

ARES CAPITAL CORP
Form 497
March 05, 2019

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

**Subject to Completion
Preliminary Prospectus Supplement dated March 5, 2019**

**PROSPECTUS SUPPLEMENT
(To Prospectus dated September 4, 2018)**

\$350,000,000

% Convertible Notes due 2024

We are offering \$350,000,000 in aggregate principal amount of % convertible notes due 2024, which we refer to as the notes. The notes will bear interest at a rate of % per year, payable semiannually in arrears on March 1 and September 1 of each year, beginning September 1, 2019. The notes will mature on March 1, 2024. In addition, we have granted the underwriters an option to purchase, for settlement within a period of 13 days from, and including, the date notes are first issued, up to an additional \$52,500,000 aggregate principal amount of notes.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding December 1, 2023 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2019 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price (as defined herein) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after December 1, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus supplement.

The conversion rate will initially be shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$ per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

We may not redeem the notes prior to maturity. No sinking fund is provided for the notes.

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If we undergo a fundamental change, then, subject to a limited exception described in this prospectus supplement, holders may require us to repurchase for cash all or part of their notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

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

We do not intend to apply to list the notes on any securities exchange or any automated dealer quotation system. Our common stock is listed on The NASDAQ Global Select Market under the symbol "ARCC." The last reported sale price of our common stock on The NASDAQ Global Select Market on March 4, 2019 was \$17.46 per share.

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

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

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page S-17 of this prospectus supplement and page 22 of the accompanying prospectus, including the risk of leverage.

This prospectus supplement and the accompanying prospectus concisely provide important information about us that you should know before investing in the notes. Please read this prospectus supplement and the accompanying prospectus before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge by calling us collect at (310) 201-4200 or on our website at www.arescapitalcorp.com. The SEC also maintains a website at www.sec.gov that contains such information. The information on the websites referred to herein is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

	Per Note	Total
Public offering price(1)	%	\$
Underwriting discount (sales load)	%	\$
Proceeds, before expenses, to Ares Capital Corporation(2)	%	\$

(1) The public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from March , 2019 and must be paid by the purchaser if the notes are delivered after March , 2019.

(2) Before deducting expenses payable by us related to this offering, estimated at \$1.6 million.

The underwriters may also purchase up to an additional \$52,500,000 total aggregate principal amount of notes offered hereby for settlement within a period of 13 days from, and including, the date notes are first issued hereunder. If the underwriters exercise this option in full, the total public offering price will be \$, the total underwriting discount (sales load) paid by us will be \$, and total proceeds, before expenses, to us will be \$.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

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

Delivery of the notes in book-entry form only through The Depository Trust Company will be made on or about March , 2019.

J.P. Morgan

BofA Merrill Lynch

RBC Capital Markets

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

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FORWARD-LOOKING STATEMENTS

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

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

the return or impact of current and future investments;

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

the impact of fluctuations in interest rates on our business;

the impact of changes in laws or regulations (including the interpretation thereof), including the Tax Cuts and Jobs Act and the Small Business Credit Availability Act, governing our operations or the operations of our portfolio companies or the operations of our competitors;

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

our ability to recover unrealized losses;

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

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

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

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

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

Middle East turmoil and the potential for volatility in energy prices and its impact on the industries in which we invest;

the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;

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our expected financings and investments;

our ability to successfully complete and integrate any other acquisitions;

the outcome and impact of any litigation;

the adequacy of our cash resources and working capital;

the timing, form and amount of any dividend distributions;

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

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

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

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"Risk Factors" in this prospectus supplement and in the accompanying prospectus and the other information included in this prospectus supplement and the accompanying prospectus.

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

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

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THE COMPANY

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

Overview

Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or the "Investment Company Act." We were founded on April 16, 2004, were initially funded on June 23, 2004 and completed our initial public offering on October 8, 2004. As of December 31, 2018, we were the largest BDC in the United States with approximately \$12.9 billion of total assets.

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

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. However, we may from time to time invest in larger or smaller companies. We generally use the term "middle-market" to refer to companies with annual EBITDA between \$10 million and \$250 million. As used herein, EBITDA represents net income before net interest expense, income tax expense, depreciation and amortization. We invest primarily in first lien senior secured loans (including "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior secured loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments in corporate borrowers generally range between \$30 million and \$500 million each and investments in project finance/power generation projects generally range between \$10 million and \$200 million. However, the investment sizes may be more or less than these ranges and may vary based on, among other things, our capital availability, the composition of our portfolio and general micro- and macro-economic factors.

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

The proportion of these types of investments will change over time given our views on, among other things, the economic and credit environment in which we are operating. In pursuit of our investment objective we generally seek to self-originate investments and lead the investment process, which may result in us making commitments with respect to indebtedness or securities of a potential

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portfolio company in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may subsequently syndicate or sell a portion of such amount (including, without limitation, to vehicles managed by our portfolio company, Ivy Hill Asset Management, L.P. ("IHAM")), such that we are left with a smaller investment than what was reflected in our original commitment. In addition to originating investments, we may also acquire investments in the secondary market (including purchases of a portfolio of investments).

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

We believe that our investment adviser, Ares Capital Management, is able to leverage the current investment platform, resources and existing relationships of Ares Management with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investment opportunities. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for over 20 years and its partners have an average of approximately 25 years of experience in leveraged finance, private equity, distressed debt, commercial real estate finance, investment banking and capital markets. We have access to Ares' investment professionals and administrative professionals, who provide assistance in accounting, finance, legal, compliance, operations, information technology and investor relations. As of December 31, 2018, Ares had approximately 410 investment professionals and approximately 660 administrative professionals.

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

Senior Direct Lending Program

We have established a joint venture with Varagon Capital Partners ("Varagon") to make certain first lien senior secured loans, including certain stretch senior and unitranche loans, primarily to U.S. middle-market companies. Varagon was formed in 2013 as a lending platform by American International Group, Inc. and other partners. The joint venture is called the Senior Direct Lending Program (the "SDLP"). In July 2016, we and Varagon and its clients completed the initial funding of the SDLP. The SDLP may generally commit and hold individual loans of up to \$300 million. We may directly co-invest with the SDLP to accommodate larger transactions. The SDLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the

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SDLP must be approved by an investment committee of the SDLP consisting of representatives of the Company and Varagon (with approval from a representative of each required).

We provide capital to the SDLP in the form of subordinated certificates (the "SDLP Certificates"), and Varagon and its clients provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. As of December 31, 2018, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates. The SDLP Certificates pay a coupon of LIBOR plus a stated spread and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the SDLP Certificates that is greater than the stated coupon. The SDLP Certificates are junior in right of payment to the senior notes and intermediate funding notes.

As of December 31, 2018, we and Varagon and its clients had agreed to make capital available to the SDLP of \$6.4 billion in the aggregate, of which \$1.4 billion is to be made available from us. We will continue to provide capital to the SDLP in the form of SDLP Certificates, and Varagon and its clients will provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. This capital will only be committed to the SDLP upon approval of transactions by the investment committee of the SDLP as discussed above. For more information on the SDLP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Senior Direct Lending Program" and Note 4 to our consolidated financial statements for the year ended December 31, 2018 and Note 4 to our consolidated financial statements for the year ended December 31, 2018.

Ivy Hill Asset Management, L.P.

As of December 31, 2018, our portfolio company, IHAM, an SEC-registered investment adviser, managed 21 vehicles and served as the sub-manager/sub-servicer for two other vehicles (such vehicles, the "IHAM Vehicles"). As of December 31, 2018, IHAM had assets under management of approximately \$4.7 billion. As of December 31, 2018, the amortized cost and fair value of our investment in IHAM was \$444 million and \$518 million, respectively. In connection with IHAM's registration as a registered investment adviser, on March 30, 2012, we received exemptive relief from the SEC allowing us to, subject to certain conditions, own directly or indirectly up to 100% of IHAM's outstanding equity interests and make additional investments in IHAM. From time to time, IHAM or certain IHAM Vehicles may purchase investments from us or sell investments to us, in each case for a price equal to the fair market value of such investments determined at the time of such transactions.

Ares Capital Management LLC

Ares Capital Management, our investment adviser, is served by an origination, investment and portfolio management team of approximately 100 U.S.-based investment professionals as of December 31, 2018 and led by certain partners of the Ares Credit Group: Kipp deVeer, Mitchell Goldstein and Michael Smith. Ares Capital Management leverages off of Ares' investment platform and benefits from the significant capital markets, trading and research expertise of Ares' investment professionals. Ares Capital Management's investment committee has eight members primarily comprised of certain of the U.S.-based partners of the Ares Credit Group.

Recent Developments

In January 2019, we repaid in full the \$300 million in aggregate principal amount of unsecured convertible notes that matured on January 15, 2019 (the "2019 Convertible Notes"). The 2019 Convertible Notes bore interest at a rate of 4.375% per year, payable semi-annually.

In February 2019, our board of directors authorized an amendment to our stock repurchase program to (a) increase the total authorization under the program from \$300 million to \$500 million

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and (b) extend the expiration date of the program from February 28, 2019 to February 15, 2020. Under the stock repurchase program, we may repurchase up to \$500 million in the aggregate of our outstanding common stock in the open market at a price per share that meets certain thresholds below our net asset value per share, in accordance with the guidelines specified in Rule 10b-18 of the Exchange Act. The timing, manner, price and amount of any share repurchases will be determined by us, in our discretion, based upon the evaluation of economic and market conditions, stock price, applicable legal and regulatory requirements and other factors.

