special Meeting of the Stockholders of Ares Capital, or the "Ares Capital special meeting," on December 15, 2016 at 3:00 p.m., New York time, at the Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814 for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the Agreement and Plan of Merger, as such agreement may be amended from time to time, or the "merger agreement," dated as of May 23, 2016, by and among Ares Capital, American Capital, Ltd., Orion Acquisition Sub, Inc., a wholly owned subsidiary of Ares Capital, Ivy Hill Asset Management, L.P., or "IHAM," a wholly owned portfolio company of Ares Capital, Ivy Hill Asset Management GP, LLC, in its capacity as general partner of IHAM, American Capital Asset Management, LLC, and solely for the limited purposes set forth therein, Ares Capital Management LLC, Ares Capital's investment adviser, at a price below its then current net asset value per share, if applicable;

2. To consider and vote upon a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement, in accordance with NASDAQ listing rule requirements; and

3. To consider and vote upon a proposal to approve the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals.

Only the holders of record of shares of Ares Capital common stock at the close of business on October 17, 2016 will be entitled to receive notice of and vote at the Ares Capital special meeting.

It is important that all Ares Capital stockholders participate in the affairs of Ares Capital, regardless of the number of shares owned. Accordingly, Ares Capital urges you to promptly fill out, sign, date and mail the enclosed proxy card or authorize your proxy by telephone or through the Internet as soon as possible even if you plan to attend the meeting. Instructions are shown on the proxy card.

You have the option to revoke the proxy at any time prior to the meeting or to vote your shares in person if you attend the meeting and are the record owner of the shares.

The Ares Capital board of directors, including the independent directors, has unanimously approved the merger agreement, the transactions contemplated thereby, the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable and the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements and unanimously recommends that Ares Capital stockholders vote "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, "FOR" the issuance of the shares of

Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements and "FOR" the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals.

By Order of the Board of Directors,

Joshua M. Bloomstein
Secretary

New York, New York
October [•], 2016

YOUR VOTE IS IMPORTANT!

ARES CAPITAL URGES YOU TO PROMPTLY FILL OUT, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD OR AUTHORIZE YOUR PROXY BY TELEPHONE OR THROUGH THE INTERNET AS SOON AS POSSIBLE EVEN IF YOU PLAN TO ATTEND THE ARES CAPITAL SPECIAL MEETING. INSTRUCTIONS ARE SHOWN ON THE PROXY CARD. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to you by such record holder.

This document provides a description of the merger agreement, the transactions contemplated thereby, and the matters to be considered at the Ares Capital special meeting. Ares Capital urges you to read this document and its annexes carefully and in their entirety. If you have any questions concerning the merger agreement, the transactions contemplated thereby, or the matters to be considered at the Ares Capital special meeting or this document, would like additional copies of this document or need help voting your shares, please contact Ares Capital's proxy solicitor:

D. F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
1-800-967-7635 (toll free)
1-212-269-5550 (call collect)

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED OCTOBER 13, 2016

October [•], 2016

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder,

American Capital, Ltd. ("American Capital") and Ares Capital Corporation ("Ares Capital") have entered into an Agreement and Plan of Merger, dated as of May 23, 2016 (the "merger agreement"), providing for the acquisition of American Capital by Ares Capital through a series of mergers (the "mergers"). After the completion of the mergers, American Capital will be a wholly owned subsidiary of Ares Capital and American Capital's portfolio company, American Capital Asset Management, LLC, will have been acquired by Ares Capital's portfolio company, Ivy Hill Asset Management, L.P.

Upon the completion of the mergers, and subject to the terms and conditions of the merger agreement, American Capital stockholders will be entitled to receive the following merger consideration for each share of American Capital common stock owned:

Merger Consideration (per share of American Capital common stock)	**Amount**
Ares Capital common stock (dollar equivalent; based on the Ares Capital per share closing price at market close on May 20, 2016)	$ 7.34
Cash from Ares Capital	$ 6.41
Cash from Ares Capital Management LLC	$ 1.20
Cash from the Mortgage Manager Sale	$ 2.45
Total	**$ 17.40**

In addition, American Capital stockholders may be entitled to additional consideration if Ares Capital declares dividends after certain dates but before the mergers are completed, as described in more detail in this document.

After the completion of the mergers, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof, Ares Capital stockholders and American Capital stockholders are expected to own approximately 74% and 26% of the combined company's outstanding common stock, respectively. American Capital and Ares Capital will treat the merger of a wholly owned subsidiary of Ares Capital with and into American Capital as a taxable acquisition of all of the American Capital common stock by Ares Capital for U.S. federal income tax purposes, and the merger consideration is generally expected to be taxable to American Capital U.S. stockholders. See "Material U.S. Federal Income Tax Consequences of the Merger" for more information on the tax consequences of the merger.

The market prices of both American Capital common stock and Ares Capital common stock will fluctuate before the completion of the mergers and the other transactions contemplated by the merger agreement (collectively, the "Transactions"), and the market value of the stock portion of the merger consideration will fluctuate with the market price of Ares Capital common stock. You should obtain current stock price quotations for American Capital and Ares Capital common stock. American Capital common stock trades on NASDAQ under the symbol "ACAS." Ares Capital common stock trades on NASDAQ under the symbol "ARCC."

Your vote is extremely important. At the annual meeting of American Capital stockholders, American Capital stockholders will be asked:

to adopt the merger agreement;

to approve, on an advisory, non-binding basis, the payment of an estimated $62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein;

- to approve any adjournments of the American Capital annual meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement;

- to elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions; and

- to ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.

In order to complete the Transactions, American Capital stockholders are required to approve the proposal to adopt the merger agreement. The merger agreement proposal requires that a majority of the outstanding shares of American Capital common stock entitled to vote on such proposal vote "for" the adoption of the merger agreement in order for such proposal to be approved. The advisory (non-binding) vote on compensation proposal, the adjournment proposal and the independent public accountant proposal each require that a majority of the votes cast by the holders of American Capital common stock present or represented and entitled to vote on such proposal at the American Capital annual meeting vote "for" such proposal in order for it to be approved. To be elected to American Capital's board of directors, each director nominee must receive a majority of the votes cast by the holders of American Capital common stock present or represented and entitled to vote at the American Capital annual meeting. In the context of the election of ten directors, this means that each of the ten director nominees will be required to receive more votes "for" than "against" in order to be elected.

American Capital urges you to promptly fill out, sign, date and mail the enclosed proxy card or authorize your proxy by telephone or through the Internet as soon as possible even if you plan to attend the American Capital annual meeting. Instructions are shown on the proxy card. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to you by such record holder. If you have any questions about any of the matters to be voted on at the American Capital annual meeting or this document or need assistance voting your shares, please call Georgeson Inc., which is assisting American Capital with the solicitation of proxies, toll-free at 1-866-628-6079.

After careful consideration, the American Capital board of directors, including the independent directors, unanimously recommends that its stockholders vote:

- **"FOR" the adoption of the merger agreement;**

- **"FOR" the approval, on an advisory, non-binding basis, of the payment of certain compensation that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein;**

- **"FOR" the approval of any adjournments of the American Capital annual meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement;**

- **"FOR" the election of ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one year term and the completion of the Transactions; and**

- **"FOR" the ratification of the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.**

This document describes the American Capital annual meeting, the Ares Capital special meeting, the Transactions, the merger agreement, the other documents related to the Transactions and other related matters that an American Capital stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including "Questions and Answers about the American Capital Annual Meeting, the Ares Capital Special Meeting and the Transactions" beginning on page 3, "Risk Factors" beginning on page 58, "Description of the Transactions" beginning on page 130, "Description of the Merger Agreement" beginning on page 221 and "American Capital Proposal #1: Adoption of the Merger Agreement" beginning on page 298, for a discussion of the Transactions, the risks relating to the Transactions, and other important information. You also can obtain information about American Capital and Ares Capital from documents that each has filed

with the Securities and Exchange Commission. See "Where You Can Find More Information" for instructions on how to obtain such information.

Sincerely,

Malon Wilkus
Chairman and Chief Executive Officer

The Securities and Exchange Commission has not approved or disapproved the Ares Capital common stock to be issued under this document or the Transactions described in this document, or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this document is October [•], 2016 and it is first being mailed or otherwise delivered to American Capital's stockholders on or about October [•], 2016.

American Capital, Ltd.
2 Bethesda Metro Center, 14th Floor
Bethesda, Maryland 20814
(301) 951-5917

In addition, if you have any questions about any of the matters to be voted on at the American Capital annual meeting or this document, would like additional copies of this document or need to obtain proxy cards or other information related to the proxy solicitation, you may contact Georgeson Inc., American Capital's proxy solicitor, at the address and telephone numbers listed below. You will not be charged for any of these documents that you request.

Georgeson Inc.
1290 Avenue of the Americas
New York, New York 10104
1-866-628-6079 (toll free) or 1-781-575-2137 (international)
acas@georgeson.com (email)

AMERICAN CAPITAL, LTD.
NOTICE OF 2016 ANNUAL MEETING OF
STOCKHOLDERS TO BE HELD ON DECEMBER 15, 2016

DATE AND TIME	Thursday, December 15, 2016 at 9:00 a.m., New York time
PLACE	Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814
ITEMS OF BUSINESS	1) To adopt the Agreement and Plan of Merger, dated as of May 23, 2016, or the "merger agreement," by and among Ares Capital Corporation, Orion Acquisition Sub, Inc., or "Acquisition Sub," American Capital, Ltd., or "American Capital," American Capital Asset Management, LLC, or "ACAM," Ivy Hill Asset Management, L.P., or "IHAM," Ivy Hill Asset Management GP, LLC and, solely for purposes of certain provisions therein, Ares Capital Management LLC, which the merger agreement provides for the merger of Acquisition Sub with and into American Capital, which we refer to as the "merger," and the merger of ACAM with and into IHAM, which we refer to as the "ACAM merger" and together with the merger, the "mergers," and certain other transactions as contemplated therein. 2) To approve, on an advisory, non-binding basis, the payment of an estimated $62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein. 3) To approve any adjournments of the American Capital annual meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement. 4) To elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions. 5) To ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016. 6) To transact such other business as may properly come before the American Capital annual meeting or any adjournments or postponements thereof. In addition, there will be a presentation on the transactions contemplated by the merger agreement, including the mergers, and stockholders will have an opportunity to ask questions. The foregoing items of business are more fully described in this document, and a copy of the merger agreement is attached as *Annex A* to this document. You are encouraged to read this document and the merger agreement, as well as the other exhibits to this document, in their entirety.

BOARD OF DIRECTORS RECOMMENDATIONS	American Capital's board of directors, including the independent directors, unanimously recommends that American Capital stockholders vote: "**FOR**" the adoption of the merger agreement. "**FOR**" the approval, on an advisory, non-binding basis, of the payment of certain compensation that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein; "**FOR**" the approval of any adjournments of the American Capital annual meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement; "**FOR**" the election of ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions; and "**FOR**" the ratification of the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.
WHO CAN VOTE	You are entitled to notice of, and to vote at, the American Capital annual meeting and any adjournments or postponements of the meeting if you were a stockholder of record at the close of business on October 17, 2016.
VOTING	Your vote is important, and we urge you to vote. You may vote in person at the American Capital

	annual meeting, by telephone, through the internet or by mailing your completed proxy card (or voting instruction form, if you hold your shares through a broker, bank or other nominee). See "The Annual Meeting of American Capital Voting of Proxies" for additional information regarding voting.
MEETING ADMISSION	If you wish to attend the American Capital annual meeting in person, we request that you register in advance with our Investor Relations department by following the instructions set forth in "The Annual Meeting of American Capital Date, Time and Place of the American Capital Annual Meeting."
DATE OF DISTRIBUTION	This notice, this document (which constitutes our annual report to stockholders) and the accompanying proxy card are first being sent to our stockholders on or about October [•], 2016.

By Order of the Board of Directors,

Samuel A. Flax
Executive Vice President, General Counsel,
Chief Compliance Officer and Secretary
October [•], 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2016 ANNUAL MEETING OF AMERICAN CAPITAL STOCKHOLDERS TO BE HELD ON DECEMBER 15, 2016

This document (which constitutes our annual report to stockholders) is available free of charge on the internet at www.ACAS.com/2016proxymaterials.

TABLE OF CONTENTS

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form N-14 filed with the Securities and Exchange Commission, or the "SEC," by Ares Capital (File No. 333-212604), constitutes a prospectus of Ares Capital under Section 5 of the Securities Act of 1933, as amended, or the "Securities Act," with respect to the shares of Ares Capital common stock to be issued to American Capital's stockholders as required by the merger agreement.

This document also constitutes a joint proxy statement of Ares Capital and American Capital under Section 14(a) of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." It also constitutes a notice of meeting with respect to the annual meeting of American Capital stockholders, at which American Capital stockholders will be asked to vote on a proposal to adopt the merger agreement, a proposal to approve an advisory (non-binding) resolution on executive compensation, a proposal to approve an adjournment of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement, a proposal to elect directors and a proposal to ratify the appointment of Ernst & Young LLP as American Capital's independent public accountants for the year ending December 31, 2016. This document also constitutes a notice of meeting with respect to the special meeting of Ares Capital stockholders, at which Ares Capital stockholders will be asked to vote on (1) a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, (2) a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing requirements, and (3) a proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals. Information about these meetings and the Transactions is contained in this document.

You should rely only on the information contained in this document. No one has been authorized to provide you with information that is different from that contained in this document. This document is dated October [•], 2016. You should not assume that the information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to Ares Capital stockholders or American Capital stockholders nor the issuance by Ares Capital of the shares of Ares Capital common stock to be issued pursuant to the merger agreement will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

Except where the context otherwise indicates, information contained in this document regarding Ares Capital has been provided by Ares Capital and information contained in this document regarding American Capital has been provided by American Capital.

When used in this document, unless otherwise indicated in this document or the context otherwise requires:

- "ACAM" refers to American Capital Asset Management, LLC, a wholly owned portfolio company of American Capital;

- "ACAM merger" refers to the merger of ACAM with and into IHAM, with IHAM being the surviving entity in such merger, pursuant to the merger agreement;

- "ACMM" refers to American Capital Mortgage Management, LLC, which, prior to the Mortgage Manager Sale, was a wholly owned subsidiary of ACAM;

"Acquisition Sub" refers to Orion Acquisition Sub, Inc., a wholly owned subsidiary of Ares Capital;

"AGNC" refers to American Capital Agency Corp.

"American Capital" refers to American Capital, Ltd. and, where applicable, its consolidated subsidiaries;

"Ares" or "Ares Management" refers to Ares Management, L.P. and its affiliated companies (other than portfolio companies of its affiliated funds);

"Ares Capital" refers to Ares Capital Corporation and, where applicable, its consolidated subsidiaries;

"Ares Capital Management" or "investment adviser" refers to Ares Capital's investment adviser, Ares Capital Management LLC;

"Ares Operations" refers to Ares Operations LLC;

"effective time" refers to the effective time of the mergers;

"IHAM" refers to Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital;

"IHAM GP" refers to Ivy Hill Asset Management GP, LLC, the general partner of IHAM;

"merger" refers to the merger of Acquisition Sub with and into American Capital, with American Capital being the surviving entity of such merger, pursuant to the merger agreement;

"mergers" refers to the merger and the ACAM merger, collectively;

"merger agreement" refers to the Agreement and Plan of Merger by and among Ares Capital, American Capital, Acquisition Sub, IHAM, IHAM GP, ACAM, and solely for the limited purposes set forth therein, Ares Capital Management, dated as of May 23, 2016, as such agreement may be amended from time to time;

"Mortgage Manager Sale" refers to the sale by ACAM of ACMM to AGNC, which was completed on July 1, 2016; and

"Transactions" refers to the mergers and the other transactions contemplated by the merger agreement.

QUESTIONS AND ANSWERS ABOUT THE AMERICAN CAPITAL ANNUAL MEETING, THE ARES CAPITAL SPECIAL MEETING AND THE TRANSACTIONS

The questions and answers below highlight only selected information from this document. They do not contain all of the information that may be important to you. You should carefully read this entire document to fully understand the merger agreement and the Transactions, and the voting procedures for the American Capital annual meeting and Ares Capital special meeting.

Q: Why am I receiving these materials?

A:

American Capital: American Capital is sending these materials to American Capital stockholders to help them decide how to vote their shares of American Capital common stock at the American Capital annual meeting.

At the American Capital annual meeting, American Capital stockholders will be asked to vote on (1) a proposal to adopt the merger agreement, (2) a proposal to approve, on an advisory, non-binding basis, the payment of an estimated $62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein, (3) a proposal to approve any adjournments of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement, (4) a proposal to elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions, and (5) a proposal to ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.

Information about this meeting and the Transactions is contained in this document.

The board of directors of American Capital has unanimously approved the Transactions as in the best interests of American Capital and its stockholders. Please see the section entitled "Description of the Transactions" for an important discussion of the Transactions.

This document summarizes the information regarding the matters to be voted upon at the annual meeting of American Capital. However, you do not need to attend the American Capital annual meeting to vote your shares. You may simply sign the enclosed WHITE proxy card and return it promptly in the postage-paid envelope provided or authorize your proxy by telephone or through the Internet. Instructions are shown on the proxy card. **It is very important that you vote your shares at the American Capital annual meeting. The Transactions cannot be completed unless American Capital stockholders adopt the merger agreement.**

If you hold some or all of your shares in a brokerage account, other than the proposal to ratify Ernst & Young, LLP as American Capital's accountants, your broker will not be permitted to vote your shares unless you provide them with instructions on how to vote your shares. For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the American Capital annual meeting and vote your shares in person. American Capital stockholders are urged to authorize proxies by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details. If your broker holds your shares and you attend the American Capital annual meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares.

If you are an American Capital stockholder and do not provide your broker with instructions or vote at the American Capital annual meeting, it will have the same effect as a vote "against" adoption of the merger agreement.

Ares Capital: Ares Capital is sending these materials to Ares Capital stockholders to help them decide how to vote their shares of Ares Capital common stock at the Ares Capital special meeting.

At the Ares Capital special meeting, Ares Capital common stockholders will be asked to vote on (1) a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, (2) a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements and (3) a proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals. Information about this meeting and the Transactions is contained in this document.

The board of directors of Ares Capital has unanimously approved the Transactions as in the best interests of Ares Capital and its stockholders. The board of directors of Ares Capital has also unanimously approved the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement, including at a price below its then current net asset value per share, if applicable. Please see the section entitled "Description of the Transactions" for an important discussion of the Transactions.

This document summarizes the information regarding the matters to be voted upon at the special meeting of Ares Capital. However, you do not need to attend the Ares Capital special meeting to vote your shares. You may simply sign the enclosed WHITE proxy card and return it promptly in the postage-paid envelope provided or authorize your proxy by telephone or through the Internet. Instructions are shown on the proxy card. **It is very important that you vote your shares at the Ares Capital special meeting. The Transactions cannot be completed unless Ares Capital stockholders approve (1) the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, AND (2) the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements. IN ORDER TO COMPLETE THE TRANSACTIONS, ARES CAPITAL STOCKHOLDERS ARE REQUIRED TO APPROVE BOTH PROPOSALS, AS APPLICABLE.**

If you hold some or all of your shares in a brokerage account, your broker will not be permitted to vote your shares unless you provide them with instructions on how to vote your shares. For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the Ares Capital special meeting and vote your shares in person. Ares Capital stockholders are urged to authorize proxies by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details. If your broker holds your shares and you attend the Ares Capital special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares.

If you are an Ares Capital stockholder and do not provide your broker with instructions to vote your shares or you do not vote at the Ares Capital special meeting, it will have the same effect as a vote "against" both (1) the approval of the issuance of shares of Ares Capital common stock pursuant to the merger agreement at a price below its then current net asset value per share for purposes of the Investment Company Act of 1940, as amended, or the "Investment Company Act," if applicable, and (2) the approval of the issuance of shares of Ares Capital common stock pursuant to the merger agreement in accordance with NASDAQ listing rule requirements.

Q: When and where are the stockholder meetings?

A:

American Capital: The American Capital annual meeting will take place on December 15, 2016 at 9:00 a.m., New York time, at the Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814.

Ares Capital: The Ares Capital special meeting will take place on December 15, 2016 at 3:00 p.m., New York time, at the Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814.

Q: What is happening at the stockholder meetings?

A:

American Capital: American Capital stockholders are being asked to consider and vote on the following matters at their annual meeting:

a proposal to adopt the merger agreement;

a proposal to approve, on an advisory, non-binding basis, the payment of an estimated $62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein;

a proposal to approve any adjournments of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement;

a proposal to elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions; and

a proposal to ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.

Ares Capital: Ares Capital stockholders are being asked to consider and vote on the following matters at their special meeting:

a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable;

a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements; and

a proposal to approve any adjournments of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

Q: What will happen in the Transactions?

A:

Subject to the terms and conditions of the merger agreement, two mergers will occur: (1) Acquisition Sub will merge with and into American Capital, with American Capital remaining as the surviving entity in the merger as a wholly owned subsidiary of Ares Capital and (2) ACAM, a wholly owned portfolio company of American Capital, will merge with and into IHAM, a wholly owned portfolio company of Ares Capital, with IHAM remaining as the surviving entity in the ACAM merger as a wholly owned portfolio company of Ares Capital. Immediately following the mergers, American Capital will convert into a Delaware limited liability company and withdraw its election as a "business development company" (as defined in the Investment Company Act), or "BDC."

See " What will the combined company look like following the completion of the Transactions?" below for more information on the Transactions.

Q: What will American Capital stockholders receive in the Transactions?

A:

Upon the completion of the mergers, and subject to the terms and conditions of the merger agreement, each share of American Capital common stock issued and outstanding immediately prior to the effective time will be converted into the right to receive a combination of cash and Ares Capital common stock, which can be approximately summarized as follows:

Merger Consideration (per share of American Capital common stock)	Amount	
Ares Capital common stock (dollar equivalent; based on the Ares Capital per share closing price at market close on May 20, 2016)	$	7.34
Cash from Ares Capital	$	6.41
Cash from Ares Capital Management	$	1.20
Cash from the Mortgage Manager Sale	$	2.45
Total	**$**	**17.40**

These elements are more specifically:

(1) A fixed exchange ratio of 0.483 shares of Ares Capital common stock, or the "exchange ratio," subject to the payment of cash instead of fractional shares. Based on the closing price of Ares Capital common stock of $15.19 on May 20, 2016, the last full trading day before the public announcement of the entry into the merger agreement, this is valued at $7.34 per share of American Capital common stock. The value of Ares Capital common stock ultimately depends on the value of Ares Capital common stock at the effective time and will fluctuate until such time. See " Is the exchange ratio subject to any adjustment?" below for more information about the exchange ratio.

(2) $6.41 per share in cash from Ares Capital (collectively, with the consideration in clause (1) above, the "Ares Capital consideration").

(3) $1.20 per share in cash from Ares Capital Management, acting solely on its own behalf (the "Ares Capital Management consideration").

(4) $2.45 per share in cash, which amount represents the per share cash consideration paid to American Capital pursuant to the Mortgage Manager Sale (the "Mortgage Manager consideration").

(5) Additionally, depending on the effective time, each share of American Capital common stock issued and outstanding immediately prior to such effective time will be converted into the right to receive, if any,

(A) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the fourth quarter of 2016, 37.5% of the exchange ratio times Ares Capital's dividend for such quarter, *plus*

(B) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the first quarter of 2017, 75% of the exchange ratio times Ares Capital's dividend for such quarter, *plus*

(C) if the closing occurs after the record date with respect to Ares Capital's dividend for any subsequent quarter beginning with the second quarter of 2017, 100% of the exchange ratio times Ares Capital's dividend for such quarter (the "make-up dividend amount").

See " What is the make-up dividend amount?" below for more information on the make-up dividend amount.

The Ares Capital consideration, the Ares Capital Management consideration, the Mortgage Manager consideration and the make-up dividend amount are collectively referred to as the "merger consideration" and will be paid in accordance with the procedures set forth in a letter of transmittal that will be provided to American Capital stockholders after the completion of the Transactions.

Based on the number of shares of American Capital common stock outstanding on the date of the merger agreement, this would result in approximately 110.8 million shares of Ares Capital common stock being exchanged for approximately 229.3 million outstanding shares of American Capital common stock, subject to the payment of cash instead of fractional shares. After the completion of the mergers, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof, Ares Capital stockholders and American Capital stockholders will own approximately 74% and 26% of the combined company's outstanding common stock, respectively.

Until the Transactions are completed, the value of the shares of Ares Capital common stock to be issued in the Transactions will continue to fluctuate but the number of shares to be issued to American Capital's stockholders will remain fixed.

The term "implied value" refers to the value of the Ares Capital common stock that American Capital stockholders would receive if the Transactions took place on a given day, based on the market price of Ares Capital common stock on such date. The implied value of Ares Capital common stock to be received in the Transactions will continue to fluctuate and, as a result, American Capital stockholders will not know the value of the Ares Capital common stock they will receive in the Transactions at the time they vote.

The following table presents the closing prices and most recently determined net asset values per share of Ares Capital common stock and American Capital common stock, as well as the implied value of American Capital common stock based on the value of the merger consideration, on the last full trading day before public announcement of the merger and the last full trading day prior to the date of this document.

	Ares Capital Common Stock	American Capital Common Stock	Cash Consideration	Implied Value of One Share of American Capital Common Stock
Closing Price at May 20, 2016	$ 15.19	$ 15.62	$ 10.06	$ 17.40
Net Asset Value per Share at June 30, 2016	$ 16.62	$ 20.77	N/A	N/A
Closing Price at October [•], 2016	$ [•]	$ [•]	$ 10.06	$ [•]

Q: Is the exchange ratio subject to any adjustment?

A:

No, the exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the effective time.

However, if, after the date of the merger agreement and prior to the effective time, Ares Capital or American Capital undergoes certain extraordinary corporate events as set forth in the merger agreement (e.g., a reclassification, recapitalization, exchange, stock split or combination, exchange or readjustment of shares, or any stock dividend or stock distribution with a record date during such period), then the exchange ratio will be adjusted to provide American Capital stockholders the same economic effect as contemplated by the merger agreement.

Q: Who is responsible for paying the expenses relating to completing the Transactions, including the preparation of this document and the solicitation of proxies?

A:

In general, American Capital and Ares Capital will each be responsible for its own expenses incurred in connection with the merger agreement and the completion of the Transactions, irrespective of whether the Transactions are completed. However, all filing and other fees in connection with any filing under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, or the "HSR Act," will be borne by Ares Capital. Ares Capital will also be responsible for any transfer, stamp and documentary taxes and real property transfer and other similar taxes. See "Description of the Merger Agreement Expenses and Fees."

Q: What will happen to American Capital stock options and incentive awards at the effective time?

A:

Immediately prior to the effective time, each vested and unvested American Capital option outstanding, other than options with an exercise price exceeding the aggregate value of the per share merger consideration, or "underwater options," will become vested and exercisable in full. To the extent such option is not exercised by the effective time, such option will be canceled and entitle the holder of such option to receive the option consideration pursuant to the calculation described in the section entitled "Description of the Merger Agreement Treatment of American Capital Options and Incentive Awards." All underwater options will be canceled and terminated at the effective time and no consideration will be paid in respect of any underwater options.

After the completion of the mergers, based on the number of shares of American Capital common stock issued and outstanding and the number of vested and unvested American Capital options in the money, in each case on the date hereof, and assuming the value of the merger consideration, either on the last full trading day before public announcement of the Transactions or on the last full trading day prior to the date of this document, is as set forth elsewhere in this document, holders of American Capital options are expected to receive approximately 6.4% or [•]% of the total merger consideration, respectively.

Additionally, effective immediately prior to the effective time, each vested and unvested American Capital incentive award will become vested in full and the corresponding shares of American Capital common stock will be released pursuant to the terms of American Capital's performance incentive plans. Each such share of American Capital common stock will thereafter be immediately converted into the right to receive the merger consideration, less applicable withholdings.

Holders of American Capital stock options and incentive awards should consult with their own tax advisors to determine the tax consequences of their election and any cash or stock received by them.

Q: Will I receive dividends after completion of the Transactions?

A:

Ares Capital currently intends to distribute quarterly dividends to its stockholders. For a history of the dividends and distributions paid by Ares Capital since January 1, 2014, see "Market Price, Dividend and Distribution Information." The amount and timing of past dividends and distributions are not a guarantee of any future dividends or distributions, or the amount thereof, the payment, timing and amount of which will be determined by Ares Capital's board of directors and depend on Ares Capital's cash requirements, its financial condition and earnings, contractual restrictions, legal and regulatory considerations and other factors. See "Ares Capital Dividend Reinvestment Plan" for additional information regarding Ares Capital's dividend reinvestment plan.

For a history of the dividends and distributions paid by American Capital since January 1, 2014, see "Market Price, Dividend and Distribution Information."

Additionally, each share of American Capital common stock will be entitled to receive the make-up dividend amount, if any. See " What is the make-up dividend amount?" below for more information on the make-up dividend amount.

No dividends or other distributions with respect to shares of Ares Capital common stock will be paid to any former American Capital stockholders who have not surrendered their shares to the exchange agent for shares of Ares Capital common stock until such shares are surrendered in accordance with such stockholders' letter of transmittal. Following the surrender of any such shares in accordance with such letter of transmittal, the record holders of such shares shall be entitled to receive, without interest, the amount of dividends or other distributions with a record date after the effective time payable with respect to shares of Ares Capital common stock exchangeable for such shares and not previously paid. Ares Capital has the right to withhold dividends or any other distributions on shares of Ares Capital common stock until the American Capital shares are surrendered to the exchange agent.

Q: What is the make-up dividend amount?

A:

Depending on the effective time, each share of American Capital common stock issued and outstanding immediately prior to such effective time will be entitled to receive a make-up dividend amount, which represents such additional consideration, if any, based on an exchange-adjusted percentage of Ares Capital's dividend payments. The make-up dividend amount would equal (a) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the fourth quarter of 2016, 37.5% of the exchange ratio times Ares Capital's dividend for such quarter, *plus* (b) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the first quarter of 2017, 75% of the exchange ratio times Ares Capital's dividend for such quarter, *plus* (c) if the closing occurs after the record date with respect to Ares Capital's dividend for any subsequent quarter beginning with the second quarter of 2017, 100% of the exchange ratio times Ares Capital's dividend for such quarter.