From January 1, 2019 through February 28, 2019, we made new investment commitments of approximately \$1.4 billion, of which approximately \$1.3 billion were funded. Of these new commitments, 46% were in first lien senior secured loans, 38% were in second lien senior secured loans, 10% were in preferred equity securities and 6% were in the subordinated certificates of the SDLP. Of the approximately \$1.4 billion of new investment commitments, 99% were floating rate and 1% fixed rate. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 9.8%. We may seek to sell all or a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From January 1, 2019 through February 28, 2019, we exited approximately \$1.0 billion of investment commitments. Of the total investment commitments exited, 84% were first lien senior secured loans, 15% were second lien senior secured loans and 1% were other equity securities. Of the approximately \$1.0 billion of exited investment commitments, 98% were floating rate, 1% were non-interest bearing and 1% were on non-accrual status. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 8.5% and the weighted average yield on total investments exited or repaid during the period at amortized cost was 8.3%. On the approximately \$1.0 billion of investment commitments exited from January 1, 2019 through February 28, 2019, we recognized total net realized gains of approximately \$2 million.

In addition, as of February 28, 2019, we had an investment backlog and pipeline of approximately \$920 million and \$75 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may sell all or a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will sell all or any portion of these investments.

Our Corporate Information

Our administrative offices are located at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, telephone number (310) 201-4200, and our principal executive offices are located at 245 Park Avenue, 44th Floor, New York, New York 10167, telephone number (212) 750-7300.

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SPECIFIC TERMS OF THE NOTES AND THE OFFERING

This prospectus supplement sets forth certain terms of the notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the notes. You should read this section together with the more general description of the notes under the heading "Description of Notes" in this prospectus supplement and in the accompanying prospectus under the heading "Description of Our Debt Securities" before investing in the notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the notes (as amended from time to time, the "indenture").

Issuer	Ares Capital Corporation
Securities	\$350,000,000 principal amount of % Convertible Notes due 2024 (plus up to an additional \$52,500,000 principal amount).
Maturity	March 1, 2024, unless earlier repurchased or converted.
Interest	% per year. Interest will accrue from , 2019 or from the most recent date on which interest was paid or duly provided for, and will be payable semiannually in arrears on March 1 and September 1 of each year, beginning on September 1, 2019.
Option	The underwriters may also purchase up to an additional \$52,500,000 total aggregate principal amount of notes offered hereby for settlement within a period of 13 days from, and including, the date notes are first issued hereunder.
Conversion Rights	<p>Holders may convert their notes at their option prior to the close of business (as defined below) on the business day (as defined below) immediately preceding December 1, 2023, only under the following circumstances:</p> <p>during any calendar quarter commencing after the calendar quarter ending on June 30, 2019 (and only during such calendar quarter), if the last reported sale price (as defined below) of the common stock for at least 20 trading days (as defined below) (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;</p> <p>during the five business day period after any ten consecutive trading day period (the "measurement period") in which the "trading price" (as defined under "Description of Notes Conversion Rights Conversion Upon Satisfaction of Trading Price Condition") per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or</p>

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upon the occurrence of specified corporate events described under "Description of Notes Conversion Rights Conversion Upon Specified Corporate Events."

On or after December 1, 2023, until the close of business on the second scheduled trading day (as defined herein) immediately preceding the maturity date, holders may convert their notes at the option of the holder regardless of the foregoing circumstances.

The conversion rate for the notes is initially shares per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$ per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to maturity, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances as described under "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change."

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of common stock, at our election. If we satisfy our conversion obligation in solely cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of our common stock, if any, due upon conversion will be based on a "daily conversion value" (as defined herein) calculated on a proportionate basis for each "VWAP trading day" in a 15 "VWAP trading day" "observation period" as described under "Description of Notes Conversion Rights Settlement Upon Conversion."

You will not receive any additional cash payment or additional shares of our common stock representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to you upon conversion of a note.

No Redemption

We may not redeem the notes prior to maturity, and no "sinking fund" is provided for the notes, which means that we are not required to redeem or retire the notes periodically.

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Fundamental Change

If we undergo a "fundamental change" (as defined in this prospectus supplement under "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes"), subject to certain conditions and a limited exception described in this prospectus supplement, holders may require us to repurchase for cash all or part of their notes. The fundamental change repurchase price (as defined herein) will be equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date (as defined below). See "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes."

Ranking

The notes will be our senior unsecured obligations and will rank:

senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the notes;

equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated, including without limitation, approximately \$3.2 billion principal amount of senior unsecured notes outstanding February 28, 2019 (including approximately \$388 million principal amount of the 2022 Convertible Notes (as defined below) outstanding);

effectively junior in right of payment to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness, including, without limitation, approximately \$1.9 billion aggregate principal amount of outstanding indebtedness as of February 28, 2019 under our revolving credit facility (the "Revolving Credit Facility"); and

structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities, including, without limitation, approximately \$470 million aggregate principal amount of outstanding indebtedness as of February 28, 2019 under the \$1.0 billion revolving funding facility of our consolidated subsidiary, Ares Capital CP Funding LLC (the "Revolving Funding Facility"), approximately \$245 million aggregate principal amount of outstanding indebtedness as of February 28, 2019 under the \$400 million revolving funding facility of our consolidated subsidiary, Ares Capital JB Funding LLC (the "SMBC Funding Facility" and together with the Revolving Credit Facility and the Revolving Funding Facility, the "Facilities").

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As of February 28, 2019, our total consolidated indebtedness was approximately \$5.8 billion aggregate principal amount, of which approximately \$1.9 billion was secured indebtedness at the Ares Capital level, and of which an aggregate of approximately \$715 million was indebtedness of our subsidiaries. After giving effect to the issuance of the notes (assuming no exercise of the underwriters' option to purchase additional notes) and assuming the proceeds therefrom are used to repay outstanding borrowings under the Revolving Credit Facility, the Revolving Funding Facility and/or the SMBC Funding Facility, our total consolidated indebtedness would have been approximately \$5.8 billion principal amount as of February 28, 2019. See "Capitalization."

The indenture governing the notes does not limit the amount of debt that we or our subsidiaries may incur.

Use of Proceeds

We estimate that the proceeds from this offering will be approximately \$ million (or approximately \$ million if the underwriters exercise their option to purchase additional notes in full), after deducting fees and estimated expenses. We intend to use the net proceeds from this offering to repay or repurchase certain outstanding indebtedness under the Revolving Credit Facility, the Revolving Funding Facility and/or the SMBC Funding Facility. We may reborrow under these credit facilities for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective. See "Use of Proceeds."

Book-Entry Form

The notes will initially be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Absence of a Public Market for the Notes

The notes are new securities, and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any dealer quotation system.

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U.S. Federal Income Tax Consequences	For the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock, see "Certain Material U.S. Federal Income Tax Considerations."
NASDAQ Global Select Market Symbol for Our Common Stock	Our common stock is listed on The NASDAQ Global Select Market under the symbol "ARCC."
Trustee, Paying Agent and Conversion Agent	U.S. Bank National Association.

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

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

Sales load for conversion of notes		
Expenses for conversion of notes		(1)
	Up to \$15	
Dividend reinvestment plan expenses	Transaction Fee	(2)
Total stockholder transaction expenses paid		

Annual expenses (as a percentage of consolidated net assets attributable to common stock)(3):

Base management fees	2.59%(4)
Income based fees and capital gains incentive fees (excluding the Fee Waiver (as defined below))	2.79%(5)
Interest payments on borrowed funds	3.33%(6)
Other expenses	0.83%(7)
Acquired fund fees and expenses	1.55%(8)
Total annual expenses	11.09%(9)
Fee Waiver	(0.42%)(10)
Total annual expenses after the Fee Waiver	10.67%(9)(10)

(1) The expenses of converting the notes are included in "Other expenses."

(2) The expenses of the dividend reinvestment plan are included in "Other expenses." The plan administrator's fees under the plan are paid by us. If a participant elects by notice to the plan administrator in advance of termination to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a transaction fee of up to \$15 plus a \$0.12 per share fee from the proceeds. See "Dividend Reinvestment Plan" for more information.

(3) The "consolidated net assets attributable to common stock" used to calculate the percentages in this table is our average net assets of \$7.2 billion for the year ended December 31, 2018.

(4) Our base management fee is currently 1.5% of our total assets (other than cash and cash equivalents) (which includes assets purchased with borrowed amounts). Our base management fee has been estimated by multiplying our average total assets (assuming we maintain no cash or cash equivalents) for the year ended December 31, 2018 by 1.5%. The 2.59% reflected on the table is higher than 1.5% because it is calculated on our average net assets (rather than our average total assets) for the same period. See

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"Management Investment Advisory and Management Agreement." In connection with our board of directors approving the modification of the asset coverage requirement applicable to senior securities from 200% to 150% effective on June 21, 2019 (unless we receive earlier stockholder approval), the investment advisory and management agreement will be amended effective June 21, 2019 (or such earlier date) to reduce our annual base management fee from 1.5% to 1.0% on all assets financed using leverage over 1.0x debt to equity.

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(5)

This item represents our investment adviser's income based fees and capital gains incentive fees estimated based on actual income based fees for the year ended December 31, 2018 without taking into account the Fee Waiver, and the capital gains incentive fee expense accrued in accordance with U.S. generally accepted accounting principles ("GAAP") for the year ended December 31, 2018, even though the capital gains incentive fee actually payable under the investment advisory and management agreement as of December 31, 2018 was \$50 million.