As an example, if the record date, payment date and amount of Ares Capital's dividends declared and payable per share for the fourth quarter of 2016 and the first and second quarters of 2017 were as follows:

Dividend	Record Date	Payment Date	Amount	
Fourth Quarter 2016	December 15, 2016	December 31, 2016	$	0.38
First Quarter 2017	March 15, 2017	March 31, 2017	$	0.38
Second Quarter 2017	June 15, 2017	June 30, 2017	$	0.38

then, the make-up dividend amount would equal the following amounts per share based on the following closing dates:

Closing Date	Calculation	Make-up Dividend Amount	
December 20, 2016	37.5% × exchange ratio × Fourth Quarter 2016 dividend	$	0.07
March 20, 2017	(37.5% × exchange ratio × Fourth Quarter 2016 dividend) + (75% × exchange ratio × First Quarter 2017 dividend)	$	0.21
June 20, 2017	(37.5% × exchange ratio × Fourth Quarter 2016 dividend) + (75% × exchange ratio × First Quarter 2017 dividend) + (100.0% × exchange ratio × Second Quarter 2017 dividend)	$	0.39

The dividend amounts above are presented for illustrative purposes only. Ares Capital currently intends to distribute dividends or make distributions to its stockholders on a quarterly basis out of assets legally available for distribution. Ares Capital may also distribute additional dividends or make additional distributions to its stockholders from time to time. Ares Capital's quarterly and additional dividends or distributions, if any, will be determined by its board of directors and accordingly, there can be no assurance that Ares Capital will declare or distribute the dividends to its stockholders during the periods presented, if at all. See " Will I receive dividends after completion of the Transactions?" for more information.

Q: Are the mergers subject to any third party consents?

A:

Yes. Pursuant to the merger agreement, each of Ares Capital's and American Capital's obligations to complete the Transactions are subject to the prior receipt of consents required to be obtained from certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016, as well as approvals and consents required to be obtained by other third parties, including regulatory authorities in the United Kingdom and Guernsey. Although American Capital and Ares Capital expect that all such approvals and consents will be obtained and remain in effect and all conditions related to such consents will be satisfied, there can be no assurance that such approvals or consents will be obtained. See "Description of the Transactions Other Third Party Consents Required for the Transactions."

Q: How will the combined company be managed following the completion of the Transactions?

A:

Unlike American Capital, Ares Capital is an externally managed closed-end fund. Upon the completion of the Transactions, the current directors and officers of Ares Capital are expected to continue in their current positions and Ares Capital's investment adviser, Ares Capital Management, will externally manage the combined company. Upon the completion of the Transactions, the current directors and officers of American Capital will not continue as directors or officers of the combined company.

Q: How does Ares Capital's investment objective and strategy differ from American Capital's?

A:

The following table presents a comparison of Ares Capital's and American Capital's investment objectives and strategies:

	Ares Capital	**American Capital**
Primary Investment Objective	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	To increase net earnings and net asset value by investing in senior and mezzanine debt and equity securities of private companies and funds managed by ACAM with attractive current yields and/or potential for equity appreciation and realized gains and by growing fee earning assets under management
Investment Focus	First lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt	Senior and mezzanine debt and equity in buyouts of sponsor-backed companies, first lien floating rate loans and second lien floating rate loans, and structured finance investments in non-investment grade securities
Investment Range	Generally between $30 million and $500 million in corporate borrowers, between $10 million and $200 million in project finance/power generation projects and between $1 million and $25 million in early stage and venture capital-backed companies	Up to $600 million in a buyout transaction and generally between $10 million to $150 million in a sponsor finance transaction
Target Borrower	U.S. companies operating in a variety of industries with EBITDA of between $10 million and $250 million	U.S. companies operating in a variety of industries with EBITDA of between $10 million and $150 million
Equity Investments	Will make equity investments to a lesser extent; generally non-control positions less than $20 million invested in conjunction with loans extended	Will make majority equity investments in buyout transactions and minority equity investments in sponsor finance transactions

Q: What will the combined company look like following the completion of the mergers?

A:

Upon the completion of the mergers, American Capital will become a wholly owned subsidiary of Ares Capital and ACAM, a wholly owned portfolio company of American Capital, will merge with and into Ares Capital's portfolio company IHAM, with IHAM remaining as the surviving entity in such merger as a wholly owned portfolio company of Ares Capital.

Simplified Structure Before the Completion of the Mergers

Simplified Structure Following the Completion of the Mergers

*

Immediately following the mergers, American Capital will convert into a Delaware limited liability company and withdraw its election as a BDC.

If the Transactions are completed, the diversification of Ares Capital's investment portfolio is expected to increase by both issuer and industry, with Ares Capital's largest investment (its investment in subordinated certificates of an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a "the Senior Secured Loan Program") or the "SSLP") declining from approximately 21% of its total investment portfolio at fair value as of June 30, 2016 to approximately 16% of the combined company's total investment portfolio at fair value on a pro forma basis as of June 30, 2016. Pro forma for the Transactions, no other single portfolio company investment would represent greater than 5% of the combined company's total investment portfolio at fair value as of June 30, 2016.

The following table presents the asset mix of investments and number of portfolio companies for Ares Capital and American Capital as of June 30, 2016 and pro forma for the combined company as of June 30, 2016:

	Actual Ares Capital	Actual American Capital	Pro Forma Ares Capital Combined
First Lien Senior Secured Loans	29%	19%	26%
Second Lien Senior Secured Loans	31%	25%	31%
SSLP Subordinated Certificates	21%		16%
Senior Subordinated Debt	8%	10%	9%
Collateralized Loan Obligations (CLOs)	0%	9%	3%
Preferred Equity	4%	4%	4%
Other Equity	7%	33%	11%

	Actual Ares Capital	Actual American Capital	Pro Forma Ares Capital Combined
Number of Portfolio Companies	214	122	331

The following table presents the industrial composition of Ares Capital's and American Capital's portfolios at fair value as of June 30, 2016 and the combined company's portfolio at fair value on a pro forma basis as of June 30, 2016:

Industry	Actual Ares Capital	Actual American Capital	Pro Forma Ares Capital Combined
Investment Funds and Vehicles	21.7%	12.1%	20.2%
Healthcare Services	12.5%	7.2%	11.4%
Other Services	10.0%	3.0%	7.8%
Consumer Products	8.0%	5.5%	7.7%
Business Services	6.7%	22.4%	11.9%
Power Generation	6.7%		5.0%
Manufacturing	5.3%	1.5%	4.4%
Financial Services	4.2%	27.1%	7.4%
Restaurants and Food Services	4.2%		3.1%
Education	3.5%	1.5%	3.1%
Oil and Gas	2.9%	1.6%	2.1%
Containers and Packaging	2.8%	2.0%	2.8%
Automotive Services	2.5%	2.2%	2.5%
Food and Beverage	2.5%	1.5%	2.3%
Commercial Real Estate Finance	1.1%	1.2%	1.2%
Other	5.4%	11.2%	7.1%
Total	100.0%	100.0%	100.0%

The following table presents Ares Capital's and American Capital's total assets, total liabilities and net asset value per share as of June 30, 2016 and the combined company's total assets, total liabilities and net asset value per share on a pro forma basis as of June 30, 2016:

(in billions, except per share data)	Actual Ares Capital	Actual American Capital	Pro Forma Ares Capital Combined
Total Assets	$ 9.2	$ 5.3	$ 12.4
Total Liabilities	$ 4.0	$ 0.9	$ 5.5
Net Asset Value per Share	$ 16.62	$ 20.77	$ 16.24

The information presented in the tables above and the immediately preceding paragraphs is provided for illustrative purposes only and does not necessarily indicate what the future assets, liabilities, net asset value or asset mix of the combined company will be following the completion of the Transactions. This pro forma information does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the completion of the Transactions or any future restructuring or integration expenses related to the Transactions. Additionally, this pro forma information does not include any estimated net increase (decrease) in stockholders' equity resulting from operations or other asset sales and repayments that are not already reflected that may occur between June 30, 2016 and the completion of the Transactions. The foregoing information should be read in conjunction with the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements" in this document.

Q: What is expected to happen to annual expenses following the completion of the Transactions?

A:

As is shown in more detail in "Comparative Fees and Expenses," and based on the assumptions described in that section, following the completion of the Transactions, annual expenses as a percentage of consolidated net assets attributable to common stock is estimated to (1) increase for Ares Capital stockholders from 10.22% on a stand-alone basis to 10.56% on a pro forma combined basis and (2) increase for American Capital stockholders from 7.60% on a stand-alone basis to 10.56% on a pro forma combined basis. Ares Capital expects that the combined company will achieve certain synergies and cost savings within 18 months following completion of the Transactions that are not reflected in the foregoing pro forma combined percentages and accordingly believes that estimated total pro forma combined company expenses will be lower than reflected in "Comparative Fees and Expenses" if such synergies and cost savings are achieved.

In connection with the Transactions, Ares Capital's investment adviser will waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (1) $10 million of income based fees and (2) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's Amended and Restated Investment Advisory and Management Agreement with Ares Capital Management, referred to herein as Ares Capital's "investment advisory and management agreement." See "Description of the Transactions Transaction Support Fee Waiver Agreement."

Q: How are the fees payable to Ares Capital's investment adviser calculated?

A:

For providing investment advisory and management services to Ares Capital, Ares Capital's investment adviser receives fees from Ares Capital consisting of base management fees based on Ares Capital's 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 Ares Capital's net investment income ("income based fees") and fees based on Ares Capital's net capital gains ("capital gains incentive fees").

Base Management Fee: The base management fee is calculated at an annual rate of 1.5% based on the average value of Ares Capital's total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

Income Based Fee: The income based fee is calculated and payable quarterly in arrears based on Ares Capital's net investment income excluding income based fees and capital gains incentive fees ("pre-incentive fee net investment income") for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that Ares Capital receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the administration agreement, and any interest expense and dividends paid on any outstanding preferred stock, but excluding the income based fee and capital gains incentive fee accrued under U.S. generally accepted accounting principles ("GAAP")). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with payment in kind ("PIK") interest, preferred stock with PIK dividends and zero coupon securities, accrued income that Ares Capital has not yet received in cash. Ares Capital's investment adviser is not under any obligation to reimburse Ares Capital for any part of the income based fees it received that were based on accrued interest that Ares Capital never actually received.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses, unrealized capital appreciation, unrealized capital depreciation or income tax expense related to realized gains and losses. Because of the structure of the income based fee, it is possible that Ares Capital may pay such fees in a quarter where Ares Capital incurs a loss. For example, if Ares Capital receives pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, Ares Capital will pay the applicable income based fee even if Ares Capital has incurred a loss in that quarter due to realized and/or unrealized capital losses.

Pre-incentive fee net investment income, expressed as a rate of return on the value of Ares Capital's net assets (defined as total assets less indebtedness and before taking into account any income based fees and capital gains incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 1.75% per quarter. If market credit spreads rise, Ares Capital may be able to invest in debt instruments that provide for a higher return, which may increase Ares Capital's pre-incentive fee net investment income and make it easier for Ares Capital's investment adviser to surpass the fixed hurdle rate and receive an income based fee based on such net investment income. To the extent Ares Capital has retained pre-incentive fee net investment income that has been used to calculate the income based fee, it is also included in the amount of Ares Capital's total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

Ares Capital pays Ares Capital's investment adviser an income based fee with respect to Ares Capital's pre-incentive fee net investment income in each calendar quarter as follows:

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

100% of Ares Capital's 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% in any calendar quarter. Ares Capital refers to this portion of Ares Capital's pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.1875%) as the "catch up" provision. The "catch up" is meant to provide Ares Capital's investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeded 2.1875% in any calendar quarter; and

20% of the amount of Ares Capital's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

The following is a graphical representation of the calculation of the income based fee:

Quarterly Income Based Fee Based on Net Investment Income

Pre-incentive fee net investment income return
(expressed as a percentage of the value of net assets)

Percentage of pre-incentive fee net investment income
allocated to income based fee

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

If the Transactions are completed, Ares Capital's investment adviser has agreed to waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the completion of the Transactions, the lesser of (1) $10 million of the income based fees and (2) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under the investment advisory and management agreement. See "Description of the Transactions Transaction Support Fee Waiver Agreement."

Capital Gains Incentive Fee: The capital gains incentive fee is determined and payable in arrears as of the end of each calendar year (or, upon termination of Ares Capital's investment advisory and management agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (1) the sum of Ares Capital's cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (2) Ares Capital's cumulative aggregate realized capital gains, in each case calculated from October 8, 2004 (the date Ares Capital completed Ares Capital's initial public offering ("IPO")). Realized capital gains and losses include gains and losses on investments and foreign currencies, gains and losses on extinguishment of debt and other assets, as well as any income tax expense related to realized gains and losses. If such amount is positive at the end of such year, then the capital gains incentive fee for such year is equal to 20% of such amount, less the aggregate amount of capital gains incentive fees paid in all prior years. If such amount is negative, then there is no capital gains incentive fee for such year.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (1) the net sales price of each investment in Ares Capital's portfolio when sold and (2) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (1) the net sales price of each investment in Ares Capital's portfolio when sold is less than (2) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (1) the valuation of each investment in Ares Capital's portfolio as of the applicable capital gains incentive fee calculation date and (2) the accreted or amortized cost basis of such investment.

Notwithstanding the foregoing, as a result of an amendment to the capital gains incentive fee under the investment advisory and management agreement that was adopted on June 6, 2011, if Ares Capital is required by GAAP to record an investment at its fair value as of the time of acquisition instead of at the actual amount paid for such investment by Ares Capital (including, for example, as a result of the application of the acquisition method of accounting), then solely for the purposes of calculating the capital gains incentive fee, the "accreted or amortized cost basis" of an investment shall be an amount (the "Contractual Cost Basis") equal to (1) (A) the actual amount paid by Ares Capital for such investment plus (B) any amounts recorded in Ares Capital's financial statements as required by GAAP that are attributable to the accretion of such investment plus (C) any other adjustments made to the cost basis included in Ares Capital's financial statements, including PIK interest or additional amounts funded (net of repayments) minus (2) any amounts recorded in Ares Capital's financial statements as required by GAAP that are attributable to the amortization of such investment, whether such calculated Contractual Cost Basis is higher or lower than the fair value of such investment (as determined in accordance with GAAP) at the time of acquisition.

Ares Capital defers cash payment of any income based fee and the capital gains incentive fee otherwise earned by Ares Capital's 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 (1) the aggregate distributions to Ares Capital's stockholders and (2) the 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 Ares Capital's net assets (defined as total assets less indebtedness) at the beginning of such period. Any such deferred fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under Ares Capital's investment advisory and management agreement.

Q: Are stockholders able to exercise dissenters' rights?

A:

American Capital: Yes. American Capital stockholders are entitled to appraisal rights under Section 262 of the General Corporation Law of the State of Delaware, or the "DGCL," provided they follow the procedures and satisfy the conditions set forth in Section 262 of the DGCL. For more information regarding appraisal rights, see the section entitled "Appraisal Rights of American Capital Stockholders." In addition, a copy of Section 262 of the DGCL is attached as *Annex F* to this document. Failure to strictly comply with Section 262 of the DGCL may result in your waiver of, or inability to, exercise appraisal rights.

Ares Capital: No. Ares Capital stockholders will not be entitled to exercise dissenters' rights with respect to any matter to be voted upon at the Ares Capital special meeting. Any Ares Capital stockholder may abstain from or vote against any of such matters.

Q: When do Ares Capital and American Capital expect to complete the Transactions?

A:

While there can be no assurance as to the exact timing, or that the Transactions will be completed at all, Ares Capital and American Capital expect to complete the Transactions as early as the first week of January 2017. Ares Capital and American Capital currently expect to complete the Transactions promptly following receipt of the required approvals at the American Capital annual meeting and the Ares Capital special meeting and satisfaction of the other closing conditions set forth in the merger agreement.

Q: Is the merger expected to be taxable to American Capital's stockholders?

A:

For U.S. federal income tax purposes, American Capital and Ares Capital will treat the merger as a taxable acquisition of all of the American Capital common stock by Ares Capital. American Capital stockholders should generally recognize taxable gain or loss upon the receipt of the Ares Capital consideration, the make-up dividend amount and the Mortgage Manager consideration. With respect to the Ares Capital Management consideration, there is limited authority addressing the tax consequences of the receipt of merger consideration from a party other than the acquiror and, as a result, the tax consequences of the receipt of the Ares Capital Management consideration are not entirely clear. Ares Capital, Ares Capital Management and Computershare Inc. ("Computershare") (as Ares Capital's transfer agent) intend to take the position that the Ares Capital Management consideration received by a U.S. stockholder (as defined in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger") is treated as additional merger consideration, and, assuming such position is respected, should generally result in additional taxable gain or a smaller loss to such U.S. stockholder. Accordingly, assuming that the Ares Capital Management consideration is treated as additional merger consideration, U.S. stockholders should recognize taxable gain or loss on 100% of the total amount realized in the Transactions for U.S. federal income tax purposes.

Except as otherwise described in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger," non-U.S. stockholders (as defined in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger") generally should not be subject to U.S. tax on the receipt of the Ares Capital consideration, the make-up dividend amount and the Mortgage Manager consideration. Because of the uncertainty regarding the tax consequences of the receipt of the Ares Capital Management consideration, Ares Capital, Ares Capital

Management and Computershare (as Ares Capital's transfer agent), and any other applicable withholding agent, intend to withhold U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty, provided the non-U.S. stockholder furnishes the applicable forms or documents certifying qualification for the lower treaty rate) from the Ares Capital Management consideration received by a non-U.S. stockholder. See "Material U.S. Federal Income Tax Consequences of the Merger" for a discussion of the material U.S. federal income tax consequences of the merger. **Holders of American Capital common stock should consult with their own tax advisors to determine the tax consequences of the merger to them.**

Q: What happens if the Transactions are not completed?

A:

If the adoption of the merger agreement is not approved by the requisite vote of American Capital stockholders or the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements are not approved by the requisite vote of Ares Capital stockholders, or if the Transactions are not completed for any other reason, American Capital stockholders will not receive any payment for their shares in connection with the Transactions. Instead, American Capital will remain an independent public company and its common stock will continue to be listed and traded on NASDAQ. In addition, the merger agreement provides for the payment by American Capital to Ares Capital of a termination fee of $140 million if the merger agreement is terminated by American Capital or Ares Capital under certain circumstances. If American Capital stockholders do not adopt the merger agreement and the merger agreement is terminated, American Capital will be required to reimburse Ares Capital for its expenses up to $15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by American Capital to Ares Capital. In addition, the merger agreement provides for a payment by Ares Capital to American Capital of a reverse termination fee of $140 million under certain other circumstances. If the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, does not receive required stockholder and other Investment Company Act approvals, if any, or if the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements does not receive the required stockholder approval, and the merger agreement is terminated, Ares Capital will be required to reimburse American Capital for its expenses up to $15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by Ares Capital to American Capital. See "Description of the Merger Agreement Termination of the Merger Agreement Termination Fees" for a discussion of the circumstances that could result in the payment of a termination fee.

In addition, if the merger agreement is terminated and the mergers are not completed, the proceeds from the Mortgage Manager Sale will remain with American Capital to be used for working capital and other general corporate purposes. See "Description of the Transactions Mortgage Manager Purchase Agreement" for a discussion of the Mortgage Manager Purchase Agreement and the proceeds related thereto.

Q: What constitutes a quorum at the stockholder meetings?

A:

American Capital: The presence, in person or by proxy, of the holders representing at least a majority of outstanding shares of American Capital common stock as of the record date will constitute a quorum for the purposes of the American Capital annual meeting.

Ares Capital: The presence, in person or by proxy, of the holders of shares of common stock of Ares Capital entitled to cast at least a majority of the votes entitled to be cast as of the record date will constitute a quorum for the purposes of the Ares Capital special meeting.

Q: What American Capital stockholder vote is required to approve American Capital Proposal #1 (adoption of the merger agreement)?

A:

The affirmative vote of holders of at least a majority of the outstanding shares of American Capital common stock entitled to vote on the matter is required to approve the adoption of the merger agreement (meaning that of the outstanding shares of American Capital common stock, a majority of them must be voted "for" the proposal for it to be approved). Because the vote to adopt the merger agreement is based on the total number of shares of American Capital common stock outstanding, abstentions will have the effect of a vote "against" the proposal.

Q: Does American Capital's board of directors recommend approval of American Capital Proposal #1 (adoption of the merger agreement)?

A:

Yes. American Capital's board of directors, including its independent directors, unanimously approved the merger agreement and the Transactions and recommends that American Capital stockholders vote "FOR" adoption of the merger agreement and "FOR" the adjournment of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement.

Q: What Ares Capital stockholder vote is required to approve Ares Capital Proposal #1 (issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable)?

A:

Under the Investment Company Act, Ares Capital is not permitted to issue common stock at a price below the then current net asset value per share, unless such issuance is approved by its stockholders and, in certain cases, its board of directors makes certain determinations. Pursuant to stockholder approval granted at a special meeting of Ares Capital stockholders held on May 12, 2016, Ares Capital currently is permitted to sell or otherwise issue shares of Ares Capital common stock at a price below its then current net asset value per share in an amount up to 25% of its then outstanding shares of Ares Capital common stock, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017. Because the number of shares of Ares Capital common stock to be issued pursuant to the merger agreement is expected to exceed 25% of Ares Capital's then outstanding shares, Ares Capital is seeking stockholder approval to issue the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable.

Stockholder approval may be obtained in either of two ways. First, the stock issuance proposal will be approved for purposes of the Investment Company Act if Ares Capital obtains the affirmative vote of (1) a majority of the outstanding shares of Ares Capital common stock and (2) a majority of the outstanding shares of Ares Capital common stock held by persons that are not affiliated persons of Ares Capital. For these purposes, the Investment Company Act defines a "majority of the outstanding shares" as the lesser of (1) 67% or more of the outstanding shares of Ares Capital common stock present or represented by proxy at the Ares Capital special meeting if the holders of more than 50% of the shares of Ares Capital common stock are present or represented by proxy or (2) more than 50% of the outstanding shares of Ares Capital common stock. In order to issue shares at a price below net asset value pursuant to this approval, Ares Capital's board of directors would need to make certain determinations as required under the Investment Company

Act. Second, the proposal can also be approved for purposes of the Investment Company Act if it receives approval from a majority of the number of the beneficial holders of Ares Capital common stock, without regard to whether a majority of such shares are voted in favor of the proposal. For purposes of approval under the Investment Company Act, abstentions will have the effect of a vote "against" the proposal. See "The Special Meeting of Ares Capital Vote Required" for more information on Ares Capital Proposal #1.

Q: Does Ares Capital's board of directors recommend approval of Ares Capital Proposal #1 (issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable)?

A:

Yes. Ares Capital's board of directors, including the independent directors, unanimously approved the mergers and the merger agreement, including the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and unanimously recommends that Ares Capital stockholders vote "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable.

Q: What Ares Capital stockholder vote is required to approve Ares Capital Proposal #2 (issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements)?

A:

Under NASDAQ Listing Rule 5635(a), stockholder approval is required prior to issuing common stock in connection with the acquisition of the stock or assets of another company, if the potential issuance is equal to 20% or more of the number of shares of common stock or voting power outstanding. The affirmative vote of holders of at least a majority of the total votes cast on the matter at a meeting at which a quorum is present (meaning the number of shares voted "for" a proposal must exceed the number of shares voted "against" such proposal) is required to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement. Abstentions and broker non-votes are not considered votes cast for the foregoing purpose, and will have no effect on the vote for such proposal. See "The Special Meeting of Ares Capital Vote Required" for more information on Ares Capital Proposal #2.

Q: Does Ares Capital's board of directors recommend approval of Ares Capital Proposal #2 (issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements)?

A:

Yes. Ares Capital's board of directors, including the independent directors, unanimously approved the mergers and the merger agreement, including the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, and unanimously recommends that Ares Capital stockholders vote "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements.

Q: Do the boards of directors of American Capital and Ares Capital recommend approval of the proposals to adjourn the applicable stockholder meeting if necessary?

A:

American Capital: Yes. American Capital's board of directors, including its independent directors, recommends that American Capital stockholders vote "FOR" the adjournment of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement.

Ares Capital: Yes. Ares Capital's board of directors, including the independent directors, unanimously recommends that Ares Capital stockholders vote "FOR" the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve Ares Capital Proposal #1 and Ares Capital Proposal #2.

Q: Did the boards of directors of American Capital and Ares Capital receive opinions from financial advisors regarding the merger consideration?

A:

American Capital: Yes. For more information, see the section entitled "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors."

Ares Capital: Yes. For more information, see the section entitled "Description of the Transactions Opinions of Financial Advisors to the Ares Capital Board of Directors."

Q: What do I need to do now?

A:

Ares Capital and American Capital urge you to read carefully this entire document, including its annexes, and vote your shares. You should also review the documents referenced under "Where You Can Find More Information" and consult with your accounting, legal and tax advisors.

Q: How do I vote my shares?

A:

American Capital: You may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed postage-paid return envelope as soon as possible so that your shares may be represented at the American Capital annual meeting. You may instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card. If you are a record stockholder, you may also attend the American Capital annual meeting and vote in person instead of submitting a proxy.

Unless your shares are held in a brokerage account, if you sign, date and send your proxy card and do not indicate how you want to vote on a proposal, your proxy will be voted "**FOR**" the adoption of the merger agreement or "**FOR**" the adjournment of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement, "**FOR**" the approval, on an advisory, non-binding basis, of the payment of certain compensation that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein, "**FOR**" the election of ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions, and "**FOR**" the ratification of the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.

If you fail to (1) return your proxy card, (2) instruct the proxy solicitor on how to cast your vote by telephone or via the Internet pursuant to the instructions shown on the proxy card or (3) vote at the American Capital annual meeting, or if you "abstain," the effect will be the same as a vote "against" the adoption of the merger agreement.

With respect to American Capital Proposal #2, American Capital Proposal #3, American Capital Proposal #4 and American Capital Proposal #5, a vote to "abstain" will have no effect on the vote on such matter.

Ares Capital: You may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed postage-paid return envelope as soon as possible so that your shares may be represented at the Ares Capital special meeting. You may also instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card. If you are a record stockholder, you may also attend the Ares Capital special meeting and vote in person instead of submitting a proxy.

All shares represented by properly executed proxies received in time for the Ares Capital special meeting will be voted in the manner specified by the stockholders giving those proxies. Unless your shares are held in a brokerage account, if you sign, date and send your proxy card and do not indicate how you want to vote on a proposal, your proxy will be voted "**FOR**" Ares Capital Proposal #1 (the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement below its then current net asset value per share, if applicable), "**FOR**" Ares Capital Proposal #2 (the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements) or "**FOR**" Ares Capital Proposal #3 (the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals). You may also instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card. If your shares are held in a brokerage account or in "street name," please see the answer to the next question.

With respect to the proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, failure to (1) return your proxy card, (2) instruct the proxy solicitor on how to cast your vote by telephone or via the Internet pursuant to the instructions shown on the proxy card or (3) vote at the Ares Capital special meeting (i) will have the effect of a vote "against" the proposal for purposes of determining whether the proposal has been approved by more than 50% of the outstanding shares of Ares Capital common stock or by a majority of the number of the beneficial holders of Ares Capital common stock and (ii) will not be considered present or represented by proxy but will otherwise have no effect for purposes of determining whether the proposal has been approved by 67% or more of the outstanding shares of Ares Capital common stock present or represented by proxy at the Ares Capital special meeting if the holders of more than 50% of the shares of Ares Capital common stock are present or represented by proxy. A vote to "abstain" will have the effect of a vote "against" such proposal.

With respect to the proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, failure to (1) return your proxy card, (2) instruct the proxy solicitor on how to cast your vote by telephone or via the Internet pursuant to the instructions shown on the proxy card or (3) vote at the Ares Capital special meeting will have no effect on the vote for such proposal if there is a quorum at the Ares Capital special meeting. A vote to "abstain" will have no effect on the vote for such proposal.

With respect to the adjournment proposal, a vote to "abstain" will have no effect on the vote on such matter.

Q: If I am an American Capital or Ares Capital stockholder and some or all of my shares are held in a brokerage account, or in "street name," will my broker vote my shares for me without instruction?

A:

American Capital: Your shares of common stock may be voted by your broker only under certain circumstances. Specifically, under applicable rules, shares held in the name of your broker may be voted by your broker on certain "routine" matters if you do not provide voting instructions. The only proposal to be voted on at the American Capital annual meeting that is considered a "routine" matter for which brokers may vote uninstructed shares is the ratification of the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016. The other proposals, including the merger agreement and adjournment proposals, are not considered "routine" under applicable rules, so the broker cannot vote your shares on any of those proposals unless you provide to the broker voting instructions for each of these matters.

For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the American Capital annual meeting and vote your shares in person. If you do not provide your broker with instructions or attend the American Capital annual meeting, it will have the same effect as a vote "against" adoption of the merger agreement. Stockholders are urged to authorize proxies by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details.

If your broker holds your shares and you attend the American Capital annual meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares.

Ares Capital: No. If your shares are held for your account by a broker, bank or other institution or nominee, your institution or nominee will not vote your shares unless you provide instructions to your institution or nominee on how to vote your shares.

For this reason, you should instruct your institution or nominee how to vote your shares by following the voting instructions provided by your institution or nominee or arrange to attend the Ares Capital special meeting and vote your shares in person. With respect to the proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, broker shares for which written authority to vote has not been obtained will have the effect of a vote "against" such proposal. With respect to the proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal. Stockholders are urged to authorize proxies by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details.

If your broker holds your shares and you attend the Ares Capital special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote your shares.

Q: What if I attend my stockholder meeting and abstain or do not vote?

A:

American Capital: If you attend the American Capital annual meeting but do not vote or abstain from voting, your shares will still counted for the purpose of determining whether a quorum exists.

With respect to the proposal to adopt the merger agreement, a vote to "abstain" or failure to vote at the American Capital annual meeting will have the effect of a vote "against" the proposal.

With respect to each of (1) the proposal to approve, on an advisory, non-binding basis, the payment of an estimated $62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein, (2) the proposal to approve any adjournments of the American Capital annual meeting, for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement, (3) the proposal to elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions, and (4) the proposal to ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016, a vote to "abstain" or failure to vote at the American Capital annual meeting will have no effect on the vote for the proposal.

Ares Capital: If you attend the Ares Capital special meeting but do not vote or abstain from voting, your shares will still be counted for the purpose of determining whether a quorum exists.

With respect to the proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share if applicable, a vote to "abstain" or failure to vote at the Ares Capital special meeting will have the effect of a vote "against" the proposal.