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

For purposes of this table, we have assumed that these fees will be payable (in the case of the capital gains incentive fee) and that they will remain constant, although they are based on our performance and will not be paid unless we achieve certain goals. We expect to invest or otherwise utilize all of the net proceeds from this offering within three months of the date of this prospectus supplement and may have capital gains and interest income that could result in the payment of these fees to our investment adviser in the first year after completion of this offering. Since our initial public offering through December 31, 2018, the average quarterly fees accrued related to income based fees and capital gains incentive fees (including capital gains incentive fees accrued under GAAP even though they may not be payable) have been approximately 0.64% of our weighted average net assets for such period (2.57% on an annualized basis). For more detailed information on the calculation of our income based fees and capital gains incentive fees, please see below. For more detailed information about income based fees and capital gains incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements for the year ended December 31, 2018.

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

Capital gains incentive fees are payable annually in arrears in an amount equal to 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any,

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computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of capital gains incentive fees paid in all prior years.

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

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

See "Management Investment Advisory and Management Agreement."

- (6) "Interest payments on borrowed funds" represents our interest expenses estimated based on our actual interest and credit facility expenses incurred for the year ended December 31, 2018. During the year ended December 31, 2018, our average outstanding borrowings were approximately \$4.8 billion and cash paid for interest expense was \$201 million. We had outstanding borrowings of approximately \$5.3 billion (with a carrying value of approximately \$5.2 billion) as of December 31, 2018. This item is based on the assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we may employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us." in the accompanying prospectus. We are currently allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). See "Risk Factors Risks Relating to Our Business Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement will reduce from 200% to 150%, which may increase the risk of investing with us." in the accompanying prospectus.
- (7) Includes our overhead expenses, including payments under our administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, and income taxes. Such expenses are estimated based on actual "Other expenses" for the year ended December 31, 2018. The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses. See "Management Administration Agreement."
- (8) Our stockholders indirectly bear the expenses of underlying funds or other investment vehicles that would be investment companies under section 3(a) of the Investment Company Act but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the Investment Company Act ("Acquired Funds") in which we invest. Such underlying funds or other investment vehicles are referred to in this prospectus as "Acquired Funds." This amount is estimated based on the estimated annual fees and operating expenses of Acquired Funds in which the Company is invested as of December 31, 2018. Certain of these Acquired Funds are subject to management

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fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% and 25% of net profits. When applicable, fees and operating expenses estimates are based on historic fees and operating expenses for the Acquired Funds. For those Acquired Funds with little or no operating history, fees and operating expenses are estimates based on expected fees and operating expenses stated in the Acquired Funds' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and operating expenses for these Acquired Funds may be substantially higher or lower because certain fees and operating expenses are based on the performance of the Acquired Funds, which may fluctuate over time. Also included with the amount is an estimate of the annual fees and operating expenses of the SDLP. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity Co-Investment Program Senior Direct Lending Program" and Note 4 to our consolidated financial statements for the year ended December 31, 2018 for more information on the SDLP. The annual fees and operating expenses of the SDLP were estimated based on the funded portfolio of the SDLP as of December 31, 2018 and include interest payments on the senior notes and intermediate funding notes provided by Varagon and its clients, which represent 90% of such expenses.

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

(10) In connection with our acquisition of American Capital, Ltd. ("American Capital") (the "American Capital Acquisition"), our investment adviser has agreed to waive up to \$100 million in income based fees from us for the first ten calendar quarters beginning with the second quarter of 2017 and ending with the third quarter of 2019, in an amount equal to the lesser of (1) \$10 million of income based fees and (2) the amount of income based fees for each such quarter, in each case, to the extent payable by us in such quarter pursuant to and as calculated under our investment advisory and management agreement (the "Fee Waiver"). This item represents the estimated adjustment of \$30 million for 2019 to our investment adviser's income based fees to take into account the Fee Waiver.

Example

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

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in the example, except as specifically set forth below. Transaction expenses are not included in the following example.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return (none of which is subject to the capital gains incentive fee)(1)	\$ 85	\$ 246	\$ 396	\$ 728
You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return resulting entirely from net realized capital gains (all of which is subject to the capital gains incentive fee)(2)	\$ 95	\$ 274	\$ 439	\$ 798

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

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

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

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

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RISK FACTORS

You should carefully consider the risk factors described below and under the caption "Risk Factors" in the accompanying prospectus, together with all of the other information included in this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and the related notes thereto, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the net asset value of our common stock and the trading price, if any, of our securities could decline, and you may lose all or part of your investment. As used in "Risks Relating to the Notes and Ownership of our Common Stock" below, "we," "us," "our," "the Company" and "Ares Capital" refer to Ares Capital Corporation and not to its consolidated subsidiaries. Otherwise, in this "Risk Factors" section, unless the context otherwise requires, such terms refer to Ares Capital Corporation and its consolidated subsidiaries.

RISKS RELATING TO THE NOTES AND OWNERSHIP OF OUR COMMON STOCK

The notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the notes are effectively subordinated, or junior, to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the notes. As of February 28, 2019, we had \$1.9 billion aggregate principal amount of outstanding indebtedness under the Revolving Credit Facility. The Revolving Credit Facility is secured by certain assets in our portfolio and excludes investments held by Ares Capital CP Funding LLC ("Ares Capital CP") under the Revolving Funding Facility, those held by Ares Capital JB Funding LLC ("ACJB") under the SMBC Funding Facility and certain other investments; the indebtedness thereunder is therefore effectively senior to the notes to the extent of the value of such assets.

The notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The notes are obligations exclusively of Ares Capital and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the notes and the notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A significant portion of the indebtedness required to be consolidated on our balance sheet is held through subsidiary financing vehicles and secured by certain assets of such subsidiaries. For example, the secured indebtedness with respect to the Revolving Funding Facility and the SMBC Funding Facility are held through our consolidated subsidiaries, Ares Capital CP and ACJB, respectively. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Debt Capital Activities" for more detail on the Revolving Funding Facility and the SMBC Funding Facility.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our subsidiaries

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will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. As of February 28, 2019 we had \$470 million aggregate principal amount of outstanding indebtedness under the Revolving Funding Facility and \$245 million aggregate principal amount of outstanding indebtedness under the SMBC Funding Facility.

All of such indebtedness would be structurally senior to the notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the notes.

Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on the common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating short selling of securities or equity swaps or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in the notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

The SEC and other regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). These rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc., and the national securities exchanges of a "limit up-limit down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts investors' ability to effect short sales of our common stock or enter into equity swaps on our common stock could depress the trading price of, and the liquidity of the market for, the notes.

In addition, the liquidity of the market for our common stock may decline, which could reduce the number of shares available for lending in connection with short sale transactions and the number of counterparties willing to enter into an equity swap on our common stock with a note investor. If investors and potential purchasers seeking to employ a convertible note arbitrage strategy are unable to borrow or enter into equity swaps on our common stock on commercially reasonable terms, then the trading price of, and the liquidity of the market for, the notes may significantly decline.

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Volatility in the market price and trading volume of our common stock could adversely impact the trading price of the notes.

The stock market over the past several years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this prospectus supplement and the accompanying prospectus or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our portfolio companies or competitors regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely impact the trading price of the notes. The price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of the notes.

In addition, the capital and credit markets have experienced periods of volatility and disruption over the past several years. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, regardless of our operating results.

We are required to continue to meet certain listing standards in order for our common stock to remain listed on the Nasdaq. If we were to be delisted by the Nasdaq, the liquidity of our common stock would be materially impaired.

We may not have, or have the ability to raise, the funds necessary to settle conversions of the notes or to repurchase the notes upon a fundamental change, and our debt may contain limitations on our ability to pay cash or deliver shares of our common stock upon conversion or repurchase of the notes.

Holders of the notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, as described under "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes." In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the notes being converted as described under "Description of Notes Conversion Rights Settlement Upon Conversion." However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or notes being converted. In addition, our ability to repurchase the notes or to pay cash upon conversions of the notes may be limited by law, by regulatory authority or by agreements governing our indebtedness, including our Revolving Credit Facility. We will not pay cash upon conversion or repurchase of the notes if prohibited by our current or future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes or make cash payments upon conversions thereof.

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The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option. See "Description of Notes Conversion Rights" If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

The accounting method for convertible debt securities that may be settled in cash, such as the notes, is the subject of recent changes that could have a material effect on our reported financial results.

The accounting method for reflecting the notes on our balance sheet, accruing interest expense for the notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition.

We expect that, under applicable accounting principles, the initial liability carrying amount of the notes will be the fair value of a similar debt instrument that does not have a conversion feature, valued using our cost of capital for straight, unconvertible debt. We expect to reflect the difference between the net proceeds from this offering and the initial carrying amount as a debt discount for accounting purposes, which will be amortized into interest expense over the term of the notes. As a result of this amortization, the interest expense that we expect to recognize for the notes for accounting purposes will be greater than the cash interest payments we will pay on the notes, which will result in lower reported income or higher reported loss. The lower reported income or higher reported loss resulting from this accounting treatment could depress the trading price of our common stock and the notes.