With respect to the proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, a vote to "abstain" or failure to vote at the Ares Capital special meeting will have no effect on the vote for the proposal.

With respect to the adjournment proposal, a vote to "abstain" or failure to vote at the Ares Capital special meeting will have no effect on the vote on the proposal.

Q: If I am an American Capital stockholder, what happens if I sell my shares before the American Capital annual meeting?

A:

The record date of the American Capital annual meeting is earlier than the date the Transactions are expected to be completed. If you transfer your shares of American Capital common stock after the record date but before the American Capital annual meeting, you will retain your right to vote at the American Capital annual meeting, but will have transferred the right to receive the merger consideration payable for each share of American Capital common stock owned immediately prior to the Transactions. In order to receive the merger consideration, you must hold your shares through completion of the Transactions.

Q: If I want to change my vote, what can I do?

A:

You may change your vote at any time before your special meeting or annual meeting, as applicable, takes place. To do so, you may either complete and submit a new proxy card or send a written notice stating that you would like to revoke your proxy. You may also change your vote by calling the applicable proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card and simply authorizing a new proxy to vote your shares. The last recorded vote will be the vote that is counted. In addition, if you are a record holder or a beneficial holder who obtains a "legal" proxy, you may elect to attend your special meeting or annual meeting, as applicable, and vote in person, as described above.

Q: If I am an American Capital stockholder and my shares are represented by stock certificates, should I send them in now?

A:

No. American Capital stockholders should not send in their stock certificates at this time. If the Transactions are completed, Ares Capital's exchange agent will send former American Capital stockholders a letter of transmittal explaining what they must do to exchange their shares of American Capital common stock for the merger consideration payable to them.

Q: Whom can I contact with any additional questions?

A:

American Capital:

Georgeson Inc.
1290 Avenue of the Americas
New York, New York 10104
1-866-628-6079 (toll free)
1-781-575-2137 (international)
acas@georgeson.com (email)

Ares Capital:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
1-800-967-7635 (toll free)
1-212-269-5550 (call collect)

Q: Where can I find more information about Ares Capital and American Capital?

A:

You can find more information about Ares Capital and American Capital in the documents described under "Where You Can Find More Information."

SUMMARY

This summary highlights some of the information contained elsewhere in this document. It is not complete and may not contain all of the information that you may want to consider. Ares Capital and American Capital urge you to read carefully this entire document, including "Risk Factors" beginning on page 58 of this document, and the other documents Ares Capital and American Capital refer you to for a more complete understanding of the Transactions. See "Where You Can Find More Information." Certain items in this summary include a page reference directing you to a more complete description of that item.

American Capital and Ares Capital Propose a Merger of Acquisition Sub into American Capital and a Merger of ACAM into IHAM (page 130)

Subject to the terms and conditions of the merger agreement, two mergers will occur: (1) Acquisition Sub will merge with and into American Capital, with American Capital remaining as the surviving entity in the merger as a wholly owned subsidiary of Ares Capital and (2) ACAM, a wholly owned portfolio company of American Capital, will merge with and into IHAM, a wholly owned portfolio company of Ares Capital, with IHAM remaining as the surviving entity in the ACAM merger as a wholly owned portfolio company of Ares Capital. Immediately following the mergers, American Capital will convert into a Delaware limited liability company and withdraw its election as a BDC.

Simplified Structure Before the Completion of the Mergers

Simplified Structure Following the Completion of the Mergers

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* Immediately following the mergers, American Capital will convert into a Delaware limited liability company and withdraw its election as a BDC.

After the completion of the Transactions, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof, Ares Capital stockholders will own approximately 74% of the combined company's outstanding common stock and American Capital stockholders will own approximately 26% of the combined company's outstanding common stock.

The merger agreement is attached as *Annex A* to this document and is incorporated by reference herein in its entirety. American Capital and Ares Capital encourage their respective stockholders to read the merger agreement carefully and in its entirety, as it is the principal legal document governing the mergers.

The Parties to the Transactions

American Capital, Ltd.
2 Bethesda Metro Center, 14th Floor
Bethesda, Maryland 20814
(301) 951-6122

American Capital is an internally managed closed-end, non-diversified management investment company incorporated in Delaware. American Capital, both directly and through its asset management business, originates, underwrites and manages investments in middle market private equity, leveraged finance, real estate and structured products.

Ares Capital Corporation
245 Park Avenue, 44th Floor
New York, NY 10167
(212) 750-7300

Ares Capital is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. Like American Capital, Ares Capital has elected to be regulated as BDC under the Investment Company Act. Unlike American Capital, Ares Capital is externally managed by its investment adviser, Ares Capital Management, a subsidiary of Ares Management. Ares Capital's administrator, Ares Operations, a subsidiary of Ares Management, provides certain administrative and other services necessary for Ares Capital to operate.

The following table presents a comparison of Ares Capital's and American Capital's investment objectives and strategies:

	Ares Capital	American Capital
Primary Investment Objective	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	To increase net earnings and net asset value by investing in senior and mezzanine debt and equity securities of private companies and funds managed by ACAM with attractive current yields and/or potential for equity appreciation and realized gains and by growing fee earning assets under management
Investment Focus	First lien senior secured loans (including unitranche loans), second lien senior secured loans and mezzanine debt	Senior and mezzanine debt and equity in buyouts of sponsor-backed companies, first lien floating rate loans and second lien floating rate loans, and structured finance investments in non-investment grade securities
Investment Range	Generally between $30 million and $500 million in corporate borrowers, between $10 million and $200 million in project finance/power generation projects and between $1 million and $25 million in early stage and venture capital-backed companies	Up to $600 million in a buyout transaction and generally between $10 million to $150 million in a sponsor finance transaction
Target Borrower	U.S. companies operating in a variety of industries with EBITDA of between $10 million and $250 million	U.S. companies operating in a variety of industries with EBITDA of between $10 million and $150 million

	Ares Capital	American Capital
Equity Investments	Will make equity investments to a lesser extent; generally non-control positions less than $20 million invested in conjunction with loans extended	Will make majority equity investments in buyout transactions and minority equity investments in sponsor finance transactions

The following table presents comparisons of Ares Capital's and American Capital's total return based on market value and total return based on net asset value as June 30, 2016 and June 30, 2015 and as of December 31, 2015, 2014, 2013, 2012 and 2011.

	As of and For the Six Months Ended June 30,		As of and For the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
Total Return Based on Market Value(1):							
Ares Capital	5.0%	10.6%	1.3%	(3.3)%	10.5%	23.6%	2.3%
American Capital	14.8%	(7.3)%	(5.6)%	(6.6)%	30.1%	78.6%	(11.0)%
Total Return Based on Net Asset Value(2):							
Ares Capital	5.5%	4.7%	7.2%	11.8%	11.4%	14.3%	10.5%
American Capital	1.7%	1.4%	(2.5)%	9.7%	5.3%	29.2%	29.1%

(1) Total return based on market value equals the increase (decrease) of the ending market value of a share of the relevant company's common stock at the date presented from the ending market value of such share as of the immediately preceding December 31, plus the declared and payable dividends for such period, divided by the market value at the immediately preceding December 31.

(2) Total return based on net asset value equals the increase (decrease) in net asset value during the period presented plus the declared and payable dividends for such period, divided by the net asset value as of the beginning of such period. These calculations are adjusted for share repurchases, shares issued in connection with the dividend reinvestment plan of the relevant company and the issuance of common stock by the relevant company in connection with any equity offerings and the equity components of any convertible notes issued during such period.

The information in the table above regarding Ares Capital's and American Capital's total return based on market value and total return based on net asset value are historical results relating to past performance and are not necessarily indicative of what the combined company's net asset value and dividends will be following completion of the mergers. The data should be read in conjunction with American Capital's consolidated financial statements and notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations of American Capital," "Senior Securities of American Capital," Ares Capital's consolidated financial statements and notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital" and "Senior Securities of Ares Capital," which are included elsewhere in this document.

American Capital Asset Management, LLC
2 Bethesda Metro Center, 14th Floor
Bethesda, Maryland 20814
(301) 951-6122

ACAM is a registered investment adviser under the Investment Advisers Act of 1940 (as amended, the "Advisers Act") and a wholly owned portfolio company of American Capital. American Capital conducts its fund management business through ACAM and ACAM's subsidiaries. In general, subsidiaries of ACAM enter into management agreements with each of its managed funds.

Ivy Hill Asset Management, L.P.
245 Park Avenue, 44th Floor
New York, NY 10167
(212) 750-7300

IHAM is an asset management services company that is an SEC-registered investment adviser and a wholly owned portfolio company of Ares Capital. Ares Capital has made investments in IHAM and previously made investments in certain vehicles managed by IHAM.

Ivy Hill Asset Management GP, LLC
245 Park Avenue, 44th Floor
New York, NY 10167
(212) 750-7300

IHAM GP is a Delaware limited liability company and wholly owned subsidiary of Ares Capital that is the general partner of IHAM.

Orion Acquisition Sub, Inc.
245 Park Avenue, 44th Floor
New York, NY 10167
(212) 750-7300

Acquisition Sub is a Delaware corporation and a newly formed wholly owned subsidiary of Ares Capital. Acquisition Sub was formed in connection with and for the sole purpose of the merger with American Capital.

In the Mergers, American Capital Stockholders Will Have a Right to Receive 0.483 of a Share of Ares Capital Common Stock and Approximately $10.06 of Cash Consideration per Share of American Capital Common Stock (page 130)

Upon the completion of the mergers, and subject to the terms and conditions of the merger agreement, each share of American Capital common stock issued and outstanding immediately prior to the effective time will be converted into the right to receive a combination of cash and Ares Capital common stock, which can be approximately summarized as follows:

Merger Consideration (per share of American Capital common stock)	**Amount**
Ares Capital common stock (dollar equivalent; based on the Ares Capital per share closing price at market close on May 20, 2016)	$ 7.34
Cash from Ares Capital	$ 6.41
Cash from Ares Capital Management	$ 1.20
Cash from the Mortgage Manager Sale	$ 2.45
Total	**$ 17.40**

These elements are more specifically:

(1) The exchange ratio of 0.483 shares of Ares Capital common stock, subject to the payment of cash instead of fractional shares. Based on the closing price of Ares Capital common stock of $15.19 on May 20, 2016, the last full trading day before the public announcement of the entry into the merger agreement, this is valued at $7.34 per share of American Capital common stock. The value of Ares Capital common stock ultimately depends on the value of Ares Capital common stock at the effective time and will fluctuate until such time. See "Questions and Answers about the American Capital Meeting, the Ares Capital Special Meeting and the Transactions Is the exchange ratio subject to adjustment?" for more information on the exchange ratio.

(2) $6.41 per share in cash from Ares Capital.

(3) $1.20 per share in cash from Ares Capital Management.

(4) $2.45 per share in cash, which amount represents the per share cash consideration paid to American Capital pursuant to the Mortgage Manager Sale.

(5) Additionally, depending on the effective time, each share of American Capital common stock issued and outstanding immediately prior to such effective time will be converted into the right to receive, if any, the make-up dividend amount. See "Questions and Answers about the American Capital Meeting, the Ares Capital Special Meeting and the Transactions What is the make-up dividend amount?" for more information on the make-up dividend amount.

Based on the number of shares of American Capital common stock outstanding on the date of the merger agreement, this would result in approximately 110.8 million shares of Ares Capital common stock being exchanged for approximately 229.3 million outstanding shares of American Capital common stock, subject to adjustment in certain limited circumstances. After the completion of the mergers, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof, Ares Capital stockholders and American Capital stockholders will own approximately 74% and 26% of the combined company's outstanding common stock, respectively.

What Holders of American Capital Stock Options Will Receive (page 212)

Immediately prior to the effective time, each vested and unvested American Capital option outstanding, other than options with an exercise price exceeding the aggregate value of the per share merger consideration, or "underwater options," will become vested and exercisable in full. To the extent such option is not exercised by the effective time, such option will be canceled and entitle the holder of such option to receive the option consideration pursuant to the calculation described in the section entitled "Description of the Merger Agreement Treatment of American Capital Options and Incentive Awards"). All underwater options will be canceled and terminated at the effective time and no consideration will be paid in respect of any underwater options.

After the completion of the mergers, based on the number of shares of American Capital common stock issued and outstanding and the number of vested and unvested American Capital options in the money, in each case on the date hereof, and assuming the value of the merger consideration, either on the last full trading day before public announcement of the Transactions or on the last full trading day prior to the date of this document, is as set forth elsewhere in this document, holders of American Capital options are expected to receive approximately 6.4% or [•]% of the total merger consideration, respectively.

Additionally, effective immediately prior to the effective time, each vested and unvested American Capital incentive award will become vested in full and the corresponding shares of American Capital common stock will be released pursuant to the terms of American Capital's performance incentive plan. Each such share of American Capital common stock will thereafter be immediately converted into the right to receive the merger consideration, less applicable withholdings. **Holders of American Capital stock options should consult with their own tax advisors to determine the tax consequences of their election and any cash or stock received by them.**

Annual Meeting of American Capital Stockholders (page 119)

The American Capital annual meeting will take place on December 15, 2016 at 9:00 a.m., New York time, at the Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814. At their annual meeting, American Capital stockholders will be asked:

- to adopt the merger agreement;
- to approve, on an advisory, non-binding basis, the payment of an estimated $62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein;
- to approve any adjournments of the American Capital annual meeting, for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement;
- to elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions; and
- to ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.

You can vote at the American Capital annual meeting if you owned American Capital common stock at the close of business on October 17, 2016. As of that date, there were approximately [•] shares of American Capital common stock outstanding and entitled to vote and held by approximately [•] holders of record. At the close of business on October 17, 2016, American Capital's executive officers and directors owned beneficially or of record [•] shares of American Capital common stock, representing less than [•]% of American Capital's outstanding shares of common stock on that date.

Special Meeting of Ares Capital Stockholders (page 125)

The Ares Capital special meeting will take place on December 15, 2016 at 3:00 p.m., New York time, at the Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814. Ares Capital stockholders are being asked to consider and vote on the following matters at their special meeting:

- a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable;

- a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements; and

- a proposal to approve the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals.

You can vote at the Ares Capital special meeting if you owned Ares Capital common stock at the close of business on October 17, 2016. As of that date, there were approximately [•] shares of Ares Capital common stock outstanding and entitled to vote and held by approximately [•] holders of record. At the close of business on October 17, 2016, Ares Capital's executive officers and directors owned beneficially or of record [•] shares of Ares Capital common stock, representing less than 1% of Ares Capital's outstanding shares of common stock on that date.

Comparative Market Price of Securities (page 352)

Ares Capital common stock trades on NASDAQ under the symbol "ARCC." American Capital common stock trades on NASDAQ under the symbol "ACAS."

Until the Transactions are completed, the value of the shares of Ares Capital common stock to be issued pursuant to the merger agreement will continue to fluctuate but the number of shares to be issued to American Capital's stockholders will remain fixed.

The term "implied value" refers to the value of the Ares Capital common stock that American Capital stockholders would receive if the Transactions took place on a given date, based on the market price of Ares Capital common stock on such date. The value of Ares Capital common stock to be received pursuant to the merger agreement will continue to fluctuate and, as a result, American Capital stockholders will not know the value of the Ares Capital common stock they will receive pursuant to the merger agreement at the time they vote.

The following table presents the closing prices and most recently determined net asset values per share of Ares Capital common stock and American Capital common stock, as well as the implied value of American Capital common stock based on the value of the merger consideration, on the last full trading day before public announcement of the merger and the last full trading day prior to the date of this document.

	Ares Capital Common Stock	American Capital Common Stock	Cash Consideration	Implied Value of One Share of American Capital Common Stock
Closing Price at May 20, 2016	$ 15.19	$ 15.62	$ 10.06	$ 17.40
Net Asset Value per Share at June 30, 2016	$ 16.62	$ 20.77	N/A	N/A
Closing Price at October [•], 2016	$ [•]	$ [•]	$ 10.06	$ [•]

Dividends (page 352)

Ares Capital currently intends to distribute quarterly dividends to its stockholders. For a history of the dividends and distributions paid by Ares Capital since January 1, 2014, see "Market Price, Dividend and Distribution Information." The amount and timing of past dividends and distributions are not a guarantee of any future dividends or distributions, or the amount thereof, the payment, timing and amount of which will be determined by Ares Capital's board of directors and depend on Ares Capital's cash requirements, its financial condition and earnings, contractual restrictions, legal and regulatory considerations and other factors. See "Ares Capital Dividend Reinvestment Plan" for additional information regarding Ares Capital's dividend reinvestment plan.

For a history of the dividends and distributions paid by American Capital since January 1, 2014, see "Market Price, Dividend and Distribution Information."

No dividends or other distributions with respect to shares of Ares Capital common stock will be paid to any former American Capital stockholders who have not surrendered their certificates or book-entry shares to the exchange agent for shares of Ares Capital common stock until such certificates or book-entry shares are surrendered in accordance with the letter of transmittal. Following the surrender of any such certificates or book-entry shares in accordance with the letter of transmittal, the record holders of such certificates or book-entry shares shall be entitled to receive, without interest, the amount of dividends or other distributions with a record date after the effective time payable with respect to shares of Ares Capital common stock exchangeable for such certificates or book-entry shares and not previously paid. Ares Capital has the right to withhold dividends or any other distributions on shares of Ares Capital common stock until the American Capital certificates or book-entry shares are surrendered to the exchange agent.

The Merger Is Intended to Be Taxable to American Capital Stockholders (page 242)

For U.S. federal income tax purposes, American Capital and Ares Capital will treat the merger as a taxable acquisition of all of the American Capital common stock by Ares Capital. American Capital stockholders should generally recognize taxable gain or loss upon the receipt of the Ares Capital consideration, the make-up dividend amount and the Mortgage Manager consideration. With respect to the Ares Capital Management consideration, there is limited authority addressing the tax consequences of the receipt of merger consideration from a party other than the acquiror and, as a result, the tax consequences of the receipt of the Ares Capital Management consideration are not entirely clear. Ares Capital, Ares Capital Management and Computershare (as Ares Capital's transfer agent) intend to take the position that the Ares Capital Management consideration received by a U.S. stockholder (as defined in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger") is treated as additional merger consideration, and, assuming such position is respected, should generally result in additional taxable gain or a smaller loss to such U.S. stockholder.

Except as otherwise described in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger," non-U.S. stockholders (as defined in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger") generally should not be subject to U.S. tax on the receipt of the Ares Capital consideration, the make-up dividend amount and the Mortgage Manager consideration. Because of the uncertainty regarding the tax consequences of the receipt of the Ares Capital Management consideration, Ares Capital, Ares Capital Management and Computershare (as Ares Capital's transfer agent), and any other applicable withholding agent, intend to withhold U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty, provided the non-U.S. stockholder furnishes the applicable forms or documents certifying qualification for the lower treaty rate) from the Ares Capital Management consideration received by a non-U.S. stockholder. See "Material U.S. Federal Income Tax Consequences of the Merger" for a discussion of the material U.S. federal income tax consequences of the merger. **Holders of American Capital**

common stock should consult with their own tax advisors to determine the tax consequences of the merger to them.

The Merger of Acquisition Sub With and Into American Capital Will Be Accounted for Under the Acquisition Method of Accounting (page 241)

The merger of Acquisition Sub with and into American Capital will be accounted for under the acquisition method of accounting as provided by Accounting Standards Codification, or "ASC," 805-50, *Business Combinations Related Issues*. See "Accounting Treatment."

Reasons for the Transactions (page 155)

American Capital

In evaluating the merger agreement, American Capital's board of directors consulted with and received the advice of American Capital's senior management and its financial and legal advisors. In reaching its decision, American Capital's board of directors considered a number of factors, including, but not limited to, the following factors, and, as a result, determined that the Transactions are in the best interests of American Capital and its stockholders.

Certain material factors considered by American Capital's board of directors, including its independent directors, included, among others:

Financial Considerations. American Capital's board of directors considered the financial terms of the mergers, including:

the fact that upon completion of the Transactions, American Capital stockholders will be entitled to receive total merger consideration of approximately $4.0 billion, which represents an implied value of $17.40 per share of American Capital common stock, based on Ares Capital's closing stock price of $15.19 on May 20, 2016 (the last trading day prior to the public announcement of the Transactions);

the fact that the total implied value of the merger consideration of $17.40 per share of American Capital common stock represents a significant premium over recent prices of American Capital common stock, including an 11.4% premium over the closing price of American Capital common stock on May 20, 2016 (the last trading day prior to the public announcement of the Transactions) and a 24.6% premium over the closing price of American Capital common stock on January 7, 2016 (the date of the announcement that American Capital would solicit offers to purchase American Capital or its business lines);

the fact that the cash component of the merger consideration, which accounts for approximately 57.8% of the total implied value of the merger consideration of $17.40 per share of American Capital common stock, provides liquidity and certainty of value;

the fact that the fixed exchange ratio provides American Capital stockholders the opportunity to benefit from any increase in the trading price of Ares Capital common stock between the announcement of the execution of the merger agreement and the completion of the mergers;

the fact that, based on the shares of each of American Capital and Ares Capital common stock outstanding as of May 20, 2016, American Capital stockholders would own approximately 26% of the combined company on a fully diluted basis immediately following the completion of the mergers, providing a potential upside for American Capital stockholders if Ares Capital's common stock trades higher in the future;

the fact that the merger consideration represents 89.1% of American Capital's net asset value as of March 31, 2016 and 88.1% of American Capital's net asset value as of March 31, 2016, as adjusted to include share repurchases of American Capital common stock for the period through May 20, 2016, and the exercise of all stock options outstanding that were in the money as of May 20, 2016;

the fact that if the mergers are completed after certain dates, beginning with the record date for Ares Capital's dividend payable with respect to the fourth quarter of 2016, American Capital stockholders will receive additional consideration based on an exchange adjusted percentage of Ares Capital's dividend payments;

the fact that Ares Capital Management, which serves as the investment adviser to Ares Capital, has agreed to waive up to $100 million in income based fees payable for the ten calendar quarters beginning with the first full quarter following the completion of the Transactions;

the fact that the merger should be taxable to American Capital stockholders for U.S. federal income tax purposes and that, for most such U.S. stockholders (other than those with a low tax basis), no significant difference may exist between a taxable and non-taxable transaction given the large cash component of the merger consideration (which would generally be taxable to U.S. stockholders in either a taxable or non-taxable transaction); and

the fairness opinions of Goldman, Sachs & Co. ("Goldman Sachs") and Credit Suisse Securities (USA) LLC ("Credit Suisse"), both dated May 23, 2016, as presented to American Capital's board of directors.

Thorough Review of Strategic Alternatives. American Capital's board of directors considered the results of the extensive review of strategic alternatives, including:

the fact that American Capital's financial advisors undertook a robust and extensive public process seeking to sell all of or a part of American Capital in an effort to maximize the price American Capital stockholders would receive as consideration;

the belief of American Capital's board of directors, which belief was formed based on a review of the results of the strategic review process, with the assistance of American Capital's management and its financial and legal advisors, and of the Strategic Review Committee of American Capital's board of directors (the "Strategic Review Committee"), respectively, that the Transactions are more favorable to American Capital stockholders than the opportunities and alternatives reasonably available to American Capital; and

the belief of American Capital's board of directors, which belief was formed after consultation with American Capital's management and its financial and legal advisors, that continuing discussions with Ares Capital or soliciting interest from additional third parties would be unlikely to lead to a better offer and could lead to the loss of Ares Capital's proposed offer.

Strategic and Business Considerations. American Capital's board of directors considered the various opportunities for the combined company to provide a number of strategic and business opportunities and generate additional stockholder value, including:

the fact that the combined company will be a leading BDC in the United States, with more than $12 billion in investments at fair value as of March 31, 2016, on a pro forma basis;

the fact that the combined company will be a leading direct lender to middle market companies;

- the fact that the mergers will provide additional scale and portfolio diversification for the combined company;
- the changing landscape of middle market sponsored finance lending, the industry in which American Capital and Ares Capital operate;
- the fact that the receipt of shares of Ares Capital common stock in exchange for shares of American Capital common stock will permit American Capital stockholders to receive common stock that may be more liquid than American Capital common stock, and to receive dividend payments in the combined company by participating in Ares Capital's dividend;
- the fact that American Capital stockholders will have an ability to participate in the future growth of Ares Capital, including any future upside in the stock price of Ares Capital and potential synergies expected to result from the mergers;
- the pro forma financial metrics of the combined company and the opportunity for American Capital stockholders to participate in the long-term prospects of the combined company;
- Ares Capital's strong track record of success with its 2010 acquisition of Allied Capital Corporation, a BDC, which transaction was valued at approximately $908 million;
- American Capital's historical performance and American Capital's ability to make future dividend payments to American Capital stockholders; and
- American Capital's knowledge of Ares Capital's business, operations, financial condition, earnings and prospects, taking into account the results of American Capital's business and legal due diligence review of Ares Capital.

The Mortgage Manager Sale. American Capital's board of directors considered the terms and conditions of the Mortgage Manager Purchase Agreement (as defined below) and how that transaction related to the mergers, including:

- the significant difficulty of selling ACMM or its subsidiaries as a part of a whole company sale of American Capital or otherwise as part of a sale to a third party;
- the fact that American Capital entered into the Mortgage Manager Purchase Agreement to sell ACMM to AGNC for $562 million in cash and that the proceeds of such sale would constitute a part of the merger consideration; and
- the fact that the Mortgage Manager Sale (i) was not linked to or conditioned on the mergers; (ii) did not include a right of American Capital's board of directors to consider superior third-party offers and accept one to replace the Mortgage Manager Purchase Agreement; (iii) was contemplated to have a closing date set for as early as July 1, 2016, with limited closing conditions, including no financing contingency; (iv) had a high likelihood of completion; and (v) imposed limited contingent obligations on either American Capital or Ares Capital, other than contingent obligations relating to transition services.

Terms of the Merger Agreement. American Capital's board of directors considered the terms and conditions of the merger agreement and the course of negotiations thereof, including:

- the fact that the merger agreement is unlikely to unduly deter third parties from making unsolicited acquisition proposals;
- the likelihood that the proposed mergers would be completed;
- the fact that the merger agreement includes customary terms, including customary non-solicitation, closing and termination provisions;
- the fact that the merger agreement imposes a continuing obligation on Ares Capital to provide indemnification to and maintain insurance for officers and directors of American Capital;

- the fact that the merger agreement specifies that, in connection with the mergers, American Capital's options and certain other compensatory equity (*i.e.*, shares granted under the 2014 Amended and Restated American Capital Performance Incentive Plan, or the "PIP") will generally be treated in the same manner as American Capital's common stock, including the fact that the vast majority of such options and other equity have already vested;

- the fact that the merger agreement includes a reciprocal termination fee of $140 million, or approximately 3.5% of the aggregate equity value of the mergers, which would not preclude or substantially impede a possible superior proposal from being made;

- the fact that the merger agreement includes reciprocal expense reimbursement provisions in an amount not to exceed $15 million to be paid in the event American Capital stockholders do not vote to adopt the merger agreement or Ares Capital does not receive required stockholder and other Investment Company Act approvals, if any, for the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, or required stockholder approval for the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, respectively; and

- the fact that the consideration and negotiation of the merger agreement was conducted through extensive arms-length negotiations under the oversight of the Strategic Review Committee, which is composed solely of independent directors.

The Elliott Parties. American Capital's board of directors considered the results of negotiations with Elliott Associates, L.P., a Delaware limited partnership ("Elliott"), Elliott International, L.P., a Cayman Islands limited partnership ("Elliott International") and Elliott International Capital Advisors Inc., a Delaware corporation ("EICA" and together with Elliott and Elliott International, the "Elliott Parties") holders of approximately a 15.7% economic interest in American Capital as of the date of this document, including:

- the fact that both Elliott and Elliott International entered into a voting and support agreement with Ares Capital to vote in favor of the mergers (the "Elliott Support Agreement"); and

- the fact that the Elliott Parties entered into a settlement agreement with American Capital, pursuant to which American Capital's board of directors would be reconstituted if the merger agreement is terminated for any reason.

The foregoing list does not include all the factors that American Capital's board of directors considered in making its decision. For a further discussion of the material factors considered by American Capital's board of directors, see "Description of the Transactions Reasons for the Transactions."

Ares Capital

In evaluating the merger agreement, the Ares Capital board of directors consulted with representatives of management, its investment adviser, Ares Capital Management, as well as Ares Capital's financial, legal and other advisors and considered a number of factors, including, but not limited to, the following factors, and determined that the Transactions are in Ares Capital's best interests and the best interests of Ares Capital stockholders.

The following discussion of the information and factors considered by Ares Capital's board of directors, including the independent directors, is not intended to be exhaustive, but includes the material factors considered by Ares Capital's board of directors in evaluating the Transactions.

Financial and Strategic Considerations. The Ares Capital board of directors considered the following financial terms of, and strategic and business factors relating to, the Transactions:

- the unique opportunity to acquire a company of American Capital's size and scope and the fact that the combined company will have enhanced market leadership in middle market direct lending with an increased market presence to sponsors and borrowers as well as a higher profile with institutional investors, and the fact that the combined company would have the ability to originate larger transactions with increased final hold positions and increased fee income potential and the ability to capture increased underwriting and distribution fees from greater syndication opportunities;

- the fact that the limited overlap of assets and investments of American Capital and Ares Capital will further limit single issuer and industry credit exposure of the combined company following the completion of the Transactions by further diversifying Ares Capital's balance sheet, and that the Transactions should provide Ares Capital with a larger asset base, which may provide Ares Capital's investment adviser with greater investment flexibility and investment options for Ares Capital, and the opportunity to accelerate the growth of the SDLP (as defined below);

- the fact that the combined company is expected to have improved access to lower cost capital from banks and capital markets participants to invest in its portfolio and to pursue new attractive investment opportunities;

- the fact that the Transactions are expected to be immediately accretive to core earnings per share;

- the fact that the Transactions are also expected to be accretive to Ares Capital's net asset value between the first and second full years after the effective time and beyond;

- the fact that the Transactions are expected to result in cost savings and synergies for the combined company within 18 months following the completion of the Transactions;

- the fact that the Ares Capital consideration represented a discount to American Capital's net asset value, as determined by Ares Capital;

- the fact that Ares Capital Management, Ares Capital's investment adviser, has agreed to waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (1) $10 million of the income based fees and (2) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under its investment advisory and management agreement, to facilitate an enhanced level of profitability of the combined company during the integration and portfolio repositioning period for the combined company;

- the fact that Ares Capital has had success in executing and integrating the business and operations of its prior acquisitions, including, among other things, Ares Capital's successful execution on a portfolio rotation strategy in its 2010 acquisition of Allied Capital Corporation;

- the opinions of Wells Fargo Securities, LLC ("Wells Fargo Securities") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch"), each dated May 23, 2016, to the Ares Capital board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers, each as more fully described below in the section entitled "Opinions of Financial Advisors to the Ares Capital Board of Directors;"

its understanding of Ares Capital's and American Capital's respective businesses, portfolio companies, operations, financial condition, earnings, risks and prospects, taking into account the results of Ares Capital's business and legal due diligence review of American Capital's operations, its portfolio companies and other corporate and financial matters conducted by Ares Capital's management and its legal advisors and financial advisors;

the values and prospects of the portfolio company investments held by American Capital and Ares Capital;

information and discussions with Ares Capital's management regarding American Capital's business and portfolio investments and the anticipated benefits of the Transactions, as well as the recommendation of the Transactions by Ares Capital's management;

the ability of Ares Capital to continue paying a regular quarterly dividend and the potential for increased dividends over time;

the fact that, following the completion of the Transactions, the current directors and officers of Ares Capital are expected to continue in their current positions and that Ares Capital's investment adviser, Ares Capital Management, will continue to externally manage the combined company; and

the fact that Ares Capital was able to obtain additional committed financing of $460 million to support the Transactions.