In addition, because we currently intend to settle conversions by paying the conversion value in cash up to the principal amount being converted and any excess in shares, we expect to be eligible to use the treasury stock method of accounting to reflect the shares underlying the notes in our diluted earnings per share. Under this method, if the conversion value of the notes exceeds their principal amount for a reporting period, then we will calculate our diluted earnings per share assuming that all the notes were converted and that we issued shares of our common stock to settle the excess. However, if reflecting the notes in diluted earnings per share in this manner is anti-dilutive, or if the conversion value of the notes does not exceed their principal amount for a reporting period, then the shares underlying the notes will not be reflected in our diluted earnings per share. In addition, if accounting standards change in the future and we are not permitted to use the treasury stock method of accounting, then our diluted earnings per share may decline.

Furthermore, if any of the conditions to the convertibility of the notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the notes as a current, rather than a long-term, liability. This reclassification could be required even if no noteholders convert their notes and could materially reduce our reported working capital.

Future sales of our common stock in the public market or issuance of securities senior to our common stock could lower the market price for our common stock and adversely impact the value of the notes.

We periodically access the capital markets to raise cash to fund new investments. We are regularly in discussions with third parties regarding potential capital raising opportunities, both in the public debt and equity capital markets as well as in the private markets. In the future, we may sell additional shares of our common stock or equity-related securities to raise capital. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock or the value of the notes. As permitted by the Maryland General Corporation Law, our

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charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of the notes and the market price of our common stock and impair our ability to raise capital through the sale of additional securities. See "Risk Factors Risks Relating to Our Business Our ability to grow depends on our ability to raise capital." in the accompanying prospectus.

Holders of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.

Holders of notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date (as defined below) relating to such notes, if any (if we have elected to settle the relevant conversion by delivering solely shares of our common stock, other than cash in lieu of any fractional share) or the last VWAP trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), but holders of notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date related to a holder's conversion of its notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock, other than cash in lieu of any fractional share) or the last VWAP trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

The conditional conversion feature of the notes could result in your receiving less than the value of our common stock into which the notes would otherwise be convertible.

Prior to the close of business on the business day immediately preceding December 1, 2023, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the cash, common stock or a combination of cash and common stock, as applicable, into which the notes would otherwise be convertible.

Upon conversion of the notes, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your conversion right but before we settle our conversion obligation.

Under the notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation.

Upon conversion of the notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to satisfy our conversion obligation in cash or a combination of cash and shares of our common stock, the amount of consideration that you will receive upon conversion of your notes will be determined by reference to the volume weighted average prices of our common stock for each VWAP trading day in a 15 VWAP trading day observation period. As described under "Description of Notes Conversion

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Rights Settlement Upon Conversion," this period would be (i) if the relevant conversion date occurs prior to December 1, 2023, the 15 consecutive VWAP trading day period beginning on, and including, the second VWAP trading day after such conversion date; and (ii) if the relevant conversion date occurs on or after December 1, 2023, the 15 consecutive VWAP trading days beginning on, and including, the 16th scheduled trading day immediately preceding the maturity date. Accordingly, if the price of our common stock decreases during this period, the amount and/or value of consideration you receive will be adversely affected. In addition, if the market price of our common stock at the end of such period is below the average of the volume weighted average price of our common stock during such period, the value of any shares of our common stock that you will receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares that you will receive.

If we elect to satisfy our conversion obligation in solely shares of our common stock upon conversion of the notes, we will be required to deliver the shares of our common stock, together with cash for any fractional share, on the second business day following the relevant conversion date (provided that we will settle on the maturity date (or, if the maturity date is not a business day, the immediately following business day) any conversions to which physical settlement applies and whose conversion date occurs after the regular record date immediately preceding the maturity date). Accordingly, if the price of our common stock decreases during this period, the value of the shares that you receive will be adversely affected and would be less than the conversion value of the notes on the conversion date.

The notes are not protected by restrictive covenants; we may incur substantially more debt or take other actions that would intensify the risks described herein.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change or other corporate transaction involving us except to the extent described under "Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes," "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change" and "Description of Notes Consolidation, Merger and Sale of Assets."

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in the Investment Company Act and our debt instruments, some of which may be secured debt. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due. See "Risk Factors Risks Relating to Our Business We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us" in the accompanying prospectus.

The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction.

If a make-whole fundamental change (as defined herein) occurs prior to maturity, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common

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stock in such transaction, as described below under "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change." The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than \$ _____ per share or less than \$ _____ (in each case, subject to adjustment), no additional shares will be added to the conversion rate.

Moreover, in no event will the conversion rate exceed _____ shares per \$1,000 principal amount of notes, subject to adjustments in the same manner as the conversion rate as set forth under "Description of Notes Conversion Rights Conversion Rate Adjustments."

Our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends above a specified threshold and certain issuer tender or exchange offers as described under "Description of Notes Conversion Rights Conversion Rate Adjustments." However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to repurchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

Provisions of the notes could discourage an acquisition of us by a third party.

Certain provisions of the notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of \$1,000. We may also be required to increase the conversion rate in the event of certain transactions constituting a make-whole fundamental change. These provisions could discourage an acquisition of us by a third party.

We cannot assure you that an active trading market will develop for the notes.

The notes are a new issue of securities and there is no existing trading market for the notes. We do not intend to apply to list the notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. We have been informed by the underwriters that they currently

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intend to make a market in the notes after the offering is completed. However, the underwriters may cease their market making at any time without notice. In addition, any market making activity will be subject to limits imposed by law. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case you may not be able to sell your notes at a particular time or you may not be able to sell your notes at a favorable price.

Any adverse rating of the notes may cause their trading price to fall.

If a rating service were to rate the notes and if such other rating service, were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announces its intention to put the notes on credit watch, the trading price of the notes could decline.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes will be adjusted in certain circumstances, which may, in some circumstances (generally including adjustments to the conversion rate to compensate holders of the notes for distributions of cash or property to our stockholders), result in a deemed distribution to a holder of our notes even though they have not received any cash or property as a result of such adjustments. Adjustments to the conversion rate made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the U.S. Holders of the notes generally will not be deemed to result in such a distribution. Any deemed distribution will be taxed in the same manner as an actual distribution even if a holder of the notes has not received any cash or property as a result of such adjustments. Applicable withholding taxes (including backup withholding) may apply to any deemed dividends. If any withholding taxes (including backup withholding) are paid on behalf of a holder, then those withholding taxes may be withheld from future interest and payments upon the sale, exchange, redemption, retirement or other taxable disposition of the notes. For a discussion of the U.S. federal income tax treatment of an adjustment to the conversion rate, see "Certain Material U.S. Federal Income Tax Considerations."

The notes may be issued with original issue discount for United States federal income tax purposes.

The stated principal amount of the notes may exceed their issue price (as defined below under "Certain Material U.S. Federal Income Tax Considerations Tax Consequences to U.S. Holders of Notes Original Issue Discount") by an amount that equals or exceeds the statutory de minimis amount and, accordingly, the notes may be issued with original issue discount for U.S. federal income tax purposes in an amount equal to such excess. If the notes are issued with original issue discount, U.S. Holders (as defined below under "Certain Material U.S. Federal Income Tax Considerations Tax Consequences to U.S. Holders of Notes") will be required to include such original issue discount in their gross income as it accrues, in advance of their receipt of cash attributable to such original issue discount. See "Certain Material U.S. Federal Income Tax Considerations."

Our credit ratings may not reflect all risks of an investment in the notes.

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

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Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf, (ii) any Internal Corporate Claim, as such term is defined in Section 1-101(p) of the Maryland General Corporation Law, as amended (the "MGCL"), including, without limitation, (a) any action asserting a claim of breach of any duty owed by any of our directors or officers or other employees to us or to our stockholders or (b) any action asserting a claim against us or any of our directors or officers or other employees arising pursuant to any provision of the MGCL or our charter or bylaws or (iii) any action asserting a claim against us or any of our directors or officers or other employees that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in our shares shall be deemed to have notice of and to have consented and waived any objection to this exclusive forum provision of our bylaws, as the same may be amended from time to time. Our board of directors, without stockholder approval, adopted this exclusive forum provision so that we can respond to such litigation more efficiently, reduce the costs associated with our responses to such litigation, particularly litigation that might otherwise be brought in multiple forums, and make it less likely that plaintiffs' attorneys will be able to employ such litigation to coerce us into otherwise unjustified settlements. However, this exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that such stockholder believes is favorable for disputes with us or our directors, officers or other employees, if any, and may discourage lawsuits against us and our directors, officers or other employees, if any. We believe the risk of a court declining to enforce this exclusive forum provision is remote, as the General Assembly of Maryland has specifically amended the MGCL to authorize the adoption of such provision. However, if a court were to find such provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings notwithstanding that the MGCL expressly provides that the charter or bylaws of a Maryland corporation may require that any Internal Corporate Claim be brought only in courts sitting in one or more specified jurisdictions, we may incur additional costs that we do not currently anticipate associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition and results of operations.

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

Conflicts may arise in allocating and structuring investments, time, services, expenses or resources among the investment activities of Ares funds, Ares, other Ares-affiliated entities and the employees of Ares. Certain of our executive officers and directors, and members of the investment committee of our investment adviser, serve or may serve as officers, directors or principals of other entities and affiliates of our investment adviser and investment funds managed by our investment adviser or its affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders' best interests or may require them to devote time to services for other entities, which could interfere with the time available to provide services to us. Members of our investment adviser's investment committee may have significant responsibilities for other Ares funds. Similarly, although the professional staff of our investment adviser will devote as much time to the management of us as appropriate to enable our investment adviser to perform its duties in accordance with the investment advisory and management agreement, the investment professionals of our investment adviser may have conflicts in allocating their time and services among us, on the one hand, and investment vehicles managed by our investment adviser or one or more of its affiliates, on the other hand. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of our investment adviser and its officers and employees will not be devoted exclusively to our business but will instead be allocated between our business and the management of these other investment vehicles.

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

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

We pay a base management fee, an income based fee and a capital gains incentive fee to our investment adviser, and reimburse our investment adviser for certain expenses it incurs. Ares, from time to time, incurs fees, costs, and expenses on behalf of more than one fund. To the extent such fees, costs, and expenses are incurred for the account or benefit of more than one fund, each such fund will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which such expense relates (subject to the terms of each fund's governing documents) or in such other manner as Ares considers fair and equitable under the circumstances such as the relative fund size or capital available to be invested by such funds. Where a fund's governing documents do not permit the payment of a particular expense, Ares will generally pay such fund's allocable portion of such expense. In addition, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve if distributions were made on a gross basis.

Our investment adviser's base management fee is based on a percentage of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and, consequently, our investment adviser may have conflicts of interest in connection with decisions that could affect our total assets, such as decisions as to whether to incur indebtedness or to make future investments. We are currently allowed to borrow amounts such that our asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after such borrowing. Effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by

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senior securities issued by us). Accordingly, our investment adviser may have conflicts of interest in connection with decisions to use increased leverage permitted under our modified asset coverage requirement applicable to senior securities, as the incurrence of such additional indebtedness would result in an increase in the base management fees payable to our investment adviser and may also result in an increase in the income based fees and capital gains incentive fees payable to our investment adviser.

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

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

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

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

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

Our stockholders may have conflicting investment, tax and other objectives with respect to their investments in us. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of our investments, the structure or the acquisition of our investments, and the timing of dispositions of our investments. As a consequence, conflicts of interest may arise in connection with decisions made by our investment adviser, including with respect to the nature or structuring of our investments, that may be more beneficial for one stockholder than for another

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stockholder, especially with respect to stockholders' individual tax situations. In selecting and structuring investments appropriate for us, our investment adviser will consider the investment and tax objectives of the Company and our stockholders, as a whole, not the investment, tax or other objectives of any stockholder individually.

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

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the information resources of us or our portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our portfolio companies for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. We and our investment adviser's employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to business relationships. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. As our and our portfolio companies' reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by Ares Management and third-party service providers, and the information systems of our portfolio companies. Ares Management has implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that a cyber incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident. In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage.

Because the notes will initially be held in book-entry form, noteholders must rely on DTC's procedures to exercise their rights and remedies.

We will initially issue the notes in the form of one or more "global notes" registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in global notes will be shown on, and transfers of global notes will be effected only through, the records maintained by DTC. Except in limited circumstances, we will not issue certificated notes. See "Description of Notes Book Entry, Settlement and Clearance." Accordingly, if you own a beneficial interest in a global note, then you will not be considered an owner or holder of the notes. Instead, DTC or its nominee will be the sole holder of the notes. Payments of principal, interest and other amounts on global notes will be made to the paying agent, who will remit the payments to DTC. We expect that DTC will then credit those payments to the DTC participant accounts that hold book-entry interests in the global notes and that those participants will credit the payments to indirect DTC participants. Unlike persons who have certificated notes registered in their names, owners of beneficial interests in global notes will not have the direct right to act on our solicitations for consents or requests for waivers or other actions from noteholders. Instead, those beneficial owners will be permitted to act only to the extent that they have received appropriate proxies to do so from DTC or, if applicable, a DTC participant. The applicable procedures for the granting of these proxies may not be sufficient to enable owners of beneficial interests in global notes to vote on any requested actions on a timely basis.

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SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL

The following selected financial and other data as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, are derived from our consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in the accompanying prospectus. The quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities," which are included elsewhere in this prospectus supplement or the accompanying prospectus.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA

As of and For the Years Ended December 31, 2018, 2017, 2016 2015 and 2014
(dollar amounts in millions, except per share data and as otherwise indicated)

	As of and For the Years Ended December 31,				
	2018	2017	2016	2015	2014
Total Investment Income	\$ 1,337	\$ 1,160	\$ 1,012	\$ 1,025	\$ 989
Total Expenses, Net of Waiver of Income Based Fees	624	630	497	499	533
Net Investment Income Before Income Taxes	713	530	515	526	456
Income Tax Expense, Including Excise Tax	19	19	21	18	18
Net Investment Income	694	511	494	508	438
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Other Transactions and Extinguishment of Debt	164	156	(20)	(129)	153
Net Increase in Stockholders' Equity Resulting from Operations	\$ 858	\$ 667	\$ 474	\$ 379	\$ 591
Per Share Data:					
Net Increase in Stockholders' Equity Resulting from Operations:					
Basic	\$ 2.01	\$ 1.57	\$ 1.51	\$ 1.20	\$ 1.94
Diluted	\$ 2.01	\$ 1.57	\$ 1.51	\$ 1.20	\$ 1.94
Cash Dividends Declared and Payable(1)	\$ 1.54	\$ 1.52	\$ 1.52	\$ 1.57	\$ 1.57
Net Asset Value	\$ 17.12	\$ 16.65	\$ 16.45	\$ 16.46	\$ 16.82
Total Assets(2)	\$ 12,895	\$ 12,347	\$ 9,245	\$ 9,507	\$ 9,454
Total Debt (Carrying Value)(2)	\$ 5,214	\$ 4,854	\$ 3,874	\$ 4,114	\$ 3,881
Total Debt (Principal Amount)	\$ 5,297	\$ 4,943	\$ 3,951	\$ 4,197	\$ 3,999
Total Stockholders' Equity	\$ 7,300	\$ 7,098	\$ 5,165	\$ 5,173	\$ 5,284
Other Data:					
Number of Portfolio Companies at Period End(3)	344	314	218	218	205
Principal Amount of Investments Purchased(4)	\$ 7,176	\$ 7,263	\$ 3,490	\$ 3,905	\$ 4,534
Principal Amount of Investments Acquired as part of the American Capital Acquisition on the Acquisition Date	\$	\$ 2,543	\$	\$	\$
Principal Amount of Investments Sold and Repayments	\$ 6,440	\$ 7,107	\$ 3,655	\$ 3,651	\$ 3,213
Total Return Based on Market Value(5)	8.9%	4.5%	26.4%	1.3%	(3.3)%
Total Return Based on Net Asset Value(6)	12.1%	10.5%	9.2%	7.2%	11.8%
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(7)	10.3%	9.8%	9.4%	10.3%	10.1%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(7)	10.2%	9.7%	9.3%	10.1%	10.1%
Weighted Average Yield of Total Investments at Fair Value(8)	9.3%	8.7%	8.5%	9.2%	9.1%
Weighted Average Yield of Total Investments at Amortized Cost(8)	9.0%	8.7%	8.5%	9.1%	9.3%

(1)

Includes an additional dividend of \$0.05 per share paid in the year ended December 31, 2015 and an additional dividend of \$0.05 per share paid in the year ended December 31, 2014.

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- (2) Certain prior year amounts have been reclassified to conform to the 2018 presentation. In particular, unamortized debt issuance costs were previously included in other assets and were reclassified to long-term debt as a result of the adoption of Accounting Standards Update ("ASU") 2015-03, Interest-Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs, during the first quarter of 2016.
- (3) Includes commitments to portfolio companies for which funding had yet to occur.
- (4) Excludes \$2.5 billion of investments acquired as part of the American Capital Acquisition on the Acquisition Date.
- (5) For the year ended December 31, 2018, the total return based on market value equaled the decrease of the ending market value at December 31, 2018 of \$15.58 per share from the ending market value at December 31, 2017 of \$15.72 per share plus the declared and payable dividends of \$1.54 per share for the year ended December 31, 2018, divided by the market value at December 31, 2017. For the year ended December 31, 2017, the total return based on market value equaled the decrease of the ending market value at December 31, 2017 of \$15.72 per share from the ending market value at December 31, 2016 of \$16.49 per share plus the declared and payable dividends of \$1.52 per share for the year ended December 31, 2017, divided by the market value at December 31, 2016. For the year ended December 31, 2016, the total return based on market value equaled the increase of the ending market value at December 31, 2016 of \$16.49 per share from the ending market value at December 31, 2015 of \$14.25 per share plus the declared and payable dividends of \$1.52 per share for the year ended December 31, 2016, divided by the market value at December 31, 2015. For the year ended December 31, 2015, the total return based on market value equaled the decrease of the ending market value at December 31, 2015 of \$14.25 per share from the ending market value at December 31, 2014 of \$15.61 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2015, divided by the market value at December 31, 2014. For the year ended December 31, 2014, the total return based on market value equaled the decrease of the ending market value at December 31, 2014 of \$15.61 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2014, divided by the market value at December 31, 2013. Our shares fluctuate in value. Our performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (6) For the year ended December 31, 2018, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.54 per share for the year ended December 31, 2018, divided by the beginning net asset value for the period. For the year ended December 31, 2017, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.52 per share for the year ended December 31, 2017, divided by the beginning net asset value for the period. For the year ended December 31, 2016, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.52 per share for the year ended December 31, 2016, divided by the beginning net asset value for the period. For the year ended December 31, 2015, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2015, divided by the beginning net asset value for the period. For the year ended December 31, 2014, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2014 divided by the beginning net asset value for the period. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan and the issuance of common stock in connection with any equity offerings and the equity components of any convertible notes issued during the period. Our performance changes

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over time and currently may be different than that shown. Past performance is no guarantee of future results.