Terms of the Merger Agreement. The Ares Capital board of directors considered the terms and conditions of the merger agreement and the course of negotiations thereof, including:

the terms of the merger agreement were the result of extensive arms' length negotiations between representatives of Ares Capital and American Capital;

the fact that the merger agreement includes a reciprocal termination fee of $140 million, or approximately 3.5% of the aggregate equity value of the Transactions payable in certain situations (see "Description of the Merger Agreement Termination of the Merger Agreement Termination Fees" for more information);

the fact that the merger agreement includes reciprocal expense reimbursement provisions in an amount not to exceed $15 million to be paid in the event American Capital stockholders do not vote to adopt the merger agreement or Ares Capital does not receive required stockholder and other Investment Company Act approvals, if any, for the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, or required stockholder approval for the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements;

the fact that the merger agreement includes customary terms, including customary non-solicitation, closing and termination provisions;

the fact that the merger agreement provides for a four-day match period for Ares Capital in the event that American Capital receives an unsolicited acquisition proposal;

the termination date under the merger agreement, which allows for time that is expected to be sufficient to complete the Transactions; and the fact that the stock portion of the merger consideration is a fixed number of shares and thus avoids fluctuations in the number of shares of Ares Capital common stock payable as merger consideration.

The foregoing list does not include all the factors that Ares Capital's board of directors considered in making its decision. For a further discussion of the material factors considered by Ares Capital's board of directors, see "Description of the Transactions Reasons for the Transactions" below.

Risks Relating to the Transactions (page 98)

The Transactions are subject to the following risks. American Capital and Ares Capital stockholders should carefully consider these risks before deciding how to vote on the proposals to be voted on at their respective stockholder meetings. See "Risk Factors Risks Relating to the Transactions."

- Because the market price of Ares Capital common stock will fluctuate, American Capital stockholders cannot be sure of the market value of the stock portion of the Ares Capital consideration they will receive until the effective time.

- Sales of shares of Ares Capital common stock after the completion of the Transactions may cause the market price of Ares Capital common stock to fall.

- American Capital stockholders and Ares Capital stockholders will experience a reduction in percentage ownership and voting power in the combined company as a result of the Transactions.

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

- American Capital's and Ares Capital's inability to obtain consents of certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of such funds as of March 31, 2016 could delay or prevent the completion of the Transactions.

- The Transactions may trigger certain "change of control" provisions and other restrictions in contracts of American Capital, Ares Capital or their affiliates and the failure to obtain any required consents or waivers could adversely impact the combined company.

- A consolidated putative shareholder class action has been filed by American Capital stockholders challenging the mergers. An adverse ruling in such lawsuit may prevent the mergers from becoming effective within the expected timeframe or at all. If the mergers are completed, this lawsuit and other legal proceedings could have a material impact on the results of operations, cash flows or financial condition of the combined company.

- The opinions obtained by American Capital and Ares Capital from their respective financial advisors will not reflect changes in circumstances between signing the merger agreement and completion of the Transactions.

- If the Transactions do not close, neither Ares Capital nor American Capital will benefit from the expenses incurred in its pursuit.

- Termination of the merger agreement could negatively impact American Capital and Ares Capital.

- Under certain circumstances, American Capital and Ares Capital are obligated to pay each other a termination fee upon termination of the merger agreement.

- The merger agreement limits each of American Capital's and Ares Capital's ability to pursue alternatives to the Transactions; however, in specified circumstances, American Capital or Ares Capital may terminate the merger agreement to accept a "superior proposal" (as defined in the merger agreement).

The Transactions are subject to closing conditions, including certain stockholder approvals, that, if not satisfied or waived, will result in the Transactions not being completed, which may result in material adverse consequences to American Capital's business and operations.

American Capital and Ares Capital may waive one or more conditions to the Transactions without resoliciting stockholder approval.

Certain persons related to American Capital have interests in the Transactions that differ from the interests of American Capital stockholders. See the section of this document entitled "Description of the Transactions Interests of Certain Persons Related to American Capital in the Transactions."

American Capital will be subject to business uncertainties and contractual restrictions while the Transactions are pending.

The shares of Ares Capital common stock to be received by American Capital stockholders as a result of the Transactions will have different rights associated with them than shares of American Capital common stock currently held by them. See the section of this document entitled "Comparison of Stockholder Rights."

The market price of Ares Capital common stock after the completion of the Transactions may be affected by factors different from those affecting American Capital common stock or Ares Capital common stock currently.

In addition, stockholders should carefully consider the matters described in "Risk Factors" in determining whether to adopt the merger agreement, in the case of American Capital stockholders, and approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable and the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, in the case of Ares Capital stockholders. If any of the events described in such section occurs, Ares Capital, American Capital or, following the completion of the Transactions, the combined company's business, financial condition or results of operations could be materially adversely affected.

American Capital's Board of Directors Received Opinions From its Financial Advisors Regarding the Merger Consideration (page 168)

Goldman Sachs delivered its oral opinion, subsequently confirmed in writing, to the American Capital board of directors that, as of May 23, 2016, and based upon and subject to the factors and assumptions set forth therein, the Aggregate Per Share Consideration (as defined below) to be paid to holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of shares of American Capital common stock pursuant to the merger agreement was fair from a financial point of view to such holders. On May 23, 2016, at a meeting of the American Capital board of directors held to evaluate the proposed Transactions, Credit Suisse rendered to the American Capital board of directors an oral opinion, subsequently confirmed by delivery of a written opinion dated May 23, 2016, to the effect that, based on and subject to various assumptions made, procedures followed, matters considered and limitations on the review undertaken, as of that date, the Aggregate Per Share Consideration to be received by holders of shares of American Capital common stock in the merger was fair, from a financial point of view, to such stockholders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates). For purposes of Goldman Sachs' and Credit Suisse's opinions, the "Aggregate Per Share Consideration" was defined as the aggregate of $6.41 per share, in cash, without interest, from Ares Capital, $1.20 per share in cash, without interest, from Ares Capital Management, $2.45 per share in cash, without interest, and 0.483 of a share of Ares Capital common stock per share.

For more information, see the section entitled "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors."

Ares Capital's Board of Directors Received Opinions From its Financial Advisors Regarding the Merger Consideration (page 182)

Wells Fargo Securities delivered to the Ares Capital board of directors a written opinion, dated May 23, 2016, as to the fairness, from a financial point of view and as of the date of the opinion, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers, pursuant to the merger agreement. Wells Fargo Securities' opinion was for the information of the Ares Capital board of directors (in its capacity as such) in connection with its evaluation of the mergers. Wells Fargo Securities' opinion only addressed the fairness, from a financial point of view, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers and did not address any other terms, aspects or implications of the mergers or any agreements, arrangements or understandings entered into in connection with the mergers, any related transactions or otherwise. In connection with the mergers, BofA Merrill Lynch delivered to the Ares Capital board of directors a written opinion, dated May 23, 2016, as to the fairness, from a financial point of view and as of the date of the opinion, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers. BofA Merrill Lynch provided its opinion to Ares Capital board of directors (in its capacity as such) for the benefit and use of the Ares Capital board of directors in connection with and for purposes of its evaluation of the Ares Capital consideration to be paid by Ares Capital in the mergers from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the mergers and no opinion or view was expressed as to the relative merits of the mergers in comparison to other strategies or transactions that might be available to Ares Capital or in which Ares Capital might engage or as to the underlying business decision of Ares Capital to proceed with or effect the mergers.

For more information, see the section entitled "Description of the Transactions Opinions of Financial Advisors to the Ares Capital Board of Directors."

American Capital's Board of Directors, Including the Independent Directors, Unanimously Recommends That American Capital Stockholders Vote "FOR" Adoption of the Merger Agreement (page 167)

American Capital's board of directors, including its independent directors, unanimously approved the merger agreement and the Transactions and recommends that American Capital stockholders vote "FOR" adoption of the merger agreement and "FOR" the adjournment of the American Capital annual meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the American Capital annual meeting to adopt the merger agreement.

Ares Capital's Board of Directors, Including the Independent Directors, Unanimously Recommends That Ares Capital Stockholders Vote "FOR" Approval of the Issuance of Shares of Ares Capital Common Stock to be Issued Pursuant to the Merger Agreement at a Price Below its Then Current Net Asset Value, if Applicable (page 167)

Ares Capital's board of directors, including the independent directors, unanimously approved the merger agreement, and the Transactions, including the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and unanimously recommends that Ares Capital stockholders vote "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and "FOR" the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

Ares Capital's Board of Directors, Including the Independent Directors, Unanimously Recommends That Ares Capital Stockholders Vote "FOR" Approval of the Issuance of Shares of Ares Capital Common Stock to be Issued Pursuant to the Merger Agreement in Accordance with NASDAQ Listing Rule Requirements (page 167)

Ares Capital's board of directors, including the independent directors, unanimously approved the merger agreement, and the Transactions, including the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements and unanimously recommends that Ares Capital stockholders vote "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements and "FOR" the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

Certain Persons Related to American Capital Have Interests in the Transactions that Differ from Your Interests (page 212)

American Capital's directors and executive officers have financial interests in the Transactions that are different from, or in addition to, the interests of American Capital stockholders. The members of the American Capital board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the Transactions and in recommending to American Capital's stockholders that the merger agreement be adopted. These interests are described in more detail in the section of this document entitled "Description of the Transactions Interests of Certain Persons Related to American Capital in the Transactions."

Ares Capital's Investment Adviser Has Interests in the Transactions that Differ from the Interests of Ares Capital Stockholders (page 219)

Ares Capital's investment adviser, Ares Capital Management, has indirect financial interests in the Transactions that are different from, and/or in addition to, the interests of Ares Capital stockholders. For example, Ares Capital Management's base management fee is based on a percentage of Ares Capital's total assets. Because total assets under management will increase as a result of the Transactions, the dollar amount of Ares Capital Management's base management fee will likely increase as a result of the Transactions. In addition, the income based fee and capital gains incentive fee payable by Ares Capital to Ares Capital Management will be impacted as a result of the Transactions. See "Unaudited Pro Forma Condensed Consolidated Financial Statements."

In connection with the Transactions, Ares Capital Management has agreed to (1) provide $275 million of cash consideration, or $1.20 in cash per share of American Capital common stock, payable to American Capital's stockholders in accordance with the terms and conditions set forth in the merger agreement at the effective time and (2) waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (A) $10 million of the income based fees and (B) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's investment advisory and management agreement.

American Capital Stockholders Have Dissenters' Rights (page 635)

American Capital stockholders are entitled to appraisal rights under Section 262 of the DGCL, provided they follow the procedures and satisfy the conditions set forth in Section 262 of the DGCL. For more information regarding appraisal rights, see "Appraisal Rights of American Capital Stockholders." In addition, a copy of Section 262 of the DGCL is attached as *Annex F* to this document. Failure to strictly comply with Section 262 of the DGCL may result in your waiver of, or inability to, exercise appraisal rights.

Ares Capital Stockholders Do Not Have Dissenters' Rights (page 129)

Ares Capital's stockholders will not be entitled to exercise dissenters' rights in connection with the Transactions under Maryland law.

American Capital and Ares Capital Have Agreed When and How American Capital Can Consider Third Party Acquisition Proposals (page 234)

American Capital and Ares Capital have agreed to, and will cause their respective affiliates, subsidiaries, and each of their respective officers, directors, managers, employees and other advisors, representatives and agents to, immediately cease and cause to be terminated all discussions and negotiations with respect to a "competing proposal" (as defined in the merger agreement) from a third party and not to directly or indirectly solicit or take any other action with the intent to solicit any inquiry, discussion, proposal or offer with respect to a competing proposal.

If either American Capital or Ares Capital receives a competing proposal from a third party, and the board of directors of American Capital or Ares Capital, as applicable, determines in good faith after consultation with its outside legal counsel and independent financial advisors that (1) failure to consider such proposal would reasonably be expected to be inconsistent with the fiduciary duties of such directors under applicable law and (2) the competing proposal constitutes or is reasonably expected to result in a "superior proposal" (as defined in the merger agreement), then the party receiving such proposal may engage in discussions and negotiations with such third party so long as certain notice and other procedural requirements are satisfied. If the board of directors of American Capital or Ares Capital, as applicable, determines that it has received a superior proposal from a third party, American Capital or Ares Capital, as applicable, may terminate the merger agreement and enter into an agreement with such third party, subject to (1) negotiating in good faith to amend the merger agreement so that the superior proposal is no longer deemed a superior proposal and satisfying certain other procedural requirements and (2) the payment of a $140 million termination fee by the terminating party.

American Capital and Ares Capital may grant a waiver of or terminate any standstill or similar obligation to the extent necessary to allow a third party to make a "competing proposal" (as such term is defined in the merger agreement).

Under certain confidentiality agreements entered into during American Capital's strategic review process, third parties may privately request a waiver from American Capital's board of directors to submit an unsolicited acquisition proposal to American Capital's board of directors.

Adoption of the Merger Agreement Requires the Approval of American Capital Stockholders Holding at Least a Majority of Votes Outstanding and Entitled to Vote (page 121)

The affirmative vote of the holders of at least a majority of the shares of American Capital common stock outstanding and entitled to vote is required to adopt the merger agreement.

Vote Required to Approve the Issuance of Shares of Ares Capital Common Stock at a Price Below its Then Current Net Asset Value, if Applicable (page 126)

Under the Investment Company Act, Ares Capital is not permitted to issue common stock at a price below the then current net asset value per share unless such issuance is approved by its stockholders and, in certain cases, its board of directors makes certain determinations. Pursuant to stockholder approval granted at a special meeting of Ares Capital stockholders held on May 12, 2016, Ares Capital currently is permitted to sell or otherwise issue shares of Ares Capital common stock at a price below its then current net asset value per share in an amount up to 25% of its then outstanding shares of Ares Capital common stock, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017. Because the number of shares of Ares Capital common stock to be issued pursuant to the merger agreement is expected to exceed 25% of Ares Capital's then outstanding shares, Ares Capital is seeking stockholder approval to issue the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable.

Stockholder approval may be obtained in either of two ways. First, the stock issuance proposal will be approved for purposes of the Investment Company Act if Ares Capital obtains the affirmative vote of (1) a majority of the outstanding shares of Ares Capital common stock and (2) a majority of the outstanding shares of Ares Capital common stock held by persons that are not affiliated persons of Ares Capital. For these purposes, the Investment Company Act defines a "majority of the outstanding shares" as the lesser of (1) 67% or more of the outstanding shares of Ares Capital common stock present or represented by proxy at the Ares Capital special meeting if the holders of more than 50% of the shares of Ares Capital common stock are present or represented by proxy or (2) more than 50% of the outstanding shares of Ares Capital common stock. In order to issue shares at a price below net asset value pursuant to this approval, Ares Capital's board of directors would need to make certain determinations as required under the Investment Company Act. Second, the proposal can also be approved for purposes of the Investment Company Act if it receives approval from a majority of the number of the beneficial holders of Ares Capital common stock, without regard to whether a majority of such shares are voted in favor of the proposal. For purposes of approval under the Investment Company Act, abstentions will have the effect of a vote "against" the proposal.

If the shares of Ares Capital common stock to be issued pursuant to the merger agreement are issued at a price that is equal to or above its then current net asset value per share, or if the amount of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below then current net asset value does not exceed 25% of Ares Capital's then outstanding shares and Ares Capital's board of directors makes certain determinations as required under the Investment Company Act, then stockholder approval of this proposal is not required in order to complete the Transactions.

Vote Required to Approve the Issuance of Shares of Ares Capital Common Stock in Accordance with NASDAQ Listing Rule Requirements (page 127)

Under NASDAQ Listing Rule 5635(a), stockholder approval is required prior to issuing common stock in connection with the acquisition of the stock or assets of another company, if the potential issuance is equal to 20% or more of the number of shares of common stock or voting power outstanding. The affirmative vote of holders of at least a majority of the total votes cast on the matter at a meeting at which a quorum is present (meaning the number of shares voted "for" a proposal must exceed the number of shares voted "against" such proposal) is required to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement. Abstentions and broker non-votes are not considered votes cast for the foregoing purpose, and will have no effect on the vote for such proposal if the shares of Ares Capital common stock to be issued pursuant to the merger agreement are issued at a price that is at or above its then current net asset value per share.

Completion of the Transactions (page 221)

While there can be no assurance as to the exact timing, or that the Transactions will be completed at all, Ares Capital and American Capital expect to complete the Transactions as early as the first week of January 2017. Ares Capital and American Capital currently expect to complete the Transactions promptly following receipt of the required approvals at the American Capital annual meeting and the

Ares Capital special meeting and satisfaction of the other closing conditions set forth in the merger agreement.

Conditions That Must Be Satisfied or Waived for the Mergers to be Completed (page 235)

The obligations of American Capital and Ares Capital to complete the mergers are subject to the satisfaction or, where permissible, waiver of the following conditions:

- the required approvals of American Capital and Ares Capital stockholders are obtained at their respective stockholder meetings;
- the shares of Ares Capital stock to be issued in the merger have been authorized for listing on NASDAQ;
- the registration statement, of which this document forms a part, has become effective and no stop order suspending its effectiveness has been issued and no proceedings for that purpose have been initiated by the SEC;
- any applicable waiting period under United States and foreign competition, antitrust, merger control or investment laws has expired or early termination thereof granted and any governmental authorization or consent required with respect to the mergers pursuant to such laws have been obtained;
- no governmental authority issues any order that has the effect of restraining, enjoining or otherwise prohibiting the completion of the mergers;
- all governmental authorizations and consents required with respect to the mergers as set forth in the American Capital disclosure letter have been obtained and remain in full force and effect; and
- the consent of certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of such funds as of March 31, 2016.

The obligation of Ares Capital, Acquisition Sub and IHAM to complete the mergers is subject to the satisfaction or, where permissible, waiver of the following conditions:

- the representations and warranties of American Capital and ACAM, as applicable, pertaining to:

(1) the authorized and outstanding capital stock of American Capital are true and correct as of the merger agreement date and the effective time other than for de minimis inaccuracies;

(2) certain fundamental representations are true and correct in all material respects, without giving effect to any materiality or material adverse effect qualification stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such fundamental representations are required to be true as of such specific date only); and

(3) all other representations contained in the merger agreement are true and correct, without giving effect to any materiality or material adverse effect qualifications stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such representations are required to be true as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a material adverse effect;

American Capital has performed in all material respects all obligations required to be performed by it under the merger agreement on or prior to the effective time;

Ares Capital has received a certificate signed on behalf of American Capital by an executive officer certifying that the above conditions have been satisfied; and

since the date of the merger agreement, there has not occurred and is continuing any material adverse effect with respect to American Capital.

The obligation of American Capital and ACAM to complete the mergers is subject to the satisfaction or, where permissible, waiver of the following conditions:

the representations and warranties of Ares Capital, Acquisition Sub and IHAM, as applicable, pertaining to:

(1) the authorized and outstanding capital stock of Ares Capital are true and correct as of the merger agreement date and the effective time other than for de minimis inaccuracies;

(2) certain fundamental representations are true and correct in all material respects, without giving effect to any materiality or material adverse effect qualification stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such fundamental representations are required to be true as of such specific date only); and

(3) all other representations contained in the merger agreement are true and correct, without giving effect to any materiality or material adverse effect qualifications stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such representations are required to be true as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a material adverse effect;

Ares Capital and Acquisition Sub have performed in all material respects all obligations required to be performed by each of them under the merger agreement on or prior to the effective time;

American Capital has received a certificate signed on behalf of Ares Capital by an executive officer certifying that the above conditions have been satisfied; and

since the date of the merger agreement, there has not occurred and is continuing any material adverse effect with respect to Ares Capital.

Ares Capital and American Capital cannot be certain when, or if, the conditions to the mergers will be satisfied or waived or that the mergers will ever be completed.

Termination of the Merger Agreement (page 237)

The merger agreement may be terminated at any time prior to the effective time, whether before or after the approvals of the Ares Capital and American Capital stockholders sought by this document, as follows:

by mutual written consent of Ares Capital and American Capital;

by either Ares Capital or American Capital if:

(1)

the mergers have not been completed on or before 5:00 p.m. (New York time) on May 23, 2017, or the "termination date"; provided that a party may not terminate if its failure to perform or comply with any of its obligations under the merger agreement was the principal cause of or resulted in the failure of the effective time to have occurred on or before the termination date;

(2) any governmental authority takes any final and non-appealable action that permanently restrains, enjoins or prohibits the transactions contemplated by the merger agreement;

provided that a party may not terminate if its failure to perform or comply with any of its obligations under the merger agreement proximately caused the governmental action;

(3) the American Capital stockholder approval is not obtained; or

(4) the Ares Capital stockholder approval is not obtained, provided that the termination right may not be exercised until the day immediately preceding the termination date;

by American Capital if:

(1) Ares Capital, Ares Capital Management or IHAM breach or fail to perform any of their respective representations, warranties, covenants or other agreements under the merger agreement if such breach or failure to perform (A) would result in the failure of an American Capital condition to closing the mergers and (B) cannot be not cured by the earlier of (x) the termination date or (y) 30 days following American Capital's delivery of written notice to Ares Capital of such breach or failure to perform (provided that American Capital is not then in material breach of a material obligation under the merger agreement so as to result in the failure of an Ares Capital condition to closing the mergers);

(2) at any time prior to the receipt of the Ares Capital stockholder approval, the Ares Capital board of directors makes an Ares Capital adverse recommendation change;

(3) Ares Capital enters into a definitive agreement with respect to a superior proposal; or

(4) at any time prior to receipt of the American Capital stockholder approval, American Capital enters into a definitive agreement with respect to a superior proposal, provided that (A) such proposal did not arise from a material breach of its non-solicit obligations and (B) prior to or simultaneously with such termination American Capital pays to Ares Capital a $140 million termination fee;

by Ares Capital if:

(1) American Capital or ACAM breach or fail to perform any of their representations, warranties, covenants or other agreements under the merger agreement if such breach or failure to perform (A) would result in the failure of an Ares Capital condition to closing the mergers and (B) cannot be cured by the termination date, or (y) 30 days following American Capital's delivery of written notice to Ares Capital of such breach or failure to perform (provided that Ares Capital is not then in material breach of a material obligation under the merger agreement so as to result in the failure of an American Capital condition to closing the mergers);

(2) at any time prior to the receipt of the American Capital stockholder approval, the American Capital board of directors makes an American Capital adverse recommendation change;

(3) American Capital enters into a definitive agreement with respect to a superior proposal; or

(4) at any time prior to receipt of the Ares Capital stockholder approval, Ares Capital enters into a definitive agreement with respect to a superior proposal, provided that (A) such proposal did not arise from a material breach of its non-solicit obligations and (B) prior to or simultaneously with such termination Ares Capital pays to American Capital a $140 reverse million termination fee.

50

Termination Fee (page 239)

The merger agreement provides for the payment by American Capital to Ares Capital of a termination fee of $140 million if the merger agreement is terminated by American Capital or Ares Capital under certain circumstances. If American Capital stockholders do not adopt the merger agreement and the merger agreement is terminated, American Capital will be required to reimburse Ares Capital for its expenses up to $15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by American Capital to Ares Capital. In addition, the merger agreement provides for a payment by Ares Capital to American Capital of a reverse termination fee of $140 million under certain other circumstances. If the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, does not receive required stockholder and other Investment Company Act approvals, if any, or if the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements does not receive the required stockholder approval, and the merger agreement is terminated, Ares Capital will be required to reimburse American Capital for its expenses up to $15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by Ares Capital to American Capital.

Board of Directors and Management of the Combined Company Following Completion of the Transactions (page 220)

Upon the completion of the Transactions, the current directors and officers of Ares Capital are expected to continue in their current positions and Ares Capital's investment adviser, Ares Capital Management, will externally manage the combined company. Upon the completion of the Transactions, the current directors and officers of American Capital will not continue as directors or officers of the combined company.

Third Party Consents Required for the Transactions (page 220)

Pursuant to the merger agreement, each of Ares Capital's and American Capital's obligations to complete the Transactions is subject to the prior receipt of (1) consents required to be obtained from certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016, as well as (2) approvals and consents required to be obtained from other third parties, including regulatory authorities in the United Kingdom and Guernsey. Although American Capital and Ares Capital expect that all such approvals and consents will be obtained and remain in effect and all conditions related to such consents will be satisfied, there can be no assurance that such approvals or consents will be obtained.

The Rights of American Capital Stockholders Following the Transactions Will Be Different (page 597)

The rights of American Capital's stockholders are currently governed by Delaware law, American Capital's third amended and restated certificate of incorporation, as amended (the "American Capital certificate of incorporation"), and American Capital's second amended and restated bylaws, as amended (the "American Capital bylaws"). As a result of the Transactions, American Capital stockholders who receive shares of Ares Capital common stock pursuant to the merger agreement will become stockholders of Ares Capital. Your rights as stockholders of Ares Capital will be governed by Maryland law, Ares Capital's articles of amendment and restatement, as amended (the "Ares Capital charter"), and Ares Capital's second amended and restated bylaws, as amended (the "Ares Capital bylaws"). The rights of American Capital's stockholders and the rights of Ares Capital's stockholders differ in certain respects.

COMPARATIVE FEES AND EXPENSES

The following tables are intended to assist you in understanding the costs and expenses that an investor in the common stock of American Capital and Ares Capital bears directly or indirectly and, based on the assumptions set forth below, the pro forma costs and expenses that an investor in the combined company following the completion of the Transactions may bear directly or indirectly. American Capital and Ares Capital caution you that some of the percentages indicated in the tables below are estimates and may vary. Except where the context suggests otherwise, whenever this document contains a reference to fees or expenses paid or to be paid by "you," "American Capital" or "Ares Capital," stockholders will indirectly bear such fees or expenses as investors in American Capital or Ares Capital, as applicable.

	American Capital	Ares Capital	Pro Forma Combined(1)
Stockholder transaction expenses (as a percentage of offering price)			
Sales load paid by American Capital and Ares Capital	(2)	(2)	(2)
Offering expenses borne by American Capital and Ares Capital	(2)	(2)	(2)
Dividend reinvestment plan expenses	(3)	(3)	(3)
Total stockholder transaction expenses paid by American Capital and Ares Capital	None	None	None

	American Capital	Ares Capital	Pro Forma Combined(1)
Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock):(4)(5)			
Base management fees(6)		2.65%	2.69%
Income based fees and capital gains incentive fees(7)		2.50%	1.77%
Interest payments on borrowed funds(8)	1.38%	3.84%	3.66%(9)
Other expenses(10)	6.22%	1.16%	2.38%
Acquired fund fees and expenses(11)		0.07%	0.06%
Total annual expenses (estimated)(12)	7.60%	10.22%	10.56%

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(1) See the unaudited pro forma condensed consolidated financial information and explanatory notes included elsewhere in this document for more information illustrating the effect of the mergers on Ares Capital's financial position and results of operations based upon Ares Capital's and American Capital's respective historical financial positions and results of operations.

(2) Purchases of shares of common stock of American Capital or Ares Capital 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 (underwriting discount or commission) that stockholders may have paid in connection with their purchase of shares of American Capital or Ares Capital common stock.

(3) The expenses of the dividend reinvestment plan are included in "Other expenses."

(4) "Consolidated net assets attributable to common stock" equals stockholders' equity at June 30, 2016. For Pro Forma Combined, the stockholders' equity for Pro Forma Combined as of June 30, 2016 was used from the pro forma information included elsewhere in this document.

(5)

American Capital does not have an investment adviser and is internally managed by its management team under the supervision of its board of directors. Therefore, American Capital pays operating costs associated with employing a management team and investment professionals instead of paying investment advisory fees. As a result, the estimate of the annual expenses American Capital incurs in connection with the employment of such employees is included in the line item "Other expenses" and, accordingly, any comparison of the individual items of American Capital and Ares Capital set forth under "Estimated annual expenses" above may not be informative because American Capital is internally managed and Ares Capital is externally managed. The pro forma combined company estimated annual expenses are consistent with the information presented in the unaudited pro forma condensed consolidated financial statements included in this document. See "Unaudited Selected Pro Forma Consolidated Financial Data."

(6)

Ares Capital is externally managed by its investment adviser, Ares Capital Management. Following completion of the Transactions, the combined company will continue to be externally managed by Ares Capital Management and the pro forma combined company management fee has been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. Ares Capital's base management fee is currently 1.5% of its total assets (other than cash and cash equivalents) (which includes assets purchased with borrowed amounts). Ares Capital's base management fee has been estimated by multiplying its total assets as of June 30, 2016 (assuming it maintains no cash or cash equivalents) by 1.5%. The 2.65% and 2.69% reflected on the table are higher than 1.5% because they are calculated on Ares Capital's and the pro forma combined company's net assets, respectively, as of June 30, 2016 (rather than its total assets). See "Management of Ares Capital Investment Advisory and Management Agreement."

(7)

This item represents Ares Capital's investment adviser's income based fees and capital gains incentive fees estimated by annualizing income based fees for the six months ended June 30, 2016 and the capital gains incentive fee expense accrued in accordance with GAAP for the six months ended June 30, 2016, even though no capital gains incentive fee was actually payable under the investment advisory and management agreement as of June 30, 2016.

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 Ares Capital's 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 Ares Capital 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, Ares Capital has 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 Ares Capital's performance and will not be paid unless Ares Capital achieves certain goals. For more detailed information on the calculation of Ares Capital's income based fees and capital gains incentive fees, please see below. The pro forma combined company's income based fees and capital gains incentive fees have been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. For more detailed information about income based fees and capital gains incentive fees previously incurred by Ares Capital, please see Note 3 to its consolidated financial statements for the year ended December 31, 2015 and the period ended June 30, 2016.

Income based fees are payable quarterly in arrears in an amount equal to 20% of Ares Capital's 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, Ares Capital's investment adviser receives no income based fees until Ares Capital's net investment income equals the hurdle rate of 1.75% but then receives, as a "catch-up," 100% of Ares Capital's 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, Ares Capital's investment adviser will receive 20% of Ares Capital's pre-incentive fee net investment income as if a hurdle rate did not apply.

Ares Capital's investment adviser has agreed to waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (1) $10 million of the income based fees and (2) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's investment advisory and management agreement (the "Fee Waiver"). The impact of the Fee Waiver is not included in the estimates above.

Capital gains incentive fees are payable annually in arrears in an amount equal to 20% of Ares Capital's 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.

Ares Capital will defer cash payment of any income based fees and capital gains incentive fees otherwise earned by Ares Capital's 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 (1) Ares Capital's aggregate distributions to its stockholders and (2) Ares Capital's 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 Ares Capital's 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 of Ares Capital Investment Advisory and Management Agreement."

(8)

"Interest payments on borrowed funds" represents interest expenses estimated by annualizing actual interest and credit facility expenses incurred for the six months ended June 30, 2016; provided that the amounts for Ares Capital and Pro Forma Combined have been further adjusted to take into account the impact of Ares Capital's issuance of 3.625% notes due 2022 (and the use of proceeds therefrom) in September 2016. During the six months ended June 30, 2016, American Capital's average outstanding borrowings were approximately $0.9 billion and cash paid for interest expense was $30.4 million and Ares Capital's average outstanding borrowings were approximately $4.0 billion and cash paid for interest expense was $95.6 million. American Capital had outstanding borrowings of approximately $0.8 billion (with a carrying value of approximately $0.8 billion) as of June 30, 2016. Ares Capital had outstanding borrowings of approximately $3.9 billion (with a carrying value of approximately $3.8 billion) as of June 30, 2016. On September 19, 2016, Ares Capital issued $600 million of 3.625% notes due 2022 and paid down approximately $591.8 million of outstanding indebtedness under Ares Capital's revolving credit facilities using the net proceeds of such issuance. The amount of leverage that American Capital or Ares Capital may employ at any particular time will depend on, among other things, American Capital and Ares Capital's boards of directors' and, in the case of Ares Capital, its investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Ares Capital Ares Capital borrows money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with Ares Capital." See "Risk Factors Risks Relating to American Capital American Capital may incur debt that could increase stockholder investment risks."

(9)

Includes certain transactions that are reflected in the pro forma combined company's interest and credit facility fees for the six months ended June 30, 2016, as described in more detail in "Unaudited Pro Forma Condensed Consolidated Financial Statements."

(10)

Includes overhead expenses, including, in the case of Ares Capital, payments under its administration agreement based on its allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under such administration agreement, and income taxes. In the case of American Capital, such expenses are based on annualized employee, employee stock options and administrative expenses for the six months ended June 30, 2016. In the case of Ares Capital, such expenses are estimated by annualizing "Other expenses" for the six months ended June 30, 2016. See "Management of Ares Capital Administration Agreement." In the case of Ares Capital and American Capital, "Other expenses" excludes any actual expenses incurred related to the mergers for the six months ended June 30, 2016. For the pro forma combined company, "Other expenses" were based on the annualized amounts reflected in the unaudited pro forma condensed consolidated financial statements for the six months ended June 30, 2016. Ares Capital expects that the combined company will achieve certain synergies and cost savings following completion of the Transactions and accordingly believes that estimated total pro forma combined other expenses will be lower than reflected (similar to or lower than Ares Capital's historical other expenses) if such synergies and cost savings are achieved. The holders of shares of American Capital and Ares Capital common stock (and not the holders of their debt securities or preferred stock, if any) indirectly bear the cost associated with their annual expenses.

(11)

With respect to "Acquired fund fees and expenses," American Capital and Ares Capital 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 in which American Capital or Ares Capital invests. Such underlying funds or other investment vehicles are referred to in this document as "Acquired Funds." This amount includes the estimated annual fees and operating expenses of Acquired Funds as of June 30, 2016. 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% to 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 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 (as defined below), which was initially funded in July 2016. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital Recent Developments" and Note 16 to Ares Capital's consolidated financial statements for the three and six months ended June 30, 2016, for more information on the SDLP. The annual fees and operating expenses of the SDLP were estimated based on the initially funded portfolio of the

SDLP and are primarily comprised of management fees and administrative expenses of the SDLP. For the purpose of this line item, interest payments on borrowed funds are not included in operating expenses.

(12) "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. American Capital and Ares Capital borrow money to leverage and increase their total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains incentive fees accrued during the period), rather than the total assets, including assets that have been funded with borrowed monies.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in American Capital, Ares Capital or, following the completion of the Transactions, the combined company's common stock. In calculating the following expense amounts, each of American Capital and Ares Capital has assumed that it would have no additional leverage, that none of its assets are cash or cash equivalents and that its annual operating expenses would remain at the levels set forth in the tables above. Income based fees and the capital gains fees under Ares Capital's 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 related to the Transactions 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 common stock investment, assuming a 5% annual return in (none of which is subject to the capital gains incentive fee)(1):				
American Capital	$ 78	$ 227	$ 368	$ 688
Ares Capital	$ 79	$ 231	$ 373	$ 696
The *pro forma* combined company following the completion of the Transactions	$ 90	$ 260	$ 416	$ 754

	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 in (all of which is subject to the capital gains incentive fee)(2):				
American Capital	$ 78	$ 227	$ 368	$ 688
Ares Capital	$ 89	$ 259	$ 417	$ 767
The *pro forma* combined company following the completion of the Transactions	$ 100	$ 287	$ 458	$ 822

(1) The above illustration assumes that Ares Capital and, following the completion of the Transactions, the combined company, will not realize any capital gains computed net of all realized capital losses and no unrealized capital depreciation.

(2) The above illustration assumes that Ares Capital and, following the completion of the Transactions, the combined company, has 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 tables are to assist you in understanding the various costs and expenses that an investor in American Capital, Ares Capital or, following the completion of the Transactions, the combined company's common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, performance will vary and may result in a return greater or less than 5%. If Ares Capital were to achieve sufficient returns on its investments, including through the realization of capital gains, to trigger income based fees or capital gains incentive fees of a material amount, its expenses, and returns to its investors, would be higher.

In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if Ares Capital's board of directors authorizes and Ares Capital declares a cash dividend, participants in its dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of its common stock determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of Ares Capital common stock at the close of trading on the valuation date for the dividend. See "Ares Capital Dividend Reinvestment Plan" for additional information regarding Ares Capital's dividend reinvestment plan.

This example and the expenses in the tables above should not be considered a representation of American Capital, Ares Capital or, following the completion of the Transactions, the combined company's future expenses as actual expenses (including the cost of debt, if any, and other expenses) that it may incur in the future and such actual expenses may be greater or less than those shown.

RISK FACTORS

In addition to the other information included in this document, stockholders should carefully consider the matters described below in determining whether to adopt the merger agreement, in the case of American Capital stockholders, and approve the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, in the case of Ares Capital stockholders. The risks set out below are not the only risks Ares Capital, American Capital and, following the completion of the Transactions, the combined company face. Additional risks and uncertainties not currently known to Ares Capital or American Capital or that they currently deem to be immaterial also may materially adversely affect their or, following the completion of the Transactions, the combined company's business, financial condition or operating results. If any of the following events occur, Ares Capital, American Capital or, following the completion of the Transactions, the combined company's business, financial condition or results of operations could be materially adversely affected.

Risks Relating to Ares Capital

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 Ares Capital's 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, beginning in the latter half of 2015 and continuing into 2016, economic uncertainty and market volatility in China and geopolitical unrest in the Middle East, combined with continued volatility of oil prices, among other factors, have caused disruption in the capital markets, including the markets in which Ares Capital participates. In addition, the referendum by British voters to exit the European Union ("E.U.") ("Brexit") in June 2016 has led to further disruption and instability in the global markets. There can be no assurance these market conditions will not continue 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, Ares Capital is generally not able to issue additional shares of Ares Capital common stock at a price less than net asset value without first obtaining approval for such issuance from Ares Capital stockholders and Ares Capital's independent directors. Ares Capital generally seeks approval from Ares Capital stockholders so that Ares Capital has the flexibility to issue up to 25% of its then outstanding shares of Ares Capital common stock at a price below net asset value. Pursuant to approval granted at a special meeting of stockholders held on May 12, 2016, Ares Capital currently is permitted to sell or otherwise issue shares of Ares Capital common stock at a price below net asset value, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017.

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 Ares Capital's existing indebtedness or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on Ares Capital's business. The debt capital that will be available to Ares Capital in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what Ares Capital currently experiences. If Ares Capital is unable to raise or refinance debt, then Ares Capital's equity investors may not benefit from the potential for increased returns on equity resulting from leverage and Ares Capital may be limited in its ability to make new commitments or to fund existing commitments to Ares Capital's portfolio companies.

Significant changes or volatility in the capital markets may also have a negative effect on the valuations of Ares Capital's investments. While most of Ares Capital's investments are not publicly traded, applicable accounting standards require Ares Capital to assume as part of its valuation process that Ares Capital's investments are sold in a principal market to market participants (even if Ares Capital plans on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of Ares Capital's investment activity and the potential for liquidity events involving Ares Capital's investments. Thus, the illiquidity of Ares Capital's investments may make it difficult for Ares Capital to sell such investments to access capital if required, and as a result, Ares Capital could realize significantly less than the value at which Ares Capital has recorded its investments if Ares Capital were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on Ares Capital's business, financial condition or results of operations.

Uncertainty about the financial stability of the United States, China and several countries in the E.U. could have a significant adverse effect on Ares Capital's business, financial condition and results of operations.

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

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of many of such countries has improved significantly, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. In July and August 2015, Greece reached agreements with its international creditors for bailouts that provide aid in exchange for austerity terms that had previously been rejected by Greek voters. 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. Ares Capital 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 Ares Capital 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, Ares Capital's 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. In June 2016, British voters passed a referendum to exit the E.U., leading to heightened volatility in global markets and foreign currencies.

These market and economic disruptions have affected, and may in the future affect, the U.S. capital markets, which could adversely affect Ares Capital's business, financial condition or results of operations.

In October 2014, the Federal Reserve announced that it was concluding its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve's holdings of long-term securities, suggesting that key economic indicators, such as the unemployment rate, had showed signs of improvement since the inception of the program. It is unclear what effect, if any, the conclusion of the Federal Reserve's bond-buying program will have on the value of Ares Capital's investments. Additionally, in December 2015, the Federal Reserve, raised the federal funds rate. 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 rates and borrowing costs to rise, which may negatively impact Ares Capital's ability to access the debt markets on favorable terms.

A failure on Ares Capital's part to maintain its status as a BDC would significantly reduce Ares Capital's operating flexibility.

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

Ares Capital is dependent upon certain key personnel of Ares for Ares Capital's future success and upon their access to other Ares investment professionals.

Ares Capital depends on the diligence, skill and network of business contacts of certain key personnel of the Ares Credit Group. Ares Capital also depends, 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. Ares Capital's 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 Ares Capital's business, financial condition or results of operations. In addition, Ares Capital cannot assure you that Ares Capital Management will remain Ares Capital's investment adviser or that Ares Capital 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 Ares Capital cautions you that Ares Capital's investment returns could be substantially lower than the returns achieved by other Ares-managed funds.

Ares Capital's financial condition and results of operations depend on Ares Capital's ability to manage future growth effectively.

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

Accomplishing this result on a cost-effective basis is largely a function of the structuring of Ares Capital's investment process and the ability of Ares Capital's investment adviser to provide competent, attentive and efficient services to Ares Capital. Ares Capital's executive officers and the members of Ares Capital's 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 Ares Capital's 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, Ares Capital cannot assure you that Ares will be able to do so effectively. Any failure to manage Ares Capital's future growth effectively could have a material adverse effect on Ares Capital's business, financial condition and results of operations.

In addition, as Ares Capital grows, Ares Capital may open up new offices in new geographic regions that may increase Ares Capital's direct operating expenses without corresponding revenue growth.

Ares Capital's ability to grow depends on its ability to raise capital.

Ares Capital will need to periodically access the capital markets to raise cash to fund new investments in excess of Ares Capital's repayments, and Ares Capital may also need to access the capital markets to refinance existing debt obligations to the extent such maturing obligations are not repaid with availability under Ares Capital's revolving credit facilities or cash flows from operations. Ares Capital has elected to be treated as a regulated investment company ("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 Ares Capital's RIC status, Ares Capital must distribute to Ares Capital's stockholders on a timely basis generally an amount equal to at least 90% of Ares Capital's investment company taxable income, and, as a result, such distributions will not be available to fund investment originations or repay maturing debt. Ares Capital must continue to borrow from financial institutions and issue additional securities to fund Ares Capital's growth. Unfavorable economic or capital market conditions may increase Ares Capital's funding costs or limit Ares Capital's access to the capital markets, or could result in a decision by lenders not to extend credit to Ares Capital. An inability to successfully access the capital markets may limit Ares Capital's ability to refinance its existing debt obligations as they become due and/or to fully execute its business strategy and could limit its ability to grow or cause Ares Capital to have to shrink the size of its business, which could decrease Ares Capital's earnings, if any.

In addition, with certain limited exceptions, Ares Capital is only allowed to borrow amounts or incur debt or issue preferred stock (which are referred to collectively as "senior securities"), such that Ares Capital's asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% immediately after such borrowing, which, in certain circumstances, may restrict Ares Capital's ability to borrow or issue debt securities or preferred stock. The amount of leverage that Ares Capital employs will depend on Ares Capital's investment adviser's and Ares Capital's board of directors' assessments of market and other factors at the time of any proposed borrowing or issuance of senior securities. Ares Capital cannot assure you that it will be able to maintain its current Revolving Credit

Facility, the Revolving Funding Facility and the SMBC Funding Facility (each as defined below and together, the "Facilities"), obtain other lines of credit or issue senior securities at all or on terms acceptable to Ares Capital.

Regulations governing Ares Capital's operation as a BDC affect its ability to raise, and the way in which Ares Capital raises, additional capital.

Ares Capital 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, Ares Capital is permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that its asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of Ares Capital's assets declines, Ares Capital may be unable to satisfy this test, which may prohibit it from paying dividends and could prevent Ares Capital from maintaining its status as a RIC or may prohibit it from repurchasing shares of Ares Capital common stock. In addition, Ares Capital's inability to satisfy this test could cause an event of default under its existing indebtedness. If Ares Capital cannot satisfy this test, Ares Capital may be required to sell a portion of its investments at a time when such sales may be disadvantageous and, depending on the nature of Ares Capital's leverage, repay a portion of its indebtedness. Accordingly, any failure to satisfy this test could have a material adverse effect on Ares Capital's business, financial condition or results of operations. As of June 30, 2016, Ares Capital's asset coverage calculated in accordance with the Investment Company Act was 234%. Also, to generate cash for funding new investments, Ares Capital may in the future seek to issue additional debt or to securitize certain of its loans. The Investment Company Act may impose restrictions on the structure of any such securitization.

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

Pursuant to approval granted at a special meeting of stockholders held on May 12, 2016, Ares Capital currently is permitted to sell or otherwise issue shares of Ares Capital common stock at a price below net asset value, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017.

Ares Capital borrows money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with Ares Capital.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in Ares Capital's securities. Ares Capital currently borrows under the Facilities and has 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 Ares Capital's consolidated assets that are superior to the claims of Ares Capital common stockholders or any preferred stockholders. If the value of Ares Capital's consolidated assets increases, then leveraging would cause the net asset value per share of Ares Capital common stock to increase more sharply than it would have had Ares Capital not incurred leverage.

Conversely, if the value of Ares Capital's consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had Ares Capital not incurred leverage. Similarly, any increase in Ares Capital's consolidated income in excess of consolidated interest payable on the borrowed funds would cause Ares Capital's net income to increase more than it would had Ares Capital not incurred leverage, while any decrease in Ares Capital's consolidated income would cause net income to decline more sharply than it would have had Ares Capital not incurred leverage. Such a decline could negatively affect Ares Capital's ability to make common stock dividend payments. There can be no assurance that a leveraging strategy will be successful.

As of June 30, 2016, Ares Capital had approximately $1,340.0 million of outstanding borrowings under the Facilities, approximately $25.0 million in aggregate principal amount outstanding of the SBA-guaranteed debentures (the "SBA Debentures"), approximately $732.5 million in aggregate principal amount outstanding of the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes (each as defined below and together, the "Convertible Unsecured Notes") and approximately $1,762.1 million in aggregate principal amount outstanding of the 2018 Notes, the 2020 Notes, the October 2022 Notes and the 2047 Notes (each as defined below and together, the "Unsecured Notes"). In order for Ares Capital to cover its annual interest payments on Ares Capital's outstanding indebtedness at June 30, 2016, Ares Capital must achieve annual returns on Ares Capital's June 30, 2016 total assets of at least 1.6%. The weighted average stated interest rate charged on Ares Capital's principal amount of outstanding indebtedness as of June 30, 2016 was 3.9%. Ares Capital intends to continue borrowing under the Facilities in the future and Ares Capital may increase the size of the Facilities or issue additional debt securities or other evidences of indebtedness (although there can be no assurance that Ares Capital will be successful in doing so). For more information on Ares Capital's indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital Financial Condition, Liquidity and Capital Resources." Ares Capital's ability to service its debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that Ares Capital employs at any particular time will depend on Ares Capital's investment adviser's and Ares Capital's board of directors' assessments of market and other factors at the time of any proposed borrowing.

The Facilities, the SBA Debentures, the Convertible Unsecured Notes and the Unsecured Notes impose financial and operating covenants that restrict Ares Capital's business activities, including limitations that could hinder its ability to finance additional loans and investments or to make the distributions required to maintain its 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 Ares Capital's business, financial condition and results of operations.

The following table illustrates the effect on return to a holder of Ares Capital common stock of the leverage created by Ares Capital's use of borrowing at the weighted average stated interest rate of 3.9% as of June 30, 2016, together with (1) Ares Capital's total value of net assets as of June 30, 2016; (2) approximately $3,859.6 million in aggregate principal amount of indebtedness outstanding as of

June 30, 2016 and (3) hypothetical annual returns on Ares Capital's portfolio of minus 15% to plus 15%.

Assumed Return on Portfolio (Net of Expenses)(1)	(15)%	(10)%	(5)%	%	5%	10%	15%
Corresponding Return to Common Stockholders(2)	(29.3)%	(20.5)%	(11.7)%	(2.9)%	5.9%	14.7%	23.5%

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, Ares Capital's 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, 2016. As a result, it has not been updated to take into account any changes in assets or leverage since June 30, 2016.

(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of Ares Capital's assets at June 30, 2016 to obtain an assumed return to Ares Capital. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 3.9% by the approximately $3,859.6 million 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 Ares Capital's net assets as of June 30, 2016 to determine the "Corresponding Return to Common Stockholders."

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

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

- restrictions on the level of indebtedness that Ares Capital is permitted to incur in relation to the value of Ares Capital's assets;
- restrictions on Ares Capital's ability to incur liens; and
- maintenance of a minimum level of stockholders' equity.

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

Accordingly, although Ares Capital believes it will continue to be in compliance, there are no assurances that Ares Capital will continue to comply with the covenants in the Facilities, the Convertible Unsecured Notes, the Unsecured Notes and the SBA Debentures. Failure to comply with these covenants could result in a default under the Facilities, the Convertible Unsecured Notes, the Unsecured Notes or the SBA Debentures that, if Ares Capital 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 Ares Capital's business, financial condition and results of operations.

Ares Capital operates in a highly competitive market for investment opportunities.

A number of entities compete with Ares Capital to make the types of investments that Ares Capital makes in middle-market companies. Ares Capital competes 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 Ares Capital's competitors are substantially larger and have considerably greater financial, technical and marketing resources than Ares Capital does. Some competitors may have a lower cost of funds and access to funding sources that are not available to Ares Capital. In addition, some of Ares Capital's 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 Ares Capital. Furthermore, many of Ares Capital's competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on Ares Capital as a BDC and that the Internal Revenue Code of 1986, as amended (the "Code") imposes on Ares Capital as a RIC. Ares Capital cannot assure you that the competitive pressures Ares Capital face will not have a material adverse effect on Ares Capital's business, financial condition and results of operations. Also, as a result of this competition, Ares Capital may not be able to pursue attractive investment opportunities from time to time.

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

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

Ares Capital may be subject to additional corporate-level income taxes if it fails to maintain its status as a RIC.

Ares Capital has 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, Ares Capital generally will not pay U.S. federal corporate-level income taxes on its income and net capital gains that it distributes to its stockholders as dividends on a timely basis. Ares Capital will be subject to U.S. federal corporate-level income tax on any undistributed income and/or gains. To maintain its status as a RIC, Ares Capital must meet certain source of income, asset diversification and annual distribution requirements. Ares Capital may also be subject to certain U.S. federal excise taxes, as well as state, local and foreign taxes.

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

To maintain its status as a RIC, in addition to the Annual Distribution Requirement, Ares Capital 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 Ares Capital having to (1) dispose of certain investments quickly or (2) raise additional capital to prevent the loss of RIC status. Because most of Ares Capital's 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 Ares Capital's qualification as a RIC are complex with many areas of uncertainty. Accordingly, no assurance can be given that Ares Capital has qualified or will continue to qualify as a RIC. If Ares Capital fails to maintain its 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 its net assets, the amount of income available for distribution and the amount of its distributions. Such a failure would have a material adverse effect on Ares Capital and on any investment in Ares Capital. 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. Ares Capital cannot assure you that Ares Capital would qualify for any such relief should it fail the source of income or asset diversification requirements.

Ares Capital may have difficulty paying its required distributions under applicable tax rules if Ares Capital recognizes income before or without receiving cash representing such income.

For U.S. federal income tax purposes, Ares Capital generally is required to include in income certain amounts that it has not yet received in cash, such as original issue discount, which may arise, for example, if Ares Capital receives warrants in connection with the making of a loan or 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 Ares Capital receives any corresponding cash payments. Ares Capital also may be required to include in income certain other amounts that it will not receive in cash, including, for example, amounts attributable to hedging and foreign currency transactions.

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

Ares Capital is exposed to risks associated with changes in interest rates.

General interest rate fluctuations may have a substantial negative impact on Ares Capital's investments and investment opportunities and, accordingly, may have a material adverse effect on Ares Capital's investment objective and rate of return on invested capital. Because Ares Capital borrows money and may issue debt securities or preferred stock to make investments, its net investment income is dependent upon the difference between the rate at which it borrows funds or pay interest or dividends on such debt securities or preferred stock and the rate at which it invests these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on Ares Capital's 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, Ares Capital has entered into certain hedging transactions, such as interest rate swap agreements, to mitigate its exposure to adverse fluctuations in interest rates, and Ares Capital may do so again in the future. In addition, Ares Capital may increase its floating rate investments to position the portfolio for rate increases. However, Ares Capital cannot assure you that such transactions will be successful in mitigating its exposure to interest rate risk. Hedging transactions may also limit Ares Capital's ability to participate in the benefits of lower interest rates with respect to its portfolio investments.

Although Ares Capital has no policy governing the maturities of its investments, under current market conditions Ares Capital expects that it will invest in a portfolio of debt generally having maturities of up to ten years. This means that Ares Capital is 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 Ares Capital owns could adversely affect the trading price of Ares Capital common stock. Also, an increase in interest rates available to investors could make an investment in Ares Capital common stock less attractive if Ares Capital is not able to increase its dividend rate, which could reduce the value of Ares Capital common stock.

Most of Ares Capital's 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 Ares Capital's portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. Ares Capital value these investments quarterly at fair value as determined in good faith by Ares Capital's board of directors based on, among other things, the input of Ares Capital's management and audit committee and independent valuation firms that have been engaged at the direction of Ares Capital's 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 minimum of 55% (based on value) of Ares Capital's valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, Ares Capital may use these independent valuation firms to review the value of Ares Capital's investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. In addition, Ares Capital's independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, Ares Capital's investment valuation process within the context of performing the integrated audit.

The types of factors that may be considered in valuing Ares Capital's 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, Ares Capital considers the pricing indicated by the external event to corroborate Ares Capital's 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, Ares Capital's 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 it may ultimately realize. Ares Capital's net asset value per share could be adversely affected if its determinations regarding the fair value of these investments are higher than the values that it realizes upon disposition of such investments.

The lack of liquidity in Ares Capital's investments may adversely affect its business.

As Ares Capital generally makes 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 Ares Capital's investments may make it difficult for it to sell such investments if the need arises. In addition, if Ares Capital is required to liquidate all or a portion of its portfolio quickly, Ares Capital could realize significantly less than the value at which it has recorded its investments. In addition, Ares Capital may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent that Ares Capital or an affiliated manager of Ares has material non-public information regarding such portfolio company.

Ares Capital may experience fluctuations in its quarterly results.

Ares Capital could experience fluctuations in its quarterly operating results due to a number of factors, including the interest rates payable on the debt investments it makes, the default rates on such investments, the level of its expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which Ares Capital encounters competition in its 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.

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

Ares Capital's 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 Ares Capital's financial condition and results of operations, and the magnitude of such effect could be more significant than if Ares Capital had further diversified its portfolio.

Ares Capital's investment portfolio includes its investment in the SSLP, which as of June 30, 2016, represented approximately 21% of its total portfolio at fair value. In addition, for the six months ended June 30, 2016, approximately 26% of Ares Capital's total investment income was earned from its investment in the SSLP. The income earned from the SSLP is derived from the interest and fee income earned by the SSLP from its investments in first lien senior secured loans of middle market companies. Ares Capital provides capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates"), which had a 10.2% yield at fair value as of June 30, 2016 and are junior in right of payment to the senior notes held by General Electric Capital Corporation ("GECC") and GE Global Sponsor Finance LLC (collectively, "GE") in the SSLP. For more information on the SSLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital Portfolio and Investment Activity Senior Secured Loan Program." Ares Capital's return on and repayment of Ares Capital's investment in the SSLP Certificates depends on the performance of the loans in the SSLP's portfolio in the aggregate. Accordingly, any material degradation in the performance of the loans in the SSLP's portfolio in the aggregate would have a negative effect on the yield on Ares Capital's SSLP Certificates and could ultimately result in the loss of some or all of Ares Capital's investment in the SSLP Certificates.

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

There are significant potential conflicts of interest that could impact Ares Capital's investment returns.

Certain of Ares Capital's executive officers and directors, and members of the investment committee of Ares Capital's investment adviser, serve or may serve as officers, directors or principals of other entities and affiliates of Ares Capital's investment adviser and investment funds managed by Ares Capital's affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in Ares Capital's or Ares Capital 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 Ares Capital. Certain members of Ares Capital's investment adviser's investment committee have significant responsibilities for other Ares funds. For example, Mr. Bennett Rosenthal is required to devote a substantial majority of his business time to the affairs of the Ares Private Equity Group. Similarly, although the professional staff of Ares Capital's investment adviser will devote as much time to the management of Ares Capital as appropriate to enable Ares Capital's investment adviser to perform its duties in accordance with the investment advisory and management agreement, the investment professionals of Ares Capital's investment adviser may have conflicts in allocating their time and services among Ares Capital, on the one hand, and investment vehicles managed by Ares or one or more of its affiliates, on the other hand. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of Ares Capital's investment adviser and its officers and employees will not be devoted exclusively to the business of Ares Capital but will instead be allocated between the business of Ares Capital and the management of these other investment vehicles. However, Ares believes that the efforts of such individuals are synergistic with and beneficial to the affairs of Ares Capital and these other investment vehicles managed by Ares or its affiliates.

In addition, certain Ares funds may have investment objectives that compete or overlap with, and may from time to time invest in asset classes similar to those targeted by, Ares Capital. Consequently, Ares Capital, 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 Ares Capital's 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 Ares Capital may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares. In addition, there may be conflicts in the allocation of investment opportunities among Ares Capital and the funds managed by investment managers affiliated with Ares or one or more of Ares Capital's controlled affiliates or among the funds they manage.

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

Ares Capital pays a base management fee, an income based fee and a capital gains incentive fee to Ares Capital's investment adviser, and reimburses Ares Capital's investment adviser for certain expenses it incurs. In addition, investors in Ares Capital 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.

Ares Capital's investment adviser's base management fee is based on a percentage of Ares Capital's total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and, consequently, Ares Capital's investment adviser may have conflicts of interest in connection with decisions that could affect Ares Capital's total assets, such as decisions as to whether to incur indebtedness or to make future investments.

The income based fees payable by Ares Capital to its investment adviser that relate to Ares Capital's 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. Ares Capital's investment adviser is not under any obligation to reimburse Ares Capital for any part of the income based fees it received that were based on accrued interest that Ares Capital never actually receives.

In connection with the Transactions, Ares Capital Management has agreed to waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (1) $10 million of the income based fees and (2) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under its investment advisory and management agreement.

Ares Capital's investment advisory and management agreement renews for successive annual periods if approved by Ares Capital's board of directors or by the affirmative vote of the holders of a majority of Ares Capital's outstanding voting securities, including, in either case, approval by a majority of Ares Capital's directors who are not "interested persons" of Ares Capital as defined in Section 2(a)(19) of the Investment Company Act. However, both Ares Capital and Ares Capital's 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 Ares Capital's investment adviser seeks to change the terms of Ares Capital's investment advisory and management agreement, including, for example, the terms for compensation. While any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act, Ares Capital may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement.

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

Ares Capital's 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, Ares Capital's administrator provides IHAM with administrative services and IHAM reimburses Ares Capital's administrator for all of the actual costs associated with such services, including its allocable portion of Ares Capital's administrator's overhead and the cost of Ares Capital's 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 Ares Capital's investment adviser, pursuant to which Ares Capital's investment adviser provided similar services.

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

Ares Capital stockholders may have conflicting investment, tax and other objectives with respect to their investments in Ares Capital. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of Ares Capital's investments, the structure or the acquisition of Ares Capital's investments and the timing of dispositions of Ares Capital's investments. As a consequence, conflicts of interest may arise in connection with decisions made by Ares Capital's investment adviser, including with respect to the nature or structuring of Ares Capital's 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 Ares Capital, Ares Capital's investment adviser will consider the investment and tax objectives of Ares Capital and Ares Capital's stockholders, as a whole, not the investment, tax or other objectives of any stockholder individually.