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

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

	2018			
	Q4	Q3	Q2	Q1
Total investment income	\$ 345	\$ 342	\$ 333	\$ 317
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees, net of waiver of income based fees	\$ 229	\$ 225	\$ 210	\$ 192
Income based fees, and capital gains incentive fees, net of waiver of income based fees	\$ 26	\$ 40	\$ 48	\$ 48
Net investment income before net realized and unrealized gains (losses)	\$ 203	\$ 185	\$ 162	\$ 144
Net realized and unrealized gains (losses)	\$ (50)	\$ 24	\$ 92	\$ 98
Net increase in stockholders' equity resulting from operations	\$ 153	\$ 209	\$ 254	\$ 242
Basic and diluted earnings per common share	\$ 0.36	\$ 0.49	\$ 0.60	\$ 0.57
Net asset value per share as of the end of the quarter	\$ 17.12	\$ 17.16	\$ 17.05	\$ 16.84

	2017			
	Q4	Q3	Q2	Q1
Total investment income	\$ 307	\$ 294	\$ 284	\$ 275
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees, net of waiver of income based fees	\$ 185	\$ 175	\$ 154	\$ 142
Income based fees, and capital gains incentive fees, net of waiver of income based fees	\$ 45	\$ 22	\$ 30	\$ 48
Net investment income before net realized and unrealized gains (losses)	\$ 140	\$ 153	\$ 124	\$ 94
Net realized and unrealized gains (losses)	\$ 92	\$ (14)	\$ 54	\$ 24
Net increase in stockholders' equity resulting from operations	\$ 232	\$ 139	\$ 178	\$ 118
Basic and diluted earnings per common share	\$ 0.54	\$ 0.33	\$ 0.42	\$ 0.28
Net asset value per share as of the end of the quarter	\$ 16.65	\$ 16.49	\$ 16.54	\$ 16.50

	2016			
	Q4	Q3	Q2	Q1
Total investment income	\$ 261	\$ 258	\$ 245	\$ 248
Net investment income before net realized and unrealized gains (losses) and income based fees and capital gains incentive fees	\$ 157	\$ 164	\$ 144	\$ 147
Income based fees and capital gains incentive fees	\$ 19	\$ 27	\$ 39	\$ 33
Net investment income before net realized and unrealized gains (losses)	\$ 138	\$ 137	\$ 105	\$ 114
Net realized and unrealized gains (losses)	\$ (63)	\$ (28)	\$ 53	\$ 18
Net increase in stockholders' equity resulting from operations	\$ 75	\$ 109	\$ 158	\$ 132
Basic and diluted earnings per common share	\$ 0.24	\$ 0.35	\$ 0.50	\$ 0.42
Net asset value per share as of the end of the quarter	\$ 16.45	\$ 16.59	\$ 16.62	\$ 16.50

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the notes in this offering will be approximately \$ _____ million (or approximately \$ _____ million if the underwriters fully exercise their option to purchase additional notes), after deducting the underwriting discount of approximately \$ _____ million (or approximately \$ _____ million if the underwriters fully exercise their option to purchase additional notes) payable by us and estimated offering expenses of approximately \$ _____ million payable by us.

We expect to use the net proceeds of this offering to repay outstanding indebtedness under the Revolving Credit Facility (\$1.9 billion aggregate principal amount outstanding as of February 28, 2019), the Revolving Funding Facility (\$470 million aggregate principal amount outstanding as of February 28, 2019) and/or the SMBC Funding Facility (\$245 million aggregate principal amount outstanding as of February 28, 2019).

The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one-, two-, three- or six-month) plus an applicable spread of either 1.75% or 1.875% or an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of either 0.75% or 0.875%, in each case, determined monthly based on the total amount of the borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. As of February 28, 2019, the one, two, three and six month LIBOR was 2.49%, 2.57%, 2.63% and 2.69%, respectively. The Revolving Credit Facility consists of a \$414 million term loan tranche with a stated maturity date of March 30, 2023 and a \$1.7 billion revolving tranche. As of February 28, 2019, for \$1.6 billion of the revolving tranche of the Revolving Credit Facility, the expiration date is March 30, 2023, for \$50 million of the revolving tranche, the expiration date is January 4, 2022 and for the remaining \$45 million, the expiration date is May 4, 2020. The interest rate charged on the indebtedness incurred under the Revolving Funding Facility is based on LIBOR plus 2.00% per annum or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) plus 1.00% per annum. The Revolving Funding Facility is scheduled to expire on January 3, 2024 (subject to extension exercisable upon mutual consent). The interest rate charged on the indebtedness incurred under the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over a "base rate" (as defined in the agreements governing the SMBC Funding Facility), in each case, determined monthly based on the amount of the average borrowings outstanding under the SMBC Funding Facility. The SMBC Funding Facility is scheduled to expire on September 14, 2024 (subject to two one-year extension options exercisable upon mutual consent).

Affiliates of certain of the underwriters are lenders under the Revolving Credit Facility and/or the Revolving Funding Facility. Accordingly, affiliates of certain of the underwriters may receive more than 5% of the proceeds of this offering to the extent such proceeds are used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility and/or the Revolving Funding Facility.

We may reborrow under the credit facilities described above for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective.

Investing in portfolio companies could include investments in our investment backlog and pipeline that, as of February 28, 2019, were approximately \$920 million and \$75 million, respectively. Please note that the consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may sell all or a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will sell all or any portion of these investments.

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The following table sets forth our actual capitalization at December 31, 2018. You should read this table together with "Use of Proceeds" described in this prospectus supplement and our most recent balance sheet included elsewhere in this prospectus supplement or the accompanying prospectus.

	As of December 31, 2018 (amounts in millions)
Cash and cash equivalents	\$ 296
Debt(1)	
Revolving Credit Facility	\$ 1,064
Revolving Funding Facility	520
SMBC Funding Facility	245
2019 Convertible Notes	300
2022 Convertible Notes	388
2020 Notes	600
2022 Notes	600
2023 Notes	750
2025 Notes	600
2047 Notes	230
Total Debt	5,297
Stockholders' Equity	
Common stock, par value \$0.001 per share, 600,000,000 common shares authorized, and 426,298,200 common shares issued and outstanding	
Capital in excess of par value	7,173
Accumulated undistributed earnings	127
Total stockholders' equity	7,300
Total capitalization	\$ 12,597

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- (1) The above table reflects the principal amount of indebtedness outstanding as of December 31, 2018. As of February 28, 2019, indebtedness under the Revolving Credit Facility, the Revolving Funding Facility and the SMBC Funding Facility were \$1.9 billion, \$470 million and \$245 million, respectively. The net proceeds from the sale of the notes are expected to be used to pay down outstanding indebtedness under the Revolving Credit Facility, the Revolving Funding Facility and/or the SMBC Funding Facility, and for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective. See "Use of Proceeds."

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

The information contained in this section should be read in conjunction with the "Selected Condensed Consolidated Financial Data of Ares Capital" and our financial statements and notes thereto appearing elsewhere in this prospectus supplement or the accompanying prospectus. Further, the financial information and other data set forth below subsequent to the completion of the American Capital Acquisition (as defined below) on January 3, 2017, reflect the results of the combined company and the financial information and other data prior to the completion of the American Capital Acquisition does not give effect to the American Capital Acquisition, unless otherwise noted. For this reason, period to period comparisons may not be meaningful.

OVERVIEW

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act").

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

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

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

Since our initial public offering ("IPO") on October 8, 2004 through December 31, 2018, our exited investments resulted in an asset level realized gross internal rate of return to us of approximately 14% (based on original cash invested, net of syndications, of approximately \$24.7 billion and total proceeds from such exited investments of approximately \$31.8 billion). Internal rate of return is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these expenses are not allocable to specific investments. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of a debt investment or sale of an investment or through the determination that no further consideration was collectible and, thus, a loss may have been realized. Approximately 63% of these exited investments resulted in an asset level realized gross internal rate of return to us of 10% or greater.

Additionally, since the closing of the American Capital Acquisition on January 3, 2017 through December 31, 2018, exited investments acquired in the American Capital Acquisition resulted in an asset level realized gross internal rate of return to us of approximately 37% (based on original amounts invested of approximately \$1.7 billion and total proceeds from such exited investments of approximately \$2.3 billion).

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Additionally, since our IPO on October 8, 2004 through December 31, 2018, our realized gains have exceeded our realized losses by approximately \$1.0 billion (excluding a one-time gain on the acquisition of Allied Capital Corporation ("Allied Capital") and realized gains/losses from the extinguishment of debt and other assets). For this same time period, our average annualized net realized gain rate was approximately 1.2% (excluding a one-time gain on the acquisition of Allied Capital and realized gains/losses from the extinguishment of debt and other assets). Net realized gain/loss rates for a particular period are the amount of net realized gains/losses during such period divided by the average quarterly investments at amortized cost in such period.

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

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

We have elected to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"), and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Code, for each year. Pursuant to this election, we generally will not have to pay U.S. federal corporate-level taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

American Capital Acquisition

On May 23, 2016, we entered into a definitive agreement (the "Merger Agreement") to acquire American Capital, Ltd. ("American Capital"), a Delaware corporation (the "American Capital Acquisition") in a cash and stock transaction valued at approximately \$4.2 billion. At January 3, 2017 (the "Acquisition Date"), the total cash and stock consideration paid by us was \$3.3 billion. In connection with the stock consideration, we issued approximately 112 million shares of our common stock to American Capital's then-existing stockholders (including holders of outstanding in-the-money American Capital stock options), thereby resulting in our then-existing stockholders owning approximately 73.7% of the combined company and then-existing American Capital stockholders owning approximately 26.3% of the combined company.