Ares Capital is dependent on information systems and systems failures could significantly disrupt its business, which may, in turn, negatively affect its liquidity, financial condition or results of operations.

Ares Capital's business is dependent on its and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third party service providers, could cause delays or other problems in Ares Capital's activities. Ares Capital's 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 its control and adversely affect Ares Capital's 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 Ares Capital's business, financial condition and operating results and negatively affect the market price of Ares Capital common stock and its ability to pay dividends to Ares Capital's stockholders.

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

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

Ineffective internal controls could impact Ares Capital's business and operating results.

Ares Capital's 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 Ares Capital fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if Ares Capital experiences difficulties in their implementation, Ares Capital's business and operating results could be harmed and Ares Capital could fail to meet its Capital's financial reporting obligations.

Changes in laws or regulations governing Ares Capital's operations or the operations of its portfolio companies or its SBIC subsidiary, changes in the interpretation thereof or newly enacted laws or regulations, such as the Dodd-Frank Act, and any failure by Ares Capital or its portfolio companies to comply with these laws or regulations, could require changes to certain business practices of Ares Capital or its portfolio companies, negatively impact the operations, cash flows or financial condition of Ares Capital or its portfolio companies, impose additional costs on Ares Capital or its portfolio companies or otherwise adversely affect Ares Capital's business or the business of its portfolio companies.

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

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

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

Ares Capital's investment adviser has not assumed any responsibility to Ares Capital other than to render the services described in the investment advisory and management agreement, and it will not be responsible for any action of Ares Capital's board of directors in declining to follow Ares Capital's investment adviser's advice or recommendations. Pursuant to the investment advisory and management agreement, Ares Capital's investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it will not be liable to Ares Capital 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. Ares Capital has agreed to indemnify, defend and protect Ares Capital's investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it with respect to all damages, liabilities, costs and expenses arising out of or otherwise based upon the performance of any of the investment adviser's duties or obligations under the investment advisory and management agreement or otherwise as an investment adviser of Ares Capital, 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 Ares Capital's investment adviser to act in a riskier manner when acting on Ares Capital's behalf than it would when acting for its own account. See " Ares Capital's investment adviser's fee structure may induce it to make certain investments, including speculative investments."

Ares Capital may be obligated to pay Ares Capital's investment adviser certain fees even if Ares Capital incurs a loss.

Ares Capital's investment adviser is entitled to income based fees for each fiscal quarter in an amount equal to a percentage of the excess of Ares Capital's 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. Ares Capital's 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 Ares Capital 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 Ares Capital's statement of operations for that quarter. Thus, Ares Capital may be required to pay Ares Capital's investment adviser income based fees for a fiscal quarter even if there is a decline in the value of Ares Capital's portfolio or Ares Capital incurs a net loss for that quarter.

Under the investment advisory and management agreement, Ares Capital will defer cash payment of any income based fee and the capital gains incentive fee otherwise earned by Ares Capital's 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 (1) Ares Capital's aggregate distributions to its stockholders and (2) Ares Capital's 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 its net assets (defined as total assets less indebtedness) at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any such deferred fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

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

Ares Capital's SBIC subsidiary is subject to SBA regulations.

Ares Capital's wholly owned subsidiary, Ares Venture Finance, L.P., or "AVF LP," is a licensed Small Business Investment Company ("SBIC") and is regulated by the Small Business Administration ("SBA"). As of June 30, 2016, AVF LP held approximately $74.8 million in assets and accounted for approximately 0.87% of Ares Capital's total assets. AVF LP obtains leverage by issuing the SBA Debentures. As of June 30, 2016, AVF LP had approximately $25 million in aggregate principal amount of the SBA Debentures outstanding.

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

Ares Capital has 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 its RIC status, Ares Capital must distribute to its stockholders on a timely basis generally an amount equal to at least 90% of its investment company taxable income, which includes taxable income from AVF LP. AVF LP may be limited by SBA regulations from making certain distributions to Ares Capital that may be necessary to timely make distributions to stockholders and to maintain its status as a RIC. Compliance with the SBA regulations may cause Ares Capital to fail to qualify as a RIC and consequently result in the imposition of additional corporate-level income taxes on Ares Capital. Noncompliance with the SBA regulations may result in adverse consequences for AVF LP as described above.

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

As a BDC, Ares Capital is required to carry its 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 Ares Capital's board of directors. Ares Capital may take into account the following types of factors, if relevant, in determining the fair value of its 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, Ares Capital uses the pricing indicated by the external event to corroborate Ares Capital's valuation. While most of Ares Capital's investments are not publicly traded, applicable accounting standards require Ares Capital to assume as part of its valuation process that its investments are sold in a principal market to market participants (even if Ares Capital plans on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect Ares Capital's investment valuations. Decreases in the market values or fair values of Ares Capital's investments are recorded as unrealized depreciation. The effect of all of these factors on Ares Capital's portfolio can reduce Ares Capital's net asset value by increasing net unrealized depreciation in the portfolio. Depending on market conditions, Ares Capital could incur substantial realized losses and may suffer unrealized losses, which could have a material adverse effect on its business, financial condition or results of operations.

Economic recessions or downturns could impair Ares Capital's portfolio companies and harm Ares Capital's operating results.

Many of Ares Capital's portfolio companies may be susceptible to economic downturns or recessions and may be unable to repay Ares Capital's loans during these periods. Therefore, during these periods Ares Capital's non-performing assets may increase and the value of its portfolio may decrease if it is required to write down the values of its investments. Adverse economic conditions may also decrease the value of collateral securing some of Ares Capital's loans and the value of Ares Capital's equity investments. Economic slowdowns or recessions could lead to financial losses in Ares Capital's portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase Ares Capital's funding costs, limit Ares Capital's access to the capital markets or result in a decision by lenders not to extend credit to Ares Capital. These events could prevent Ares Capital from increasing investments and harm Ares Capital's operating results. Ares Capital 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 Ares Capital 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 Ares Capital's portfolio company's ability to meet its obligations under the debt that Ares Capital holds and the value of any equity securities Ares Capital owns. Ares Capital 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.

Ares Capital primarily invests 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 Ares Capital realizing any guarantees Ares Capital may have obtained in connection with its 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 Ares Capital's portfolio company and, in turn, on Ares Capital;

- there is generally little public information about these companies. These companies and their financial information are not subject to the Exchange Act and other regulations that govern public companies, and Ares Capital may be unable to uncover all material information about these companies, which may prevent Ares Capital from making a fully informed investment decision and cause Ares Capital to lose money on Ares Capital's 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;

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

- changes in laws and regulations, 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.

Ares Capital's debt investments may be risky and Ares Capital could lose all or part of its investment.

The debt that Ares Capital invests in is typically not initially rated by any rating agency, but Ares Capital believes that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's, lower than "BBB " by Fitch or lower than "BBB " by S&P), 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, Ares Capital's investments may result in an above average amount of risk and volatility or loss of principal. While the debt Ares Capital invests in is often secured, such security does not guarantee that Ares Capital 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 Ares Capital to recover all or a portion of the outstanding amount of the loan should Ares Capital be forced to enforce its remedies.

Ares Capital 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 Ares Capital's investment returns.

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

Ares Capital 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 Ares Capital acquires may fail to appreciate and may decline in value or become worthless and Ares Capital's ability to recover its investment will depend on its portfolio company's success. Investments in equity securities involve a number of significant risks, including:

- any equity investment Ares Capital makes 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, Ares Capital may not recover Ares Capital's investment; and

- in some cases, equity securities in which Ares Capital invests will not pay current dividends, and Ares Capital's ability to realize a return on its investment, as well as to recover its investment, will be dependent on the success of the portfolio company. Even if the portfolio company is successful, Ares Capital's ability to realize the value of its 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 Ares Capital can otherwise sell its investment. In addition, the equity securities Ares Capital receives or invests 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 Ares Capital owns a preferred security that is deferring its distributions, it may be required to report income for tax purposes before it receives 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 Ares Capital invests in first lien senior secured loans (including unitranche loans), second lien senior secured loans or mezzanine debt, Ares Capital may acquire warrants or other equity securities as well. Ares Capital's goal is ultimately to dispose of such equity interests and realize gains upon its disposition of such interests. However, the equity interests Ares Capital receives may not appreciate in value and, in fact, may decline in value. Accordingly, Ares Capital may not be able to realize gains from its equity interests and any gains that it does realize on the disposition of any equity interests may not be sufficient to offset any other losses Ares Capital experiences.

Ares Capital 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 Ares Capital so invests, will bear its ratable share of any such company's expenses, including management and performance fees. Ares Capital will also remain obligated to pay the base management fee, income based fee and capital gains incentive fee to Ares Capital's 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 Ares Capital common stockholders will bear his or her share of the base management fee, income based fee and capital gains incentive fee due to Ares Capital's 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 Ares Capital's debt investments could be subordinated to claims of other creditors or Ares Capital could be subject to lender liability claims.

If one of Ares Capital's portfolio companies were to go bankrupt, even though Ares Capital may have structured Ares Capital's interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize Ares Capital's debt holding as an equity investment and subordinate all or a portion of its 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, Ares Capital could become subject to a lender's liability claim, if, among other things, Ares Capital actually renders significant managerial assistance.

Ares Capital's portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, Ares Capital's investments in such companies.

Ares Capital's portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, Ares Capital's 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 Ares Capital is entitled to receive payments in respect of Ares Capital's investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying Ares Capital's 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 Ares Capital's investment in that portfolio company typically are entitled to receive payment in full before Ares Capital receives any distribution in respect of Ares Capital's investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to Ares Capital. In the case of securities ranking equally with Ares Capital's investments, Ares Capital 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 Ares Capital may have with respect to the collateral securing any junior priority loans it makes to Ares Capital's 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 Ares Capital enters into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, Ares Capital 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. Ares Capital may not have the ability to control or direct such actions, even if as a result Ares Capital's rights as junior lenders are adversely affected.

When Ares Capital is a debt or minority equity investor in a portfolio company, it is 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 Ares Capital's portfolio holdings.

When Ares Capital makes debt or minority equity investments, Ares Capital is subject to the risk that a portfolio company may make business decisions with which it disagrees and the other equity holders and management of such company may take risks or otherwise act in ways that do not serve Ares Capital's interests. As a result, a portfolio company may make decisions that could decrease the value of Ares Capital's investment.

Ares Capital's portfolio companies may be highly leveraged.

Some of Ares Capital's portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to Ares Capital 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.

Ares Capital's investment adviser's fee structure may induce it to make certain investments, including speculative investments.

The fees payable by Ares Capital to its investment adviser may create an incentive for Ares Capital's investment adviser to make investments on Ares Capital's 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 Ares Capital's investment adviser are determined, which are calculated as a percentage of the return on invested capital, may encourage Ares Capital's investment adviser to use leverage to increase the return on Ares Capital's investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of Ares Capital common stock and the holders of securities convertible into Ares Capital common stock. In addition, Ares Capital's investment adviser will receive the capital gains incentive fee based, in part, upon net capital gains realized on Ares Capital's investments. Unlike income based fees, there is no hurdle rate applicable to the capital gains incentive fee. As a result, Ares Capital's 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 Ares Capital's 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. Ares Capital's investment adviser is not under any obligation to reimburse Ares Capital for any part of the fees it received that were based on such accrued interest that Ares Capital never actually received.

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

Ares Capital's investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments.

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

Although most of Ares Capital's investments will be U.S. dollar denominated, Ares Capital's 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. Ares Capital may employ hedging techniques to minimize these risks, but Ares Capital cannot assure you that such strategies will be effective or without risk to Ares Capital.

Ares Capital may expose itself to risks if it engages in hedging transactions.

Ares Capital has and may in the future enter into hedging transactions, which may expose Ares Capital to risks associated with such transactions. Ares Capital 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 its 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 Ares Capital's 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 Ares Capital is not able to enter into a hedging transaction at an acceptable price.

The success of Ares Capital's hedging transactions will depend on its ability to correctly predict movements in currencies and interest rates. Therefore, while Ares Capital 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 it 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, Ares Capital 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 Ares Capital from achieving the intended hedge and expose Ares Capital 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 Ares Capital Ares Capital is exposed to risks associated with changes in interest rates."

Ares Capital's shares of common stock are currently trading at a discount from net asset value and may continue to do so in the future, which could limit Ares Capital's 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 Ares Capital's net asset value per share may decline. It is not possible to accurately predict whether any shares of Ares Capital common stock will trade at, above, or below net asset value. BDCs as an industry, including Ares Capital, have been trading below net asset value as a result of recent stock market volatility. See "Risks Relating to Ares Capital 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 Ares Capital's business and operations." When Ares Capital common stock is trading below its net asset value per share, Ares Capital will generally not be able to issue additional shares of Ares Capital common stock at its market price without first obtaining approval for such issuance from Ares Capital stockholders and Ares Capital's independent directors. Pursuant to approval granted at a special meeting of stockholders held on May 12, 2016, Ares Capital currently are permitted to sell or otherwise issue shares of Ares Capital common stock at a price below net asset value, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017.

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

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

In addition, due to the asset coverage test applicable to Ares Capital as a BDC, Ares Capital may be limited in its ability to make distributions. Certain of the Facilities may also limit Ares Capital's ability to declare dividends if Ares Capital defaults under certain provisions. Further, if Ares Capital invests a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution. See "Market Price, Dividend and Distribution Information."

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

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

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

Ares Capital has also adopted measures that may make it difficult for a third party to obtain control of Ares Capital, including provisions of its charter classifying Ares Capital's board of directors into three classes serving staggered three-year terms, and provisions of its charter authorizing Ares Capital's board of directors to classify or reclassify shares of Ares Capital's stock into one or more classes or series, to cause the issuance of additional shares of Ares Capital's stock, and to amend its 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 Ares Capital has authority to issue. These provisions, as well as other provisions of Ares Capital's 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 Ares Capital common stock may involve an above average degree of risk.

The investments Ares Capital makes in accordance with its investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Ares Capital's investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in Ares Capital's securities may not be suitable for someone with lower risk tolerance.

The market price of Ares Capital common stock may fluctuate significantly.

The capital and credit markets have experienced periods of volatility and disruption over the past several years. The market price and liquidity of the market for shares of Ares Capital common stock may be significantly affected by numerous factors, some of which are beyond Ares Capital's control and may not be directly related to Ares Capital's 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 Ares Capital's 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 Ares Capital common stock from certain indices;
- changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to RICs or BDCs;
- loss of Ares Capital's RIC status;
- changes in Ares Capital's earnings or variations in Ares Capital's operating results;
- changes in the value of Ares Capital's portfolio of investments;
- announcements with respect to significant transactions, including with respect to the Transactions;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of Ares Capital Management's key personnel;
- operating performance of companies comparable to Ares Capital;
- short-selling pressure with respect to shares of Ares Capital common stock or BDCs generally;
- future sales of Ares Capital's securities convertible into or exchangeable or exercisable for Ares Capital common stock or the conversion of such securities, including the Convertible Unsecured Notes;
- uncertainty surrounding the strength of the U.S. economic recovery;
- concerns regarding Brexit and European sovereign debt;
- concerns regarding volatility in the Chinese stock market and Chinese currency;

- concerns regarding continued volatility of oil prices;
- 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 Ares Capital's stock price fluctuates significantly, Ares Capital 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 Ares Capital's business.

Ares Capital may in the future determine to issue preferred stock, which could adversely affect the market value of Ares Capital 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 Ares Capital common stock by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock Ares Capital issues 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 Ares Capital common stockholders, and holders of preferred stock are not subject to any of Ares Capital's expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference (other than convertible preferred stock that converts into common stock). In addition, under the Investment Company Act, preferred stock constitutes a "senior security" for purposes of the 200% asset coverage test.

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

At a special meeting of stockholders held on May 12, 2016, subject to certain determinations required to be made by Ares Capital's board of directors, Ares Capital stockholders approved Ares Capital's ability to sell or otherwise issue shares of Ares Capital common stock, in an amount not exceeding 25% of Ares Capital's then outstanding common stock, at a price below the then current net asset value per share during a period that began on May 12, 2016 and expires on May 12, 2017.

In addition, at Ares Capital's 2009 annual stockholders meeting, Ares Capital stockholders approved a proposal authorizing Ares Capital to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of Ares Capital common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of Ares Capital's 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 Ares Capital common stock). The authorization granted to sell or issue warrants or securities to subscribe for or convertible into shares of Ares Capital common stock has no expiration.

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

If Ares Capital were to sell shares of Ares Capital 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 Ares Capital 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 Ares Capital common stock and a proportionately greater decrease in the stockholders' interest in Ares Capital's earnings and assets and their voting interest in Ares Capital than the increase in Ares Capital's 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. See "Description of the Transactions."

In addition, if Ares Capital issues warrants or securities to subscribe for or convertible into shares of Ares Capital 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 Ares Capital 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 Ares Capital's earnings and assets and their voting interest than the increase in Ares Capital's assets resulting from such issuance.

Further, if current stockholders of Ares Capital 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.

Ares Capital stockholders will experience dilution in their ownership percentage if they opt out of Ares Capital's dividend reinvestment plan.

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

Ares Capital stockholders may experience dilution upon the conversion of the Convertible Unsecured Notes.

The 2017 Convertible Notes are convertible into shares of Ares Capital common stock beginning on September 15, 2016 or, under certain circumstances, earlier. The 2018 Convertible Notes are convertible into shares of Ares Capital common stock beginning on July 15, 2017 or, under certain circumstances, earlier. The 2019 Convertible Notes are convertible into shares of Ares Capital common stock beginning on July 15, 2018 or, under certain circumstances, earlier. Upon conversion of the other Convertible Unsecured Notes, Ares Capital has the choice to pay or deliver, as the case may be, at Ares Capital's election, cash, shares of Ares Capital common stock or a combination of cash and shares of Ares Capital common stock. As of June 30, 2016, the conversion price of the 2017 Convertible Notes was effectively $18.88 per share, the conversion price of the 2018 Convertible Notes was effectively $19.64 per share and the conversion price of the 2019 Convertible Notes was effectively $19.99 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 Ares Capital elects to deliver shares of common stock upon a conversion at the time Ares Capital's tangible book value per share exceeds the conversion price in effect at such time, Ares Capital stockholders may incur dilution. In addition, Ares Capital stockholders will experience dilution in their ownership percentage of common stock upon Ares Capital's issuance of common stock in connection with the conversion of the Convertible Unsecured Notes and any dividends paid on Ares Capital common stock will also be paid on shares issued in connection with such conversion after such issuance.

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

In order to satisfy the Annual Distribution Requirement applicable to RICs, Ares Capital has the ability to declare a large portion of a dividend in shares of Ares Capital 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 Ares Capital common stock.

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

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

The trading market or market value of Ares Capital's publicly issued debt securities may fluctuate.

Ares Capital's publicly issued debt securities may or may not have an established trading market. Ares Capital cannot assure holders of Ares Capital's debt securities that a trading market for Ares Capital's publicly issued debt securities will ever develop or be maintained if developed. In addition to Ares Capital's creditworthiness, many factors may materially adversely affect the trading market for, and market value of, Ares Capital's 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.

Holders of Ares Capital's debt securities should also be aware that there may be a limited number of buyers if and when they decide to sell their 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 Ares Capital's noteholders' return on any debt securities that Ares Capital may issue.

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

Ares Capital's credit ratings may not reflect all risks of an investment in its debt securities.

Ares Capital's credit ratings are an assessment by third parties of its ability to pay its obligations. Consequently, real or anticipated changes in Ares Capital's credit ratings will generally affect the market value of its debt securities. Ares Capital's 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.

Ares Capital may fail to complete the Transactions.

While there can be no assurances as to the exact timing, or that the Transactions will be completed at all, Ares Capital expects to complete the Transactions as early as the first week of January 2017. The completion of the Transactions is subject to certain conditions, including, among others, American Capital stockholder approval, Ares Capital stockholder approval, required regulatory approvals, receipt of certain third party consents and other customary closing conditions. Ares Capital intends to complete the Transactions as soon as possible; however, Ares Capital cannot assure stockholders that the conditions required to completed the Transactions will be satisfied or waived on the anticipated schedule, or at all. If the Transactions are not completed, Ares Capital will have incurred substantial expenses for which no ultimate benefit will have been received. See " Risks Relating to the Transactions If the Transactions do not close, neither Ares Capital nor American Capital will benefit from the expenses incurred in their pursuit." In addition, the merger agreement provides that, in connection with the termination of the merger agreement under specified circumstances, American Capital or Ares Capital may be required to pay the other party a termination fee of $140 million. See " Risks Relating to the Transactions Under certain circumstances, American Capital and Ares Capital are obligated to pay each other a termination fee upon termination of the merger agreement." See "Description of the Merger Agreement" for a description of the terms of the merger agreement and " Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed. Any investment decision stockholders make should be made with the understanding that the completion of the Transactions may not happen as scheduled, or at all.

Risks Relating to American Capital

American Capital may fail to complete the Transactions.

While there can be no assurances as to the exact timing, or that the Transactions will be completed at all, American Capital expects to complete the Transactions as early as the first week of January 2017. The completion of the Transactions is subject to certain conditions, including, among others, American Capital stockholder approval, Ares Capital stockholder approval, required regulatory approvals, receipt of certain third party consents and other customary closing conditions. American Capital intends to complete the Transactions as soon as possible; however, American Capital cannot assure stockholders that the conditions required to complete the Transactions will be satisfied or waived on the anticipated schedule, or at all.

If the Transactions are not completed, American Capital will have incurred substantial expenses for which no ultimate benefit will have been received. See " Risks Relating to the Transactions If the Transactions do not close, neither Ares Capital nor American Capital will benefit from the expenses incurred in their pursuit." In addition, the merger agreement provides that, in connection with the termination of the merger agreement under specified circumstances, American Capital or Ares Capital may be required to pay the other party a termination fee of $140 million. See " Risks Relating to the Transactions Under certain circumstances, American Capital and Ares Capital are obligated to pay each other a termination fee upon termination of the merger agreement." See "Description of the Merger Agreement" for a description of the terms of the merger agreement and " Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed. Any investment decision stockholders make should be made with the understanding that the completion of the Transactions may not happen as scheduled, or at all.

If the merger agreement is terminated for any reason, the American Capital board of directors will be reconstituted pursuant to the terms of the Settlement Agreement (as defined below) between American Capital and the Elliott Parties, which includes, among other terms, (1) setting the size of the American Capital board of directors at ten directors and (2) appointing one director selected by the

Elliott Parties and three additional independent directors to be mutually agreed upon by American Capital and the Elliott Parties to replace four incumbent directors of the American Capital board of directors. In addition, if the merger agreement is terminated for any reason, the terms of the Settlement Agreement require the American Capital board of directors to establish a new strategic review committee to conduct a strategic review of American Capital's business and make recommendations to the American Capital board of directors regarding business strategy. If the merger agreement is terminated for any reason, both the new strategic review committee and the changes in the composition of the American Capital board of directors could materially affect American Capital's business strategy. See "Description of the Transactions Elliott Settlement Agreement."

Future adverse market and economic conditions could cause harm to American Capital's operating results.

Past recessions have had a significant negative impact on the operating performance and fair value of American Capital's portfolio investments. American Capital has experienced losses during those recessions. Many of American Capital's portfolio companies could be adversely impacted again by any future economic downturn or recession and may be unable to repay its debt investments, may be unable to be sold at a price that would allow American Capital to recover its investments, or may be unable to operate during such recession. Such portfolio company performance could have a material adverse effect on American Capital's business, financial condition and results of operations. In addition, the Brexit in June 2016 has led to further disruption and instability in the global markets. There can be no assurance these market conditions will not continue or worsen in the future.

American Capital has loans to and investments in middle market borrowers who may default on their loans and American Capital may lose its investment.

American Capital has invested in and made loans to privately-held, middle market businesses and the combined company plans to continue to do so. There is generally a limited amount of publicly available information about these businesses. Therefore, American Capital relies on its principals, associates, analysts, other employees and consultants to investigate and monitor these businesses. The portfolio companies in which American Capital has invested may have significant variations in operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. American Capital's portfolio companies may not meet net income, cash flow and other coverage tests typically imposed by senior lenders. Numerous factors may affect a portfolio company's ability to repay its loans, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a portfolio company's financial condition and prospects may be accompanied by deterioration in the collateral for the loan. American Capital has also made unsecured and mezzanine loans and invested in equity securities, which involve a higher degree of risk than senior secured loans. In certain cases, American Capital's involvement in the management of its portfolio companies may subject American Capital to additional defenses and claims from borrowers and third-parties. These conditions may make it difficult for American Capital to obtain repayment of its investments.

Middle market businesses typically have narrower business lines and smaller market shares than large businesses. They tend to be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, these companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel.

These businesses may also experience substantial variations in operating results. Typically, the success of a middle market business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on American Capital. In addition, middle market businesses often need substantial additional capital to expand or compete and may have borrowed money from other lenders with claims that are senior to American Capital's claims.

American Capital's senior loans generally are secured by the assets of its borrowers; however, certain of American Capital's senior loans may have a second priority lien and thus, American Capital's security interest may be subordinated to the payment rights and security interest of the first lien senior lender. Additionally, American Capital's mezzanine loans may or may not be secured by the assets of the borrower; however, if a mezzanine loan is secured, American Capital's rights to payment and its security interest are usually subordinated to the payment rights and security interests of the first and second lien senior lenders. Therefore, American Capital may be limited in its ability to enforce its rights to collect its second lien senior loans or mezzanine loans and to recover any of the loan balance through a foreclosure of collateral.

Non-accruing loans adversely affect American Capital's results of operations and financial condition and could result in further losses in the future.

As of June 30, 2016 and December 31, 2015, American Capital's non-accruing loans at cost totaled $291 million and $280 million, or 12.6% and 10.6% of its total loans at cost, respectively. Non-accruing loans adversely affect net income in various ways. Upon becoming non-accruing, American Capital reverses prior PIK income from a non-accruing loan, if applicable, and no interest income is recorded on non-accruing loans, thereby, in both cases, adversely affecting income and returns on assets and equity. There is no assurance that American Capital will not experience further increases in non-accruing loans in the future, or that non-accruing loans will not result in further losses to come.

There is uncertainty regarding the value of American Capital's portfolio investments.

Virtually none of American Capital's portfolio investments are publicly traded. As required by law, American Capital fair values these investments in accordance with the Investment Company Act and FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") based on a determination made in good faith by American Capital's board of directors. Due to the uncertainty inherent in valuing investments that are not publicly traded, as set forth in American Capital's audited consolidated financial statements, American Capital's determinations of fair value may differ materially from the values that would exist if a ready market for these investments existed. American Capital's determinations of the fair value of its investments have a material impact on American Capital's net earnings through the recording of unrealized appreciation or depreciation of investments as well as American Capital's assessment of income recognition. Thus, American Capital's net asset value could be materially affected in the event of any changes in applicable law or accounting pronouncements governing how American Capital currently fair values assets, or if American Capital's determinations regarding the fair value of its investments are materially different from the values that would exist if a ready market existed for these securities.

American Capital's business has significant capital requirements and may be adversely affected by a prolonged inability to access the capital markets or to sell assets.

American Capital's business requires a substantial amount of capital to operate. American Capital historically has financed its operations, including the funding of new investments, through cash generated by American Capital's operating activities, the repayment of debt investments, the sale of equity investments, the issuance of debt by special purpose affiliates to which American Capital has contributed loan assets, the sale of American Capital's stock and through secured and unsecured borrowings. American Capital's ability to continue to rely on such sources or other sources of capital is affected by restrictions in the Investment Company Act relating to the incurrence of additional indebtedness as well as changes in the capital markets from the recent economic recession. It is also affected by legal, structural and other factors. There can be no assurance that American Capital will be able to earn or access the funds necessary for American Capital's liquidity requirements.

Changes in laws or regulations governing American Capital's operations or its failure to comply with those laws or regulations may adversely affect American Capital's business.

American Capital and its portfolio companies are subject to regulation by laws at the local, state, federal and foreign level, including with respect to securities laws, tax and accounting standards. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations or the failure to comply with these laws or regulations could have a material adverse impact on American Capital's business. Certain of these laws and regulations pertain specifically to BDCs.

A change in interest rates may adversely affect American Capital's profitability.

Because American Capital has funded a portion of its investments with borrowings, American Capital's earnings are affected by the spread between the interest rate on American Capital's investments and the interest rate at which American Capital borrowed funds. American Capital may match-fund its liabilities and assets by financing floating rate assets with floating rate liabilities and fixed rate assets with fixed rate liabilities or equity. American Capital may enter into interest rate basis swap agreements to match the interest rate basis of a portion of its assets and liabilities, thereby locking in the spread between its asset yield and the cost of its borrowings, and to fulfill its obligations under the terms of any asset securitizations. However, such derivatives are considered economic hedges that do not qualify for hedge accounting under ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). Therefore, payments under such hedges would be recorded in net realized (loss) gain in American Capital's audited consolidated financial statements.

Under any such interest rate swap agreements, American Capital will generally pay a fixed rate and receive a floating interest rate based on the London Interbank Offered Rate ("LIBOR"). American Capital may enter into interest rate swap agreements where, if exercised, American Capital would receive a fixed rate and pay a floating rate based on LIBOR. American Capital may also enter into interest rate cap agreements that would entitle American Capital to receive an amount, if any, by which American Capital's interest payments on its variable rate debt exceed specified interest rates.

An increase or decrease in interest rates could reduce the spread between the rate at which American Capital invests and the rate at which American Capital borrows, and thus, adversely affect American Capital's profitability, if it has not appropriately match-funded its liabilities and assets or hedged against such event. Alternatively, American Capital's interest rate hedging activities may limit its ability to participate in the benefits of lower interest rates with respect to the hedged portfolio.

Also, the fair value of certain of American Capital's debt investments is based in part on the current market yields or interest rates of similar securities. A change in interest rates could have a significant impact on American Capital's determination of the fair value of these debt investments. In addition, a change in interest rates could also have an impact on the fair value of American Capital's interest rate swap agreements that could result in the recording of unrealized appreciation or depreciation in future periods. For example, a decline, or a flattening, of the forward interest rate yield curve will typically result in the recording of unrealized depreciation of American Capital's interest rate swap agreements.

Therefore, adverse developments resulting from changes in interest rates could have a material adverse effect on American Capital's business, financial condition and results of operations.

A change in currency exchange rates may adversely affect American Capital's profitability.

American Capital has or may make investments in debt instruments that are denominated in currencies other than the U.S. dollar. In addition, American Capital has made or may make investments in the equity of portfolio companies whose functional currency is not the U.S. dollar. American Capital's domestic portfolio companies may also transact a significant amount of business in foreign countries and therefore their profitability may be impacted by changes in foreign currency exchange rates. The functional currency of American Capital's consolidated portfolio company, European Capital Limited ("European Capital"), is the Euro. European Capital also has investments in other European currencies, including the British Pound. As a result, an adverse change in currency exchange rates may have a material adverse impact on American Capital's business, financial condition and results of operations.

American Capital may experience fluctuations in its quarterly results.

American Capital has experienced and could experience material fluctuations in its quarterly operating results due to a number of factors including, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, placing and removing investments on non-accrual status, the degree to which American Capital encounters competition in its markets, the ability to sell investments at attractive terms, the ability to fund and close suitable investments, the timing of the recognition of fee income from closing investment transactions 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.

American Capital is dependent upon its key management personnel for its future success.

American Capital is dependent on the diligence and skill of its senior management and other members of management for raising capital and the selection, structuring, monitoring, restructuring/amendment, sale and exiting of its investments. American Capital's future success depends to a significant extent on the continued service of its senior management and other members of management. American Capital's failure to raise additional capital that would enhance the growth of its business, or its failure to provide appropriate opportunities for or compensate competitively senior management and other members of management may make it difficult to retain such individuals. The departure of certain executive officers or key employees could materially adversely affect American Capital's ability to implement its business strategy. American Capital does not maintain key man life insurance on any of its officers or employees.

American Capital operates in a highly competitive market for investment opportunities.

American Capital competes with strategic buyers and hundreds of private equity and mezzanine debt funds and other financing sources, including traditional financial services companies such as finance companies, commercial banks, investment banks and other equity and non-equity based investment funds. Some of American Capital's competitors are substantially larger and have considerably greater financial resources than American Capital. Competitors may have lower cost of funds and many have access to funding sources that are not available to American Capital. In addition, certain of American Capital's competitors may have higher risk tolerances or different risk assessments, which could allow them to offer better pricing and terms to prospective portfolio companies, consider a wider variety of investments and establish more relationships and build their market shares. There is no assurance that the competitive pressures American Capital faces will not have a material adverse effect on its business, financial condition and results of operations. In addition, as a result of this competition, American Capital may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that American Capital will be able to identify and make investments that satisfy its investment objectives or that American Capital will be able to meet its investment goals.

American Capital could face losses and potential liability if intrusions, viruses or similar disruptions to its technology jeopardize its confidential information or that of users of its technology.

Although American Capital has implemented and will continue to implement security measures, its technology platform is and will continue to be vulnerable to intrusion, computer viruses or similar disruptive problems caused by transmission from unauthorized users. In addition, any misappropriation of proprietary information could expose American Capital to a risk of loss or litigation.

American Capital's business is dependent on external financing.

American Capital's business requires a substantial amount of cash to operate. American Capital historically has obtained the cash required for operations through the sale of certain senior loans originated by American Capital, borrowings by American Capital or special purpose affiliates and the sale of its equity. American Capital's ability to continue to rely on such sources or other sources of capital depends on numerous legal, economic, structural and other factors and failure to obtain the cash required for operations could have a material adverse impact on its business.

American Capital may be dependent on the availability of debt financing to support its operations and growth. Any future indebtedness would increase American Capital's exposure, would likely limit its operational and financing flexibility and negatively impact its business.

American Capital's ability to continue to operate as a standalone business will be dependent on its ability to raise additional financing. To the extent that this consists of debt, it will increase American Capital's liabilities, require additional cash flow to service such debt and will most likely contain restrictive covenants limiting American Capital's financial and operational flexibility. There can be no assurance that such additional financing will be available on favorable terms or at all. If American Capital is unable to obtain needed financing on acceptable terms, or otherwise, it may not be able to implement its business plan, which could have a material adverse effect on its business, financial condition and results of operations. American Capital may not be able to meet its business objectives, its share price may fall and investors may lose some or all of their investment. If American Capital raises funds by issuing equity securities, or if its outstanding options or warrants are exercised, the percentage ownership of its then stockholders will be reduced.

The Investment Company Act limits American Capital's ability to issue senior securities in certain circumstances.

As a BDC, the Investment Company Act generally limits American Capital's ability to issue senior securities if its asset coverage ratio does not exceed 200% immediately after each issuance of senior securities or is improved immediately upon the issuance. Asset coverage ratio is defined in the Investment Company Act as the ratio that the value of the total assets, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness. American Capital has operated at times in the past with its asset coverage ratio below 200% and there are no assurances that American Capital will always operate above this ratio. The resulting restrictions on issuing senior securities could have a material adverse impact on American Capital's business operations.

The Investment Company Act limits American Capital's ability to issue equity below its net asset value per share.

As a BDC, the Investment Company Act generally limits American Capital's ability to issue and sell its common stock at a price below its net asset value per share, exclusive of any distributing commission or discount, without stockholder approval. Since 2008, shares of American Capital common stock have traded below its net asset value per share. While American Capital common stock continues to trade at a price below its net asset value per share, there are no assurances that American Capital can issue or sell shares of its common stock if needed to fund its business. In addition, even in certain instances where American Capital could issue or sell shares of its common stock at a price below its net asset value per share, such issuance could result in dilution in its net asset value per share, which could result in a decline of American Capital's stock price.

The lack of liquidity in American Capital's privately-held securities may adversely affect its business.

Most of American Capital's investments consist of securities acquired directly from their issuers in private transactions. Some of these securities are subject to restrictions on resale or otherwise are less liquid than public securities. The illiquidity of American Capital's investments may make it difficult for American Capital to obtain cash equal to the value at which American Capital records its investments upon exiting the investment.

American Capital may incur debt that could increase stockholder investment risks.

American Capital and certain of its consolidated affiliates may borrow money or issue debt securities, which would give American Capital's lenders and the holder of American Capital's debt securities fixed dollar claims on its assets or the assets of such consolidated affiliates that are senior to the claims of American Capital's stockholders and, thus, American Capital's lenders could have preference over American Capital's stockholders with respect to these assets. In particular, American Capital's consolidated affiliates may pledge assets to lenders from time to time under asset securitizations that are sold or contributed to separate affiliated statutory trusts prior to such pledge. While American Capital may own a beneficial interest in these trusts, such assets will be the property of the respective trusts, available to satisfy the debts of the trusts, and would only become available for distribution to American Capital's stockholders to the extent specifically permitted under the agreements governing those term debt notes.

The following table is designed to illustrate the effect on returns to a holder of American Capital common stock of the leverage created by American Capital's use of borrowing, at the weighted average interest rate of 6.5% for the six months ended June 30, 2016, and assuming hypothetical annual returns on American Capital's portfolio of minus 15% to plus 15%. As illustrated below, leverage generally increases the return to stockholders when the portfolio return is positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Return on Portfolio (Net of Expenses)(1)	(15)%	(10)%	(5)%	%	5%	10%	15%
Corresponding Return to Stockholders(2)	(20)%	(14)%	(8)%	(2)%	4%	10%	16%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, American Capital's projected or actual performance.

(2) In order to compute the "Corresponding Return to Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of American Capital's assets at the beginning of the period to obtain an assumed return to American Capital. From this amount, all interest expense accrued during the period is subtracted to determine the return available to stockholders. The

return available to stockholders is then divided by the total value of American Capital's net assets as of the beginning of the period to determine the "Corresponding Return to Stockholders."

Although outstanding debt increases the potential for gain, it also increases the risk of loss of income or capital. This is the case, whether American Capital is impacted by an increase or decrease in income or due to increases or decreases in asset values. American Capital's ability to pay dividends is similarly impacted by outstanding debt.

American Capital's credit ratings may not reflect all risks of an investment in its debt securities.

American Capital's credit ratings are an assessment by major debt rating agencies of its ability to pay its obligations. Consequently, actual or expected changes in American Capital's credit ratings will likely affect the market value of its traded debt securities. American Capital's credit ratings, however, may not fully or accurately reflect all of the credit and market risks associated with its outstanding debt securities.

American Capital may not realize gains from its equity investments.

American Capital invests in equity assets with the goal to realize income and gains from the performance and disposition of these assets. Some or all of these equity assets may not produce income or gains; accordingly, American Capital may not be able to realize income or gains from its equity assets.

American Capital's portfolio companies may be highly leveraged with debt.

The debt levels of American Capital's portfolio companies may have important adverse consequences to such companies and to American Capital as an investor. Portfolio companies that are indebted may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. As a result, their flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A company's income and net worth will tend to increase or decrease at a greater rate than if the company did not capitalize itself in part with debt.

One of American Capital's investments has subjected American Capital to Nevada gaming regulation, which could affect its operations and changes in American Capital's ownership.

American Capital's portfolio company, Hard 8 Games, LLC ("Hard 8"), conducts activities that are subject to the Nevada Gaming Control Act and regulations of the Nevada Gaming Commission ("NGC"), the State Gaming Control Board ("GCB"), and the local laws, regulations and ordinances of various county and municipal regulatory authorities (collectively referred to as "the Nevada Gaming Authorities"). As a controlling member of Hard 8, American Capital has been required to register with the Nevada Gaming Authorities as a publicly traded corporation and has been found suitable as a member of Hard 8. Also, certain of American Capital's officers and directors have been required to be found suitable and be licensed by the Nevada Gaming Authorities. American Capital is required to make periodic reports to the Nevada Gaming Authorities and, in certain cases, may need to obtain the prior approval of the NGC for certain capital raising transactions.

In addition, beneficial holders of 5% or more of American Capital's voting securities may be required to make certain filings with the Nevada Gaming Authorities and beneficial holders of greater than 10% of American Capital's voting securities are required to file an application, be investigated, and be found suitable by the Nevada Gaming Authorities. Certain entities considered to be institutional investors who are holding American Capital's voting securities for investment purposes only may seek a waiver of this finding of suitability requirement. An applicant for licensing or a finding of suitability is required to pay all costs of the GCB investigation. Entities that fail to comply with these requirements may be guilty of a criminal offense. Thus, for so long as American Capital is a controlling member of Hard 8, changes in control of American Capital through merger, consolidation, acquisition of assets or stock, management or otherwise may not occur without complying with Nevada law, including approval of the NGC. Also, persons having a material relationship or involvement with an entity proposing to acquire control of American Capital would need to be investigated and licensed as part of the approval process relating to a change of control transaction.

Investments in non-investment grade Structured Products may be illiquid, may have a higher risk of default, and may not produce current returns.

American Capital's investments in structured finance investments ("Structured Products") securities are generally non-investment grade. Non-investment grade Structured Products bonds and preferred shares tend to be illiquid, have a higher risk of default and may be more difficult to value than investment grade bonds. Recessions or poor economic or pricing conditions in the markets associated with Structured Products may cause higher defaults or losses than expected on these bonds and preferred shares. Non-investment grade securities are considered speculative, and their capacity to pay principal and interest in accordance with the terms of their issue is not certain.

American Capital's assets include investments in Structured Products that are subordinate in right of payment to more senior securities.

American Capital's assets include subordinated collateralized loan and collateralized debt obligations, which are subordinated classes of securities in a structure of securities secured by a pool of loans. Accordingly, such securities are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Thus, there is generally only a nominal amount of equity or other debt securities junior to American Capital's positions, if any, issued in such structures. Additionally, the estimated fair values of American Capital's subordinated interests tend to be much more sensitive to changes in economic conditions than more senior securities.

American Capital may issue preferred stock in the future to help finance its business, which would magnify the potential for gain or loss and the risks of investing in American Capital in the same way as American Capital's borrowings.

Preferred stock, which is another form of leverage, has the same risks to American Capital's common stockholders as borrowings because the dividends on any preferred stock American Capital issues must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to American Capital's common stockholders, and preferred stockholders are not subject to any of American Capital's expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

American Capital has restrictions on the type of assets it can invest in as a BDC.

As a BDC, American Capital may not acquire any assets other than certain qualifying assets described in the Investment Company Act, unless, at the time of and after giving effect to the acquisition, at least 70% of American Capital's total assets consist of such qualifying assets. Thus, in certain instances, American Capital may be precluded from investing in potentially attractive investments that are not qualifying assets for purposes of the Investment Company Act. In addition, there is a risk that this restriction could prevent American Capital from making additional investments in its existing non-qualifying investments, which could cause American Capital's position to be diluted or limit the access to capital of American Capital's non-qualifying investments.

There are conflicts of interest with other funds that American Capital manages.

Through ACAM, American Capital manages various funds that may compete with American Capital for investments. Although American Capital has policies in place to seek to mitigate the effects of conflicts of interest, these policies will not eliminate the conflicts of interest that American Capital's officers and employees and the officers and employees of American Capital's fund managers and affiliates will face in making investment decisions on behalf of American Capital or any other American Capital-sponsored investment vehicles. Further, American Capital does not have any agreement or understanding with its funds that would give American Capital any priority over them in opportunities to invest in overlapping investments. Accordingly, American Capital may compete for access to investments with other funds that American Capital manages.

American Capital may not pay any cash dividends.

American Capital is subject to federal and applicable state corporate income taxes on its taxable ordinary income and capital gains beginning with American Capital's tax year ended September 30, 2011, and is not subject to the annual distribution requirements under Subchapter M of the Code. American Capital has not paid a cash dividend during the last four fiscal years ended December 31, 2015 and there can be no assurance that American Capital will pay any cash dividends in the future as American Capital may retain its earnings to facilitate the growth of its business, to invest, to provide liquidity, to repurchase its shares or for other corporate purposes.

Future equity issuances may be on terms adverse to its stockholders' interests.

American Capital may issue equity capital at prices below its net asset value per share with stockholder approval. As of the date of this filing, American Capital does not have such authorization; however, American Capital may seek such approval in the future or American Capital may elect to conduct a rights offering, which would not require stockholder approval under the Investment Company Act. If American Capital issues any shares of its common stock below its net asset value per share, the interests of American Capital's existing stockholders may be diluted. Any such dilution could include a reduction in American Capital's net asset value per share as a result of the issuance of shares at a price below the net asset value per share and a decrease in stockholder's interest in American Capital's earnings and assets and voting interest. As of June 30, 2016, the closing price of American Capital common stock was below its net asset value per share.

The following table is designed to illustrate the dilutive effect on net asset value per share if American Capital issues shares of common stock below its net asset value per share. The table below reflects net asset value per share diluted for the hypothetical issuance of 50,000,000 shares of common stock (about 24% of outstanding shares as of June 30, 2016), at hypothetical sales prices of 5%, 10%, 15%, 20%, 25% and 50% below the June 30, 2016 net asset value of $20.77 per share.

Assumed sales price per share below net asset value per share**(1)**	(50)%	(25)%	(20)%	(15)%	(10)%	(5)%
Diluted net asset value per share	$ 18.80	$ 19.78	$ 19.98	$ 20.18	$ 20.38	$ 20.57
% Dilution	(9.5)%	(4.8)%	(3.8)%	(2.8)%	(1.9)%	(0.9)%

(1) The assumed sales price per share is assumed to be net of any applicable underwriting commissions or discounts.

The market price of American Capital common stock may fluctuate significantly.

The market price and marketability of shares of American Capital's securities may from time to time be significantly affected by numerous factors, including many over which American Capital has no control and that may not be directly related to American Capital. These factors include the following:

- price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- significant volatility in the market price and trading volume of securities of BDCs, financial service companies, asset managers or other companies in American Capital's sector, which is not necessarily related to the operating performance of particular companies;
- changes in laws, regulatory policies, tax guidelines or financial accounting standards, particularly with respect to BDCs;
- changes in American Capital's earnings or variations in operating results;
- announcements with respect to significant transactions, including with respect to the Transactions;
- any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts and the market in general;
- decreases in American Capital's net asset value per share;
- general economic trends and other external factors; and
- loss of a major funding source.

Fluctuations in the trading price of American Capital common stock may adversely affect the liquidity of the trading market for American Capital common stock and, in the event that American Capital seeks to raise capital through future equity financings, American Capital's ability to raise such equity capital.

American Capital common stock may be difficult to resell.

Investors may not be able to resell shares of common stock at or above their purchase prices due to a number of factors, including:

- actual or anticipated fluctuation in American Capital's operating results;
- volatility in American Capital's common stock price;
- changes in expectations as to American Capital's future financial performance or changes in financial estimates of securities analysts; and
- departures of key personnel.

Provisions of American Capital's Charter and Bylaws could deter takeover attempts.

American Capital's charter and bylaws and the DGCL contain certain provisions that may have the effect of discouraging and delaying or making more difficult a change in control. For example, American Capital is subject to Section 203 of the DGCL, which prohibits business combinations with interested stockholders except in certain cases. The existence of these provisions may negatively impact the price of American Capital common stock and may discourage third party bids. These provisions may also reduce any premiums paid to American Capital's stockholders for shares of American Capital common stock that they own.

Risks Relating to the Transactions

Because the market price of Ares Capital common stock will fluctuate, American Capital stockholders cannot be sure of the market value of the stock portion of the Ares Capital consideration they will receive until the effective time.

The fixed exchange ratio of 0.483 shares of Ares Capital common stock for each share of American Capital common stock was fixed on May 23, 2016, the date of the signing of the merger agreement, and is not subject to adjustment based on changes in the trading price of Ares Capital or American Capital common stock before the effective time.

The market value of the stock portion of the merger consideration may vary from the closing price of Ares Capital common stock on the date the Transactions were announced, on the date that this document was mailed to stockholders, on the date of the American Capital annual meeting or the date of the Ares Capital special meeting and on the date the Transactions are completed and thereafter. Any change in the market price of Ares Capital common stock prior to completion of the Transactions will affect the value of the stock portion of the merger consideration that American Capital stockholders will receive upon the completion of the Transactions.

Accordingly, at the time of their annual meeting, American Capital stockholders will not know or be able to calculate the value of the stock portion of the merger consideration they would receive upon the completion of the Transactions. Neither American Capital nor Ares Capital is permitted to terminate the merger agreement or re-solicit the vote of American Capital's or Ares Capital's stockholders solely because of changes in the market prices of either company's stock. There will be no adjustment to the calculation of the merger consideration for changes in the market price of either shares of Ares Capital common stock or shares of American Capital common stock. Stock price changes may result from a variety of factors, including, among other things:

- changes in the business, operations or prospects of Ares Capital or American Capital;
- the financial condition of current or prospective portfolio companies of Ares Capital or American Capital;
- interest rates or general market or economic conditions;
- market assessments of the likelihood that the Transactions will be completed and the timing of the Transactions; and
- market perception of the future profitability of the combined company.

See "Special Note Regarding Forward-Looking Statements", " Risks Relating to Ares Capital The market price of Ares Capital common stock may fluctuate significantly" and " Risks Relating to American Capital The market price of American Capital common stock may fluctuate significantly" for other factors that could cause the price of American Capital and Ares Capital common stock to change.

These factors are generally beyond the control of either Ares Capital or American Capital. It should be noted that during the 12-month period ending October [•], 2016, the closing price per share of Ares Capital common stock varied from a low of $[•] to a high of $[•]. However, historical trading prices are not necessarily indicative of future performance. You should obtain current market quotations for shares of Ares Capital common stock and for shares of American Capital common stock prior to voting your shares.

Sales of shares of Ares Capital common stock after the completion of the Transactions may cause the market price of Ares Capital common stock to fall.

Based on the number of outstanding shares of American Capital common stock as of May 23, 2016, Ares Capital would issue approximately 110.8 million shares of Ares Capital common stock pursuant to the merger agreement. Many American Capital stockholders may decide not to hold the shares of Ares Capital common stock they will receive pursuant to the merger agreement. Certain American Capital stockholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of Ares Capital common stock that they receive pursuant to the merger agreement. Such sales of Ares Capital common stock could have the effect of depressing the market price for Ares Capital common stock and may take place promptly following the completion of the Transactions.

American Capital stockholders and Ares Capital stockholders will experience a reduction in percentage ownership and voting power in the combined company as a result of the Transactions.

American Capital stockholders will experience a reduction in their respective percentage ownership interests and effective voting power in respect of the combined company relative to their respective percentage ownership interests in American Capital prior to the Transactions. Consequently, American Capital stockholders should expect to exercise less influence over the management and policies of the combined company following the completion of the Transactions than they currently exercise over the management and policies of American Capital. Ares Capital stockholders will also experience a reduction in their respective percentage ownership interests and effective voting power in respect of the combined company relative to their respective ownership interests in Ares Capital prior to the Transactions. Consequently, Ares Capital stockholders should expect to exercise less influence over the management and policies of the combined company following the completion of the Transactions than they currently exercise over the management and policies of Ares Capital.

If the Transactions are completed, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof, Ares Capital stockholders will own approximately 74% of the combined company's outstanding common stock and American Capital stockholders will own approximately 26% of the combined company's outstanding common stock. In addition, both prior to and after completion of the Transactions, subject to certain restrictions in the merger agreement, Ares Capital may issue additional shares of common stock (including, subject to certain restrictions under the Investment Company Act and the merger agreement, at prices below Ares Capital common stock's then current net asset value per share), all of which would further reduce the percentage ownership of the combined company held by former American Capital stockholders and current Ares Capital stockholders. In addition, the issuance or sale by Ares Capital of shares of its common stock at a discount to net asset value poses a risk of dilution to stockholders.

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

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

In connection with the Transactions, Ares Capital Management has agreed to (1) provide approximately $275 million of cash consideration, or $1.20 per share of American Capital common stock, payable to American Capital stockholders in accordance with the terms and conditions set forth in the merger agreement at the effective time and (2) waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (A) $10 million of the income based fees and (B) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under its investment advisory and management agreement.

Ares Capital also expects to achieve certain cost savings and synergies from the Transactions when the two companies have fully integrated their portfolios. It is possible that the estimates of the potential cost savings and synergies could turn out to be incorrect. As is shown in more detail in "Comparative Fees and Expenses," based on the assumptions described in that section (and without giving effect to such synergies and cost savings), following the completion of the Transactions, annual expenses as a percentage of consolidated net assets attributable to common stock is estimated to increase for Ares Capital stockholders on a *pro forma* combined basis. In addition, the cost savings and synergies estimates also assume Ares Capital's ability to combine the investment portfolios and businesses of Ares Capital and American Capital in a manner that permits those cost savings and synergies to be fully realized. If the estimates turn out to be incorrect or Ares Capital is not able to successfully combine the investment portfolios and businesses of the two companies, the anticipated cost savings and synergies may not be fully realized or realized at all or may take longer to realize than expected.

American Capital's and Ares Capital's inability to obtain consents with respect to certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of such funds as of March 31, 2016 could delay or prevent the completion of the Transactions.

Under the merger agreement, Ares Capital's and American Capital's obligation to complete the Transactions is subject to the prior receipt of consents required to be obtained from certain investment funds managed by ACAM, with respect to aggregate assets under management of such consenting funds representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016 and approvals and consents required to be obtained from other third parties.

Although American Capital and Ares Capital expect that all such approvals and consents will be obtained and remain in effect and all conditions related to such consents will be satisfied, if they are not, the closing of the Transactions could be significantly delayed or the Transactions may not occur at all.

The Transactions may trigger certain "change of control" provisions and other restrictions in contracts of American Capital, Ares Capital or their affiliates and the failure to obtain any required consents or waivers could adversely impact the combined company.

Certain agreements of American Capital and Ares Capital or their affiliates, including with respect to certain funds managed by ACAM and its affiliates, will or may require the consent or waiver of one or more counter-parties in connection with the Transactions. The failure to obtain any such consent or waiver may permit such counter-parties to terminate, or otherwise increase their rights or the combined company's obligations under, any such agreement because the Transactions may violate an anti-assignment, change of control or other provision relating to any of such transactions. If this happens, Ares Capital may have to seek to replace such an agreement with a new agreement or seek an amendment to such agreement. American Capital and Ares Capital cannot assure you that Ares Capital will be able to replace or amend any such agreement on comparable terms or at all.

If any such agreement is material, the failure to obtain consents, amendments or waivers under, or to replace on similar terms or at all, any of these agreements could adversely affect the financial performance or results of operations of the combined company following the completion of the Transactions, including preventing Ares Capital from operating a material part of American Capital's business.

In addition, the completion of the Transactions may violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event that, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, cancellation, acceleration or other change of any right or obligation (including any payment obligation) under agreements of American Capital or Ares Capital. Any such violation, conflict, breach, loss, default or other effect could, either individually or in the aggregate, have a material adverse effect on the financial condition, results of operations, assets or business of the combined company following completion of the Transactions.

Litigation filed against members of American Capital's board of directors could prevent or delay the completion of the mergers or result in the payment of damages following completion of the mergers, and if the mergers are completed, the combined company may face additional risks.

American Capital and Ares Capital are aware that a consolidated putative shareholder class action has been filed by stockholders of American Capital challenging the mergers. The action asserts claims against the members of American Capital's board of directors alleging that the merger agreement is the product of a flawed sales process and that American Capital's directors breached their fiduciary duties by facilitating the acquisition of American Capital by Ares Capital for inadequate consideration and agreeing to lock up the Transactions with deal protection devices that preclude other bidders from making a successful competing offer for American Capital. The action demands, among other things, the enjoining of a shareholder vote on the merger and the rescinding of the Transactions or any part thereof that has already been implemented. In the event that the proposed merger between Ares Capital and American Capital is completed, the complaint seeks to recover compensatory damages for all losses resulting from the alleged breaches of fiduciary duty. This legal proceeding could delay or prevent the Transactions from becoming effective within the agreed upon timeframe or at all, and, if the mergers are completed, may be material to the results of operations, cash flows or financial condition of the combined company. It is possible that third parties could try to seek to impose liability against the combined company in connection with this matter or other potential legal proceedings.

American Capital is also involved in various other legal proceedings and regulatory matters. Neither Ares Capital nor American Capital can predict the eventual outcome of these proceedings and matters and the ultimate outcome of such proceedings and matters could, upon completion of the mergers, be material to the results of operations, cash flows or financial condition of the combined company. It is possible that third parties could try to seek to impose liability against the combined company in connection with such proceedings and matters.

The opinions obtained by American Capital and Ares Capital from their respective financial advisors will not reflect changes in circumstances between signing the merger agreement and completion of the Transactions.

Neither American Capital nor Ares Capital has obtained updated opinions as of the date of this document from their respective financial advisors and neither anticipates obtaining updated opinions prior to the effective time. Changes in the operations and prospects of American Capital or Ares Capital, general market and economic conditions and other factors that may be beyond the control of

American Capital or Ares Capital, and on which their respective financial advisors' opinions were based, may significantly alter the value of American Capital or the prices of shares of Ares Capital common stock or American Capital common stock by the time the Transactions are completed. The opinions do not speak as of the time the Transactions will be completed or as of any date other than the date of such opinions. Because neither American Capital nor Ares Capital currently anticipates asking their respective financial advisors to update their opinions, the opinions will not address the fairness of the Aggregate Per Share Consideration paid by Ares Capital to American Capital stockholders or the Ares Capital consideration, respectively, from a financial point of view at the time the Transactions are completed. The recommendations of the boards of directors of American Capital and Ares Capital that their respective stockholders vote "FOR" the approval of the matters described in this document are made as of the date of this document. For a description of the opinions that American Capital received from its financial advisors, see "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors." For a description of the opinion that Ares Capital received from its financial advisors, see "Description of the Transactions Opinions of Financial Advisors to the Ares Capital Board of Directors."

If the Transactions do not close, neither Ares Capital nor American Capital will benefit from the expenses incurred in its pursuit.

The Transactions may not be completed. If the Transactions are not completed, Ares Capital and American Capital will have incurred substantial expenses for which no ultimate benefit will have been received. Both companies have incurred out-of-pocket expenses in connection with the Transactions for investment banking, legal and accounting fees and financial printing and other related charges, much of which will be incurred even if the Transactions are not completed.

Termination of the merger agreement could negatively impact American Capital and Ares Capital.

If the merger agreement is terminated, there may be various consequences, including:

- American Capital's and Ares Capital's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Transactions, without realizing any of the anticipated benefits of completing the Transactions;
- the market price of American Capital common stock and Ares Capital common stock might decline to the extent that the market price prior to termination reflects a market assumption that the Transactions will be completed;
- in the case of American Capital, it may not be able to find a party willing to pay an equivalent or more attractive price than the price Ares Capital has agreed to pay in the Transactions; and
- the payment of any termination fee or reverse termination fee or reimbursement of the counterparties' fees and expenses, if required under the circumstances, could adversely affect the financial condition and liquidity of American Capital or Ares Capital.

Under certain circumstances, American Capital and Ares Capital are obligated to pay each other a termination fee upon termination of the merger agreement.

No assurance can be given that the Transactions will be completed. The merger agreement provides for the payment by American Capital to Ares Capital of a termination fee of $140 million if the merger agreement is terminated by American Capital or Ares Capital under certain circumstances. If American Capital stockholders do not adopt the merger agreement and the merger agreement is terminated, American Capital will be required to reimburse Ares Capital for its expenses up to $15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by American Capital to Ares Capital. In addition, the merger agreement provides for a payment by Ares Capital to American Capital of a reverse termination fee of $140 million under certain other circumstances. If the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, does not receive the required stockholder and other Investment Company Act approvals, if any, or the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements does not receive the required stockholder approval, and the merger agreement is terminated, Ares Capital will be required to reimburse American Capital for its expenses up to $15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by Ares Capital to American Capital. See "Description of the Merger Agreement Termination of the Merger Agreement" for a discussion of the circumstances that could result in the payment of a termination fee.

The merger agreement limits each of American Capital's and Ares Capital's ability to pursue alternatives to the Transactions; however, in specified circumstances, American Capital or Ares Capital may terminate the merger agreement to accept a superior proposal.

Under the merger agreement, American Capital and Ares Capital have agreed not to (1) take certain actions to solicit proposals relating to alternative transactions or (2) subject to certain exceptions, including the receipt of a "superior proposal" (as such term is defined in the merger agreement), enter into discussions or an agreement concerning, or provide confidential information in connection with, any proposals for alternative transactions. However, in specified circumstances, American Capital or Ares Capital may terminate the merger agreement to enter into a definitive agreement with respect to a "superior proposal" prior to obtaining approval of the adoption of the merger agreement, approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price that is below its then current net asset value per share, if applicable, or approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, as applicable, from its stockholders, and American Capital or Ares Capital, as applicable, could be required to pay to the other party a termination fee of $140 million.