In connection with the American Capital Acquisition, Ares Capital Management agreed to waive, for each of the first ten calendar quarters beginning with the second quarter of 2017 and ending with the third quarter of 2019, the lesser of (x) \$10 million of income based fees and (y) the amount of income based fees for such quarter, in each case, to the extent payable by us in such quarter pursuant to and as calculated under our investment advisory and management agreement (the "Fee Waiver"). See Notes 3 and 16 to our consolidated financial statements for the year ended December 31, 2018 for additional information regarding the American Capital Acquisition.

Table of Contents**PORTFOLIO AND INVESTMENT ACTIVITY**

Our investment activity for the years ended December 31, 2018, 2017 and 2016 is presented below.

(dollar amounts in millions)	For the Years Ended December 31,		
	2018	2017	2016
New investment commitments(1)(5)(10):			
New portfolio companies	\$ 3,754	\$ 2,155	\$ 2,107
Existing portfolio companies	4,291	3,734	1,596
Total new investment commitments(2)	8,045	5,889	3,703
Less:			
Investment commitments exited(3)	6,476	5,593	3,844
Net investment commitments	\$ 1,569	\$ 296	\$ (141)
Principal amount of investments funded(5)(10):			
First lien senior secured loans	\$ 4,465	\$ 3,442	\$ 1,965
Second lien senior secured loans	1,607	1,491	987
Subordinated certificates of the SDLP(4)	252	222	272
Subordinated certificates of the SSLP			3
Senior subordinated loans	376	273	173
Preferred equity securities	130	120	37
Other equity securities	346	116	53
Total	\$ 7,176	\$ 5,664	\$ 3,490
Principal amount of investments sold or repaid(6):			
First lien senior secured loans	\$ 3,762	\$ 2,394	\$ 2,522
Second lien senior secured loans	1,657	1,536	903
Subordinated certificates of the SDLP(4)	88	4	2
Subordinated certificates of the SSLP(5)		474	
Senior subordinated loans	718	269	189
Collateralized loan obligations	71	150	
Preferred equity securities	80	275	4
Other equity securities	64	476	35
Total	\$ 6,440	\$ 5,578	\$ 3,655
Principal amount of investments acquired as part of the American Capital Acquisition on the Acquisition Date:			
First lien senior secured loans		\$ 550	
Second lien senior secured loans		855	
Senior subordinated loans		244	
Collateralized loan obligations		265	
Preferred equity securities		109	
Other equity securities		520	
Total		\$ 2,543	
Number of new investment commitments(5)(7)(10)	172	155	82
Average new investment commitment amount(5)(10)	\$ 47	\$ 38	\$ 45
Weighted average term for new investment commitments (in months)(5)(8)(10)	76	75	80
Percentage of new investment commitments at floating rates(5)(10)	94%	94%	91%
Percentage of new investment commitments at fixed rates(5)(10)	2%	4%	6%
Weighted average yield of debt and other income producing securities(5)(8)(10):			
Funded during the period at amortized cost	9.0%	9.0%	9.3%
Funded during the period at fair value(9)	9.1%	9.0%	9.2%
Exited or repaid during the period at amortized cost	9.2%	8.9%	8.5%
Exited or repaid during the period at fair value(9)	9.2%	8.9%	8.4%
Weighted average yield of debt and other income producing securities acquired as part of the American Capital Acquisition on the Acquisition Date:			
Funded during the period at amortized cost		10.0%	
Funded during the period at fair value(9)		10.0%	

(1)

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New investment commitments include new agreements to fund revolving loans or delayed draw loans. See "Off Balance Sheet Arrangements" as well as Note 7 to our consolidated financial statements for the year ended December 31, 2018, for more information on our commitments to fund revolving loans or delayed draw loans.

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- (2) Includes both funded and unfunded commitments. Of these new investment commitments, we funded \$6.6 billion, \$5.1 billion and \$3.3 billion for the years ended December 31, 2018, 2017 and 2016, respectively.
- (3) Includes both funded and unfunded commitments. For the years ended December 31, 2018, 2017 and 2016, investment commitments exited included exits of unfunded commitments of \$385 million, \$301 million and \$341 million, respectively.
- (4) See "Senior Direct Lending Program" below and Note 4 to our consolidated financial statements for the year ended December 31, 2018 for more information on the SDLP (as defined below).
- (5) In July 2017, in connection with the effective termination of Senior Secured Loan Fund LLC (d/b/a the "Senior Secured Loan Program" or the "SSLP"), we purchased \$1.6 billion in aggregate principal amount of first lien senior secured loans outstanding at par plus accrued and unpaid interest and fees from the SSLP (the "SSLP Loan Sale") and assumed the SSLP's remaining unfunded loan commitments totaling \$50 million. The loans purchased from the SSLP included loans to 10 different borrowers with a weighted average yield at amortized cost and fair value of 7.1% and 7.1%, respectively. Upon completion of the SSLP Loan Sale, the SSLP made a liquidation distribution to the holders of the subordinated certificates of the SSLP (the "SSLP Certificates"), of which Ares Capital received \$1.5 billion. The impact of these transactions is excluded from the information presented in the table. See "Senior Secured Loan Program" below and Note 4 to our consolidated financial statements for the year ended December 31, 2018 for more information on the SSLP.
- (6) For the years ended December 31, 2018 and 2017, the principal amount of investments sold or repaid included \$0.9 billion and \$1.1 billion, respectively, of investments acquired as part of the American Capital Acquisition.
- (7) Number of new investment commitments represents each commitment to a particular portfolio company or a commitment to multiple companies as part of an individual transaction (e.g., the purchase of a portfolio of investments).
- (8) "Weighted average yield of debt and other income producing securities" is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) the total accruing debt and other income producing securities at amortized cost or at fair value, as applicable.
- (9) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.
- (10) Excludes investments acquired as part of the American Capital Acquisition on the Acquisition Date. See Note 16 to our consolidated financial statements for the year ended December 31, 2018 for additional information regarding the American Capital Acquisition.

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

(in millions)	As of December 31,			
	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien senior secured loans	\$ 5,976	\$ 5,836	\$ 5,337	\$ 5,197
Second lien senior secured loans	3,878	3,657	3,885	3,744
Subordinated certificates of the SDLP(1)	652	652	487	487
Senior subordinated loans	717	727	978	995
Collateralized loan obligations	44	45	115	114
Preferred equity securities	576	444	485	532
Other equity securities	911	1,056	618	772
Total	\$ 12,754	\$ 12,417	\$ 11,905	\$ 11,841

(1)

The proceeds from these certificates were applied to co-investments with Varagon Capital Partners ("Varagon") and its clients to fund first lien senior secured loans to 21 and 19 different borrowers as of December 31, 2018 and 2017, respectively.

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

	As of December 31,			
	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities(1)	10.2%	10.3%	9.7%	9.8%
Total portfolio(2)	9.0%	9.3%	8.7%	8.7%
First lien senior secured loans(2)	8.4%	8.7%	7.9%	8.1%
Second lien senior secured loans(2)	10.4%	11.1%	9.7%	10.0%
Subordinated certificates of the SDLP(2)(3)	15.0%	15.0%	14.5%	14.5%
Senior subordinated loans(2)	12.7%	12.5%	13.0%	12.8%
Collateralized loan obligations	22.7%	22.2%	9.7%	9.7%
Income producing equity securities(2)	13.5%	13.4%	13.0%	13.0%

- (1) Weighted average yield of debt and other income producing securities" is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) the total accruing debt and other income producing securities at amortized cost or at fair value as applicable.
- (2) "Weighted average yields" are computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on the relevant accruing debt and other income producing securities, divided by (b) the total relevant investments at amortized cost or at fair value as applicable.
- (3) The proceeds from these certificates were applied to co-investments with Varagon and its clients to fund first lien senior secured loans.

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

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recoup our initial cost basis and may realize a substantial loss of our initial cost basis upon exit. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company. The grade of a portfolio investment may be reduced or increased over time.

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

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

(dollar amounts in millions)	As of December 31,								
	2018			2017					
	Fair Value	%	Number of Companies	Fair Value	%	Number of Companies	Fair Value	%	Number of Companies
Grade 1	\$ 107	0.9%	18	\$ 72	0.6%	16			
Grade 2	455	3.7%	12	343	2.9%	14			
Grade 3	10,680	85.9%	300	10,099	85.3%	268			
Grade 4	1,175	9.5%	14	1,327	11.2%	16			
Total	\$ 12,417	100.0%	344	\$ 11,841	100.0%	314			

As of December 31, 2018 and 2017, the weighted average grade of the investments in our portfolio at fair value was 3.0 and 3.1, respectively.

As of December 31, 2018, investments on non-accrual status represented 2.5% and 0.6% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2017, investments on non-accrual status represented 3.1% and 1.4% of the total investments at amortized cost and at fair value, respectively.

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

We have established a joint venture with Varagon to make certain first lien senior secured loans, including certain stretch senior and unitranche loans, primarily to U.S. middle market companies. Varagon was formed in 2013 as a lending platform by American International Group, Inc. and other partners. The joint venture is called the Senior Direct Lending Program LLC (d/b/a the "Senior Direct Lending Program" or the "SDLP"). In July 2016, we and Varagon and its clients completed the initial funding of the SDLP. The SDLP may generally commit and hold individual loans of up to \$300 million. The SDLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP consisting of representatives of ours and Varagon (with approval from a representative of each required).