Under certain circumstances, upon termination of the merger agreement, American Capital could be required to pay to Ares Capital a termination fee of $140 million or Ares Capital could be required to pay to American Capital a reverse termination fee of $140 million. See "Description of the Merger Agreement Termination of the Merger Agreement." These provisions, which are typical for transactions of this type, might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of American Capital from considering or proposing such an acquisition even if such potential competing acquiror were prepared to pay consideration with a higher per share market price than the price per share market price to be paid by Ares Capital pursuant to the merger agreement or might result in a potential competing acquiror proposing to pay a lower per share price to acquire American Capital than it might otherwise have proposed to pay.

The Transactions are subject to closing conditions, including certain stockholder approvals, that, if not satisfied or waived, will result in the Transactions not being completed, which may result in material adverse consequences to American Capital's business and operations.

The Transactions are subject to closing conditions, including certain approvals of American Capital's and Ares Capital's respective stockholders that, if not satisfied, will prevent the Transactions from being completed. The closing condition that American Capital stockholders adopt the merger agreement may not be waived under applicable law and must be satisfied for the Transactions to be completed. American Capital currently expects that all directors and executive officers of American Capital will vote their shares of American Capital common stock in favor of the proposals presented at the American Capital annual meeting required to complete the Transactions. If American Capital stockholders do not adopt the merger agreement and the Transactions are not completed, the resulting failure of the Transactions could have a material adverse impact on American Capital's business and operations. The closing condition that Ares Capital stockholders approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement may not be waived and must be satisfied for the Transactions to be completed. Ares Capital currently expects that all directors and executive officers of Ares Capital will vote their shares of Ares Capital common stock in favor of the proposals presented at the Ares Capital special meeting required to complete the Transactions. If the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price that is below its then current net asset value per share, if applicable, or the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements are not approved and the Transactions are not completed, the resulting failure of the Transactions may, in specified circumstances, result in the payment by Ares Capital to American Capital of a $140 million reverse termination fee.

In addition to the required approvals of American Capital's and Ares Capital stockholders, the Transactions are subject to a number of other conditions beyond American Capital's control that may prevent, delay or otherwise materially adversely affect its completion. Neither American Capital nor Ares Capital can predict whether and when these other conditions will be satisfied.

American Capital and Ares Capital may waive one or more conditions to the Transactions without resoliciting stockholder approval.

Certain conditions to American Capital's and Ares Capital's obligations to complete the Transactions may be waived, in whole or in part, to the extent legally allowed, either unilaterally or by agreement of American Capital and Ares Capital. In the event that any such waiver does not require resolicitation of stockholders, the parties to the merger agreement will have the discretion to complete the Transactions without seeking further stockholder approval. The conditions requiring the approval of American Capital's and Ares Capital's stockholders, however, cannot be waived.

Certain persons related to American Capital have interests in the Transactions that differ from the interests of American Capital stockholders.

American Capital's directors and executive officers have financial interests in the Transactions that are different from, or in addition to, the interests of American Capital stockholders. The members of the American Capital board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the Transactions and in recommending to American Capital's stockholders that the merger agreement be adopted. These interests are described in more detail in the section of this document entitled "Description of the Transactions Interests of Certain Persons Related to American Capital in the Transactions."

American Capital will be subject to business uncertainties and contractual restrictions while the Transactions are pending.

Uncertainty about the effect of the Transactions may have an adverse effect on American Capital and, consequently, on the combined company following completion of the Transactions. These uncertainties may impair American Capital's ability to retain and motivate key personnel until the Transactions are completed and could cause those that deal with American Capital to seek to change their existing business relationships with American Capital. Retention of certain employees may be challenging during the pendency of the Transactions, as certain employees may experience uncertainty about their future following completion of the Transactions. If key American Capital employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain affiliated with the combined company following completion of the Transactions, the combined company's business following the completion of the Transactions could be harmed. In addition, the merger agreement restricts American Capital from taking actions that it might otherwise consider to be in its best interests. These restrictions may prevent American Capital from pursuing certain business opportunities that may arise prior to the completion of the Transactions. In addition, if the merger agreement is terminated and prior to the termination, American Capital loses key personnel, the business of American Capital could be harmed. Please see the section entitled "Description of the Merger Agreement Conduct of Business Pending Completion of the Transactions" for a description of the restrictive covenants to which American Capital is subject.

The shares of Ares Capital common stock to be received by American Capital stockholders as a result of the Transactions will have different rights associated with them than shares of American Capital common stock currently held by them.

The rights associated with American Capital common stock are different from the rights associated with Ares Capital common stock. See the section of this document entitled "Comparison of Stockholder Rights."

The market price of Ares Capital common stock after the completion of the Transactions may be affected by factors different from those affecting American Capital common stock or Ares Capital common stock currently.

The businesses of Ares Capital and American Capital differ in some respects and, accordingly, the results of operations of the combined company and the market price of Ares Capital common stock after the completion of the Transactions may be affected by factors different from those currently affecting the independent results of operations of each of Ares Capital and American Capital. These factors include:

- greater number of shares outstanding;
- different composition of stockholder base;
- different portfolio composition and asset management activities;
- different management structure; and
- different asset allocation and capitalization.

Accordingly, the historical trading prices and financial results of Ares Capital and American Capital may not be indicative of these matters for the combined company following the completion of the Transactions. For a discussion of the business of Ares Capital and of certain factors to consider in connection with its business, see "Business of Ares Capital." For a discussion of the business of American Capital and of certain factors to consider in connection with its business, see "Business of American Capital."

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF AMERICAN CAPITAL

The following selected financial and other data as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 are derived from American Capital's consolidated financial statements, which have been audited by Ernst & Young LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this document. The selected financial and other data as of and for the six months ended June 30, 2016 and June 30, 2015 and other quarterly financial information is derived from American Capital's unaudited consolidated 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, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The data should be read in conjunction with American Capital's consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations of American Capital" and "Senior Securities of American Capital," which are included elsewhere in this document.

AMERICAN CAPITAL, LTD.
SELECTED CONSOLIDATED FINANCIAL DATA
As of and For the Six Months Ended June 30, 2016 and June 30, 2015 and
As of and For the Years Ended December 31, 2015, 2014, 2013, 2012 and 2011
(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,				
	2016	2015	2015	2014	2013	2012	2011
	(unaudited)	(unaudited)					
Total Operating Revenue	$ 304	$ 322	$ 671	$ 471	$ 487	$ 646	$ 591
Total Operating Expenses	139	147	293	288	255	263	288
Net Operating Income Before Income Taxes	165	175	378	183	232	383	303
Tax (Provision) Benefit(1)	(45)	(58)	(125)	(66)	(76)	14	145
Net Operating Income ("NOI")	120	117	253	117	156	397	448
Loss on Extinguishment of Debt, Net of Tax						(3)	
Net Realized Gain (Loss), Net of Tax(1)	103	(436)	(627)	152	(55)	(270)	(310)
Net Realized Earnings (Loss)	223	(319)	(374)	269	101	124	138
Net Unrealized (Depreciation) Appreciation, Net of Tax(1)	(197)	396	187	165	83	1,012	836
Net Increase (Decrease) in Net Assets Resulting from Operations ("Net Earnings (Loss)")	$ 26	$ 77	$ (187)	$ 434	$ 184	$ 1,136	$ 974
Per Share Data:							
NOI:							
Basic	$ 0.53	$ 0.43	$ 0.95	$ 0.44	$ 0.53	$ 1.24	$ 1.30
Diluted	$ 0.52	$ 0.41	$ 0.95	$ 0.42	$ 0.51	$ 1.20	$ 1.26
Net Earnings (Loss):							
Basic	$ 0.12	$ 0.28	$ (0.70)	$ 1.62	$ 0.63	$ 3.55	$ 2.83
Diluted	$ 0.11	$ 0.27	$ (0.70)	$ 1.55	$ 0.61	$ 3.44	$ 2.74
Balance Sheet Data:							
Total Assets	$ 5,334	$ 8,085	$ 6,240	$ 7,640	$ 6,009	$ 6,319	$ 5,961
Total Debt	$ 784	$ 2,107	$ 1,253	$ 1,703	$ 791	$ 775	$ 1,251
Total Stockholders' Equity	$ 4,418	$ 5,456	$ 4,822	$ 5,472	$ 5,126	$ 5,429	$ 4,563
NAV Per Share	$ 20.77	$ 20.35	$ 19.88	$ 20.50	$ 18.97	$ 17.84	$ 13.87
Other Data (Unaudited):							
Number of Portfolio Companies at Period End	123	439	171	402	132	139	152
New Investments(2)	$ 298	$ 1,928	$ 3,305	$ 3,610	$ 1,107	$ 719	$ 317
Realizations(3)	$ 1,512	$ 819	$ 3,721	$ 2,765	$ 1,208	$ 1,498	$ 1,066
Weighted Average Effective Interest Rate on Debt Investments at Period End(4)	8.4%	6.4%	8.4%	6.6%	10.0%	11.4%	10.7%
LTM NOI Return on Average Stockholders' Equity(5)	5.2%	3.7%	4.8%	2.2%	2.9%	7.7%	10.7%
LTM Net Realized Earnings (Loss) Return on Average Stockholders' Equity(5)	3.4%	(1.7)%	(7.1)%	5.1%	1.9%	2.4%	3.3%
LTM Net (Loss) Earnings Return on Average Stockholders' Equity(5)	(4.9)%	4.2%	(3.5)%	8.2%	3.4%	22.1%	23.3%
Assets Under Management(6)	$ 75,628	$ 81,474	$ 73,342	$ 86,422	$ 93,210	$ 116,800	$ 68,106
Earnings Assets Under Management(7)	$ 19,256	$ 22,752	$ 20,711	$ 22,107	$ 18,603	$ 18,642	$ 13,496

(1) Beginning in 2011, American Capital was no longer taxed as a RIC under Subchapter M of the Code and instead became subject to taxation as a corporation under Subchapter C of the Code. As a result, American Capital recorded a net deferred tax asset of $428 million in 2011 comprised of a deferred tax benefit of $145 million in NOI, $75 million in net realized (loss) gain and $208 million in net unrealized appreciation.

107

(2) New investments include amounts as of the investment dates that are committed.

(3) Realizations represent cash proceeds received upon the exit of investments including payment of scheduled principal amortization, debt prepayments, proceeds from loan syndications and sales, payment of accrued PIK notes, and dividends and payments associated with accreted original issue discounts ("OID") and sale of equity and other securities.

(4) Weighted average effective interest rate on debt investments as of period end is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of OID and market discount earned on accruing debt investments, divided by (b) total debt investments at amortized cost.

(5) Return represents net increase or decrease in net assets resulting from operations. Average equity is calculated based on the quarterly stockholders' equity balances.

(6) Assets under management include both (i) the total assets of American Capital and (ii) the total assets of the funds under management by ACAM, excluding any direct investment American Capital has in those funds.

(7) Earning assets under management include both (i) the total assets of American Capital and (ii) the total third party earning assets under management by ACAM from which the associated base management fees are calculated, excluding any direct investment American Capital has in those funds.

AMERICAN CAPITAL
SELECTED QUARTERLY DATA (Unaudited)
(dollar amounts in thousands, except per share data)

	2016	
	Q2	Q1
Total operating revenue	$ 142,259	$ 162,198
Net operating income ("NOI")	$ 45,177	$ 74,417
Net increase (decrease) in net assets resulting from operations	$ 105,732	$ (79,778)
NOI per basic common share(1)	$ 0.21	$ 0.31
NOI per diluted common share(1)	$ 0.20	$ 0.31
Net earnings (loss) per basic common share(2)	$ 0.49	$ (0.34)
Net earnings (loss) per diluted common share(2)	$ 0.47	$ (0.34)
Weighted Average Shares Outstanding		
Basic	216,645	234,990
Diluted	226,694	234,990

	2015			
	Q4	Q3	Q2	Q1
Total operating revenue	$ 173,434	$ 176,175	$ 167,200	$ 154,215
Net operating income ("NOI")	$ 61,941	$ 74,971	$ 66,671	$ 49,876
Net (decrease) increase in net assets resulting from operations	$ (226,932)	$ (36,785)	$ 61,932	$ 15,162
NOI per basic common share(1)	$ 0.24	$ 0.28	$ 0.25	$ 0.18
NOI per diluted common share(1)	$ 0.24	$ 0.28	$ 0.24	$ 0.18
Net (loss) earnings per basic common share(2)	$ (0.88)	$ (0.14)	$ 0.23	$ 0.06
Net (loss) earnings per diluted common share(2)	$ (0.88)	$ (0.14)	$ 0.22	$ 0.05
Weighted Average Shares Outstanding				
Basic	257,598	267,705	272,433	271,080
Diluted	257,598	267,705	283,433	282,920

	2014			
	Q4	Q3	Q2	Q1
Total operating revenue	$ 158,291	$ 128,663	$ 98,818	$ 84,149
Net operating income ("NOI")	$ 35,422	$ 50,995	$ 25,486	$ 5,079
Net increase (decrease) in net assets resulting from operations	$ 37,492	$ 114,722	$ 211,711	$ 69,922
NOI per basic common share(1)	$ 0.13	$ 0.19	$ 0.10	$ 0.02
NOI per diluted common share(1)	$ 0.12	$ 0.18	$ 0.09	$ 0.02
Net earnings per basic common share(2)	$ 0.14	$ 0.43	$ 0.80	$ 0.26
Net earnings per diluted common share(2)	$ 0.14	$ 0.41	$ 0.76	$ 0.25
Weighted Average Shares Outstanding				
Basic	268,964	267,141	266,183	270,668
Diluted	281,106	279,950	278,453	283,424

(1) Effective October 1, 2014, European Capital's financial results have been consolidated with the financial results of American Capital.

(2) Quarterly amounts may not equal full-year amounts due to changes in the weighted average shares outstanding.

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL

The following selected financial and other data as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 are derived from Ares Capital's consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this document. The selected financial and other data as of and for the six months ended June 30, 2016 and June 30, 2015 and other quarterly financial information is derived from Ares Capital's 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, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The data should be read in conjunction with Ares Capital's consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital" and "Senior Securities of Ares Capital," which are included elsewhere in this document.

ARES CAPITAL CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA
As of and For the Six Months Ended June 30, 2016 and June 30, 2015 and
As of and For the Years Ended December 31, 2015, 2014, 2013, 2012 and 2011
(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,				
	2016	2015	2015	2014	2013	2012	2011
	(Unaudited)	(Unaudited)					
Total Investment Income	$ 493.3	$ 502.7	$ 1,025.4	$ 989.0	$ 881.7	$ 748.0	$ 634.5
Total Expenses	266.1	266.4	499.8	532.9	437.2	387.9	344.6
Net Investment Income Before Income Taxes	227.2	236.3	525.6	456.1	444.5	360.1	289.9
Income Tax Expense, Including Excise Tax	9.2	6.1	17.8	18.3	14.1	11.2	7.5
Net Investment Income	218.0	230.2	507.8	437.8	430.4	348.9	282.4
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	71.0	16.9	(129.1)	153.2	58.1	159.3	37.1
Net Increase in Stockholders' Equity Resulting from Operations	$ 289.0	$ 247.1	$ 378.7	$ 591.0	$ 488.5	$ 508.2	$ 319.5
Per Share Data:							
Net Increase in Stockholder's Equity Resulting from Operations:							
Basic	$ 0.92	$ 0.79	$ 1.20	$ 1.94	$ 1.83	$ 2.21	$ 1.56
Diluted	$ 0.92	$ 0.79	$ 1.20	$ 1.94	$ 1.83	$ 2.21	$ 1.56
Cash Dividends Declared and Payable(1)	$ 0.76	$ 0.81	$ 1.57	$ 1.57	$ 1.57	$ 1.60	$ 1.41
Net Asset Value	$ 16.62	$ 16.80	$ 16.46	$ 16.82	$ 16.46	$ 16.04	$ 15.34
Total Assets(2)	$ 9,207.6	$ 9,088.6	$ 9,506.8	$ 9,454.3	$ 8,093.7	$ 6,360.6	$ 5,359.7
Total Debt (Carrying Value)(2)	$ 3,785.4	$ 3,546.0	$ 4,113.9	$ 3,881.0	$ 2,938.5	$ 2,155.3	$ 2,045.9
Total Debt (Principal Amount)	$ 3,859.6	$ 3,648.6	$ 4,196.6	$ 3,999.3	$ 3,078.8	$ 2,293.8	$ 2,170.5
Total Stockholders' Equity	$ 5,218.0	$ 5,282.4	$ 5,173.3	$ 5,283.7	$ 4,904.4	$ 3,988.3	$ 3,147.3
Other Data:							
Number of Portfolio Companies at Period End(3)	214	207	218	205	193	152	141
Principal Amount of Investments Purchased	$ 1,016.0	$ 1,395.4	$ 3,905.0	$ 4,534.3	$ 3,493.2	$ 3,161.6	$ 3,239.0
Principal Amount of Investments Sold and Repayments	$ 1,203.4	$ 1,830.6	$ 3,651.3	$ 3,212.8	$ 1,801.4	$ 2,482.9	$ 2,468.2
Total Return Based on Market Value(4)	5.0%	10.6%	1.3%	(3.3)%	10.5%	23.6%	2.3%
Total Return Based on Net Asset Value(5)	5.5%	4.7%	7.2%	11.8%	11.4%	14.3%	10.5%
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(6):	9.9%	10.6%	10.3%	10.1%	10.4%	11.3%	12.0%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(6):	9.8%	10.6%	10.1%	10.1%	10.4%	11.4%	12.1%

(1) Includes an additional dividend of $0.05 per share paid in the six months ended June 30, 2015, an additional dividend of $0.05 per share paid in the year ended December 31, 2015, an additional dividend of $0.05 per share

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

(2)

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

(3)

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

(4)

For the six months ended June 30, 2016, the total return based on market value equaled the increase of the ending market value at June 30, 2016 of $14.20 per share from the ending market value at December 31, 2015 of $14.25 per share plus the declared and payable dividends of $0.76 per share for the six months ended June 30, 2016, divided by the market value at December 31, 2015. For the six months ended June 30, 2015, the total return based on market value equaled the increase of the ending market value at June 30, 2015 of $16.46 per share from the ending market value at December 31, 2014 of $15.61 per share plus the declared and payable dividends of $0.81 per share for the six months ended June 30, 2015, divided by the market value at December 31, 2014. For the year ended December 31, 2015, the total return based on market value equaled the decrease of the ending market value at December 31, 2015 of $14.25 per share from the ending market value at December 31, 2014 of $15.61 per share plus the declared and payable dividends of $1.57 per share for the year ended December 31, 2015, divided by the market value at December 31, 2014. For the year ended December 31, 2014, the total return based on market value equaled the decrease of the ending market value at December 31, 2014 of $15.61 per share from the ending market value at December 31, 2013 of $17.77 per share plus the declared and payable dividends of $1.57 per share for the year ended December 31, 2014, divided by the market value at December 31, 2013. For the year ended December 31, 2013, the total return based on market value equaled the increase of the ending market value at December 31, 2013 of $17.77 per share from the ending market value at December 31, 2012 of $17.50 per share plus the declared and payable dividends of $1.57 per share for the year ended December 31, 2013, divided by the market value at December 31, 2012. For the year ended December 31, 2012, the total return based on market value equaled the increase of the ending market value at December 31, 2012 of $17.50 per share from the ending market value at December 31, 2011 of $15.45 per share plus the declared and payable dividends of $1.60 per share for the year ended December 31, 2012, divided by the market value at December 31, 2011. For the year ended December 31, 2011, the total return based on market value equaled the decrease of the ending market value at December 30, 2011 of $15.45 per share from the ending market value at December 31, 2010 of $16.48 per share plus the declared and payable dividends of $1.41 per share for the year ended December 31, 2011, divided by the market value at December 31, 2010. Ares Capital's shares fluctuate in value. Ares Capital's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5)

For the six months ended June 30, 2016, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of $0.76 per share for the six months ended June 30, 2016, divided by the beginning net asset value for the period. For the six months ended June 30, 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 $0.81 per share for the six months ended June 30, 2015, 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 year ended December 31, 2014, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of $1.57 per share for the year ended December 31, 2014, divided by the beginning net asset value for the period. For the year ended December 31, 2013, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of $1.57 per share for the year ended December 31, 2013, divided by the beginning net asset value for the period. For the year ended December 31, 2012, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of $1.60 per share for the year ended December 31, 2012 divided by the beginning net asset value for the period. For the year ended December 31, 2011, 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 $1.41 per share for the year ended December 31, 2011 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. Ares Capital's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(6)

"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) total accruing debt and other income producing securities at amortized cost or at fair value as applicable.

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

	2016	
	Q2	Q1
Total investment income	$ 245,262	$ 248,050
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees	$ 144,614	$ 145,614
Income based fees and capital gains incentive fees	$ 39,350	$ 32,884
Net investment income before net realized and unrealized gains	$ 105,264	$ 112,730
Net realized and unrealized gains	$ 52,136	$ 18,811
Net increase in stockholders' equity resulting from operations	$ 157,400	$ 131,541
Basic and diluted earnings per common share	$ 0.50	$ 0.42
Net asset value per share as of the end of the quarter	$ 16.62	$ 16.50

	2015			
	Q4	Q3	Q2	Q1
Total investment income	$ 261,676	$ 260,948	$ 249,479	$ 253,247
Net investment income before net realized and unrealized gains (losses) and income based fees and capital gains incentive fees	$ 150,782	$ 159,691	$ 145,134	$ 146,822
Income based fees and capital gains incentive fees	$ 3,679	$ 29,214	$ 36,631	$ 25,145
Net investment income before net realized and unrealized gains (losses)	$ 147,103	$ 130,477	$ 108,503	$ 121,677
Net realized and unrealized gains (losses)	$ (132,390)	$ (13,618)	$ 38,019	$ (21,101)
Net increase in stockholders' equity resulting from operations	$ 14,713	$ 116,859	$ 146,522	$ 100,576
Basic and diluted earnings per common share	$ 0.05	$ 0.37	$ 0.47	$ 0.32
Net asset value per share as of the end of the quarter	$ 16.46	$ 16.79	$ 16.80	$ 16.71

	2014			
	Q4	Q3	Q2	Q1
Total investment income	$ 270,917	$ 253,396	$ 224,927	$ 239,719
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees	$ 166,532	$ 149,722	$ 127,699	$ 141,589
Income based fees and capital gains incentive fees	$ 38,347	$ 44,432	$ 35,708	$ 29,253
Net investment income before net realized and unrealized gains	$ 128,185	$ 105,290	$ 91,991	$ 112,336
Net realized and unrealized gains	$ 25,202	$ 72,449	$ 50,840	$ 4,656
Net increase in stockholders' equity resulting from operations	$ 153,387	$ 177,739	$ 142,831	$ 116,992
Basic and diluted earnings per common share	$ 0.49	$ 0.57	$ 0.48	$ 0.39
Net asset value per share as of the end of the quarter	$ 16.82	$ 16.71	$ 16.52	$ 16.42

UNAUDITED SELECTED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following tables set forth unaudited pro forma condensed consolidated financial data for Ares Capital and American Capital as a combined company after giving effect to the mergers. The information as of June 30, 2016 is presented as if the mergers had been completed on June 30, 2016 and after giving effect to the Mortgage Manager Sale and certain other transactions that occurred or are expected to occur subsequent to June 30, 2016 (collectively, the "Other Pro Forma Transactions"). The unaudited pro forma condensed consolidated financial data for the six months ended June 30, 2016 and for the year ended December 31, 2015 are presented as if the mergers and the Other Pro Forma Transactions had been completed on December 31, 2014. Such unaudited pro forma condensed consolidated financial data is based on the historical financial statements of Ares Capital and American Capital from publicly available information and certain assumptions and adjustments as discussed in Note 3 of the accompanying notes to the pro forma condensed consolidated financial statements in the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements." In the opinion of management, adjustments necessary to reflect the direct effect of these transactions have been made. The merger of Acquisition Sub with and into American Capital will be accounted for under the acquisition method of accounting as provided by ASC 805-50, *Business Combinations-Related Issues*. See section entitled "Accounting Treatment" for additional information.

The unaudited pro forma condensed consolidated financial data should be read together with the respective historical audited and unaudited consolidated financial statements and related notes of American Capital and Ares Capital included in this document. The unaudited pro forma condensed consolidated financial data are presented for illustrative purposes only and do not necessarily indicate what the future operating results or financial position of the combined company will be following completion of the mergers. The unaudited pro forma condensed consolidated financial data does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the mergers or any future restructuring or integration expenses related to the mergers. Additionally, the unaudited pro forma condensed consolidated financial data does not include any estimated net increase (decrease) in stockholders' equity resulting from operations or other asset sales and repayments that are not already reflected that may occur between June 30, 2016 and the completion of the mergers.

Ares Capital and American Capital cannot assure you that the Transactions will be completed as scheduled, or at all. See "Description of the Transactions" for a description of the terms of the Transactions, "Risk Factors Risks Relating to Ares Capital Ares Capital may fail to complete the Transactions" for a description of the risks associated with a failure to complete the Transactions and "Risk Factors Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed.

(dollar amounts in millions)

	For the Six Months Ended June 30, 2016	For the Year Ended December 31, 2015
Total Investment Income	$ 734	$ 1,580
Total Expenses	360	755
Net Investment Income Before Taxes	374	825
Income Tax Expense, Including Excise Tax	9	18
Net Investment Income	365	807
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	48	(352)
Net Increase in Stockholders' Equity Resulting from Operations	$ 413	$ 455

	Actual Ares Capital As of June 30, 2016	Pro Forma Ares Capital As of June 30, 2016
Total Assets	$ 9,208	$ 12,384
Total Debt (at Carrying Value)	$ 3,785	$ 5,086
Stockholders' Equity	$ 5,218	$ 6,904

UNAUDITED PRO FORMA PER SHARE DATA

The following selected unaudited consolidated pro forma per share information for the six months ended June 30, 2016 and for the year ended December 31, 2015 is presented as if the mergers and the Other Pro Forma Transactions had been completed on December 31, 2014. The unaudited pro forma consolidated net asset value per common share outstanding reflects the mergers and the Other Pro Forma Transactions as if they had been completed on June 30, 2016.

Such unaudited pro forma consolidated per share information is based on the historical financial statements of Ares Capital and American Capital from publicly available information and certain assumptions and adjustments as discussed in the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements." This unaudited pro forma consolidated per share information is provided for illustrative purposes only and is not necessarily indicative of what the operating results or financial position of Ares Capital or American Capital would have been had the mergers and the Other Pro Forma Transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position of the combined company following the completion of the mergers. The following should be read in connection with the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements" and other information included in or incorporated by reference into this document.

Ares Capital and American Capital cannot assure you that the Transactions will be completed as scheduled, or at all. See "Description of the Transactions" for a description of the terms of the Transactions, "Risk Factors Risks Relating to Ares Capital Ares Capital may fail to complete the Transactions" for a description of the risks associated with a failure to complete the Transactions and "Risk Factors Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed.

	As of and For the Six Months Ended June 30, 2016				For the Year Ended December 31, 2015			
	Ares Capital	American Capital	Pro forma Consolidated-Ares Capital	Per Equivalent American Capital(3)	Ares Capital	American Capital	Pro forma Consolidated-Ares Capital	Per Equivalent American Capital(3)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:								
Basic	$ 0.92	$ 0.12	$ 0.97	$ 0.47	$ 1.20	$ (0.70)	$ 1.07	$ 0.52
Diluted	$ 0.92	$ 0.11	$ 0.97	$ 0.47	$ 1.20	$ (0.70)	$ 1.07	$ 0.52
Cash Dividends Declared(1)	$ 0.76	$	$ 0.76	$ 0.37	$ 1.57	$	$ 1.57	$ 0.76
Net Asset Value per Share(2)	$ 16.62	$ 20.77	$ 16.24	$ 7.85				

(1) The cash dividends declared per share represent the actual dividends declared per share for the period presented. The pro forma consolidated cash dividends declared are the dividends per share as declared by Ares Capital.

(2) The pro forma consolidated net asset value per share is computed by dividing the pro forma consolidated net assets as of June 30, 2016 by the pro forma consolidated number of shares outstanding.

(3) The American Capital equivalent pro forma per share amount is calculated by multiplying the pro forma consolidated Ares Capital per share amounts by the common stock exchange ratio of 0.483.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this document constitute forward-looking statements, which relate to future events or the future performance or financial condition of Ares Capital, American Capital or, following the completion of the Transactions, the combined company. The forward-looking statements contained in this document involve a number of risks and uncertainties, including statements concerning:

- Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's, or their 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;
- the impact of fluctuations in interest rates;
- the impact of changes in laws or regulations (including the interpretation thereof) governing the operations of Ares Capital, American Capital or, following the completion of the Transactions, the combined company, or the operations of Ares Capital's or American Capital's portfolio companies or the operations of Ares Capital's or American Capital's competitors;
- the valuation of investments in portfolio companies, particularly those having no liquid trading market;
- Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's ability to recover unrealized losses;
- market conditions and Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's ability to access debt markets and additional debt and equity capital;
- contractual arrangements and relationships with third parties, including parties to Ares Capital's co-investment programs;
- the general economy and its impact on the industries in which Ares Capital, American Capital or, following the completion of the Transactions, the combined company invests;
- uncertainty surrounding the financial stability of the U.S., the E.U. and China;
- the social, geopolitical, financial, trade and legal implications of Brexit;
- Middle East turmoil and the potential for fluctuating energy prices and its impact on the industries in which Ares Capital, American Capital or, following the completion of the Transactions, the combined company, invest;
- the financial condition of and ability of current and prospective portfolio companies to achieve their objectives;

expected financings and investments;

the adequacy of 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 portfolio companies;

the ability of Ares Capital's and, following the completion of the Transactions, the combined company's investment adviser to locate suitable investments and to monitor and administer investments;

- the outcome and impact of any litigation relating to the Transactions;
- the likelihood that the Transactions are completed and the anticipated timing of their completion;
- the period following the completion of the Transactions;
- the ability of Ares Capital's and American Capital's businesses to successfully integrate if the Transactions are completed;
- Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's ability to successfully complete and integrate any other acquisitions; and
- American Capital's future operating results and business prospects if the Transactions are not completed.

Words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions identify forward-looking statements, although not all forward-looking statements include these words. Ares Capital's, American Capital's or, following the Transactions, the combined company's actual results and conditions 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 elsewhere in this document.

The forward-looking statements included in this document have been based on information available to Ares Capital and American Capital on the date of this document, as appropriate, and neither Ares Capital nor American Capital assumes any obligation to update any such forward-looking statements. Although neither Ares Capital nor