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We provide capital to the SDLP in the form of subordinated certificates (the "SDLP Certificates"), and Varagon and its clients provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. As of December 31, 2018, we and a client of Varagon owned 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates.

As of December 31, 2018 and 2017, we and Varagon and its clients had agreed to make capital available to the SDLP of \$6.4 billion and \$2.9 billion, respectively, in the aggregate, of which \$1,444 million and \$591 million, respectively, is to be made available from us. This capital will only be committed to the SDLP upon approval of transactions by the investment committee of the SDLP. Below is a summary of the funded capital and unfunded capital commitments of the SDLP.

(in millions)	As of December 31,	
	2018	2017
Total capital funded to the SDLP(1)	\$ 3,104	\$ 2,319
Total capital funded to the SDLP by the Company(1)	\$ 652	\$ 487
Total unfunded capital commitments to the SDLP(2)	\$ 187	\$ 92
Total unfunded capital commitments to the SDLP by the Company(2)	\$ 39	\$ 19

(1) At principal amount.

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

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

The amortized cost and fair value of our SDLP Certificates held by us were \$652 million and \$652 million, respectively, as of December 31, 2018 and \$487 million and \$487 million, respectively, as of December 31, 2017. Our yield on our investment in the SDLP at amortized cost and fair value was 15.0% and 15.0%, respectively, as of December 31, 2018 and 14.5% and 14.5%, respectively, as of December 31, 2017. For the years ended December 31, 2018, 2017 and 2016, we earned interest income of \$87 million, \$52 million and \$13 million, respectively, from our investment in the SDLP Certificates. We are also entitled to certain fees in connection with the SDLP. For the years ended December 31, 2018, 2017 and 2016, in connection with the SDLP, we earned capital structuring service and other fees totaling \$16 million, \$11 million and \$6 million, respectively.

As of December 31, 2018 and 2017, the portfolio was comprised of all first lien senior secured loans primarily to U.S. middle market companies and were in industries similar to the companies in

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

(dollar amounts in millions)	As of December 31,	
	2018	2017
Total first lien senior secured loans(1)	\$ 3,086	\$ 2,316
Weighted average yield on first lien senior secured loans(2)	8.4%	7.6%
Largest loan to a single borrower(1)	\$ 249	\$ 200
Total of five largest loans to borrowers(1)	\$ 1,132	\$ 947
Number of borrowers in the SDLP	21	19
Commitments to fund delayed draw loans(3)	\$ 187	\$ 92

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

Selected financial information for the SDLP as of December 31, 2018 and December 31, 2017 and for the years ended December 31, 2018 and 2017, was as follows:

(in millions)	As of December 31,	
	2018	2017
Selected Balance Sheet Information:		
Investments at fair value (amortized cost of \$3,086 and \$2,316)	\$ 3,043	\$ 2,295
Other assets	92	57
 Total assets	 \$ 3,135	 \$ 2,352
 Senior notes	 \$ 2,189	 \$ 1,624
Intermediate funding notes	171	139
Other liabilities	54	35
 Total liabilities	 2,414	 1,798
Subordinated certificates and members' capital	721	554
 Total liabilities and members' capital	 \$ 3,135	 \$ 2,352

(in millions)	For the Years Ended December 31,	
	2018	2017
Selected Statement of Operations Information:		
Total interest and other income	\$ 232	\$ 135
Interest expense	116	63

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Other expenses	12	8
Total expenses	128	71
Net investment income	104	64
Net realized and unrealized losses on investments	(21)	(11)
Net increase in members' capital resulting from operations	\$ 83	\$ 53

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Table of Contents*SDLP Loan Portfolio as of December 31, 2018*

(dollar amounts in millions)		Maturity Date	Stated Interest Rate(1)	Principal Amount	Fair Value(2)
Portfolio Company	Business Description				
42 North Dental, LLC (fka Gentle Communications, LLC)(3)	Dental services provider	5/2022	8.4%	126.8	\$ 126.8
ADCS Billings Intermediate Holdings, LLC(3)	Dermatology practice	5/2022	8.3%	78.6	76.3
AEP Holdings, Inc.(3)(4)	Distributor of non-discretionary, mission-critical aftermarket replacement parts	8/2021	8.5%	160.0	156.8
BakeMark Holdings, Inc.(3)	Manufacturer and distributor of specialty bakery ingredients	8/2023	7.8%	247.8	247.7
Center for Autism and Related Disorders, LLC(3)	Autism treatment and services provider specializing in applied behavior analysis therapy	12/2022	6.5%	119.0	117.8
Chariot Acquisition, LLC(3)	Aftermarket golf cart parts and accessories	9/2021	9.3%	102.5	101.5
Chesapeake Research Review, LLC(3)	Provider of central institutional review boards over clinical trials	11/2023	8.6%	198.4	198.4
D4C Dental Brands, Inc.(3)	Dental services provider	12/2022	9.0%	161.1	161.1
Emergency Communications Network, LLC(3)	Provider of mission critical emergency mass notification solutions	6/2023	8.8%	221.2	214.7
EN Engineering, LLC(3)	National utility services firm providing engineering and consulting services to natural gas, electric power and other energy and industrial end markets	6/2021	7.0%	86.4	86.4
Excelligence Holdings Corporation(3)	Developer, manufacturer and retailer of educational products	4/2023	8.5%	147.6	127.2
Infogix, Inc.(3)(4)	Enterprise data analytics and integrity software solutions provider	4/2024	8.8%	126.8	126.8
ISS Compressors Industries, Inc.	Provider of repairs, refurbishments and services to the broader industrial end user markets	6/2020	9.4%	76.4	76.4
KeyImpact Holdings, Inc.(4)	Foodservice sales and marketing agency	11/2021	8.7%	74.8	74.8
Nordco Inc.(3)	Railroad maintenance-of-way machinery	8/2020	8.9%	110.1	105.7
Pegasus Intermediate Holdings, LLC(3)	Provider of plant maintenance and scheduling software	11/2022	8.5%	176.2	176.2
Penn Detroit Diesel Allison LLC	Distributor of aftermarket parts to the heavy-duty truck industry	12/2021	8.8%	78.4	78.4
SM Wellness Holdings, Inc. and SM Holdco, Inc.(3)(4)	Breast cancer screening provider	8/2024	8.0%	213.0	211.9
TDG Group Holding Company(3)(4)	Operator of multiple franchise concepts primarily related to home maintenance or repairs	5/2024	8.3%	248.8	246.3
Towne Holdings, Inc.	Parking management and hospitality services provider	5/2022	7.8%	131.3	131.3
Woodstream Corporation(3)	Pet products manufacturer	5/2022	8.9%	201.0	200.9
				\$ 3,086.2	\$ 3,043.4

(1) Represents the weighted average annual stated interest rate as of December 31, 2018. All interest rates are payable in cash.

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

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

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

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Table of Contents*SDLP Loan Portfolio as of December 31, 2017*

(dollar amounts in millions)		Maturity	Stated	Principal	Fair
Portfolio Company	Business Description	Date	Interest Rate(1)	Amount	Value(2)
ADCS Billings Intermediate Holdings, LLC(3)	Dermatology practice	5/2022	7.4%	\$ 79.4	\$ 77.8
AEP Holdings, Inc.(3)(4)	Distributor of non-discretionary, mission-critical aftermarket replacement parts	8/2021	7.2%	136.6	136.6
AMCP Clean Acquisition Company, LLC	Outsourced linen and laundry services provider	7/2020	8.8%	100.7	100.7
BakeMark Holdings, Inc.(3)	Manufacturer and distributor of specialty bakery ingredients	8/2023	6.9%	200.0	200.0
Chariot Acquisition, LLC(3)	Aftermarket golf cart parts and accessories	9/2021	7.9%	103.6	101.5
Chesapeake Research Review, LLC(3)	Provider of central institutional review boards over clinical trials	11/2023	7.1%	200.0	198.0
D4C Dental Brands, Inc.(3)(4)	Dental services provider	12/2022	7.9%	115.6	115.6
Emergency Communications Network, LLC(3)	Provider of mission critical emergency mass notification solutions	6/2023	7.8%	199.0	197.0
EN Engineering, LLC(3)	National utility services firm providing engineering and consulting services to natural gas, electric power and other energy and industrial end markets	6/2021	7.7%	77.2	77.2
Excelligence Learning Corporation(3)	Developer, manufacturer and retailer of educational products	4/2023	7.6%	149.3	143.3
Gentle Communications, LLC(3)	Dental services provider	5/2022	7.9%	113.6	113.6
ISS Compressors Industries, Inc.	Provider of repairs, refurbishments and services to the broader industrial end user markets	6/2018	7.8%	77.3	77.3
KeyImpact Holdings, Inc.(4)	Foodservice sales and marketing agency	11/2021	7.7%	75.5	75.5
Nordco Inc.(3)	Railroad maintenance-of-way machinery	8/2020	7.6%	111.1	103.4
Pegasus Intermediate Holdings, LLC(3)	Provider of plant maintenance and scheduling software	11/2022	7.6%	90.5	90.5
Penn Detroit Diesel Allison LLC	Distributor of aftermarket parts to the heavy-duty truck industry	12/2021	7.8%	79.2	79.2
Towne Holdings, Inc.(3)	Parking management and hospitality services provider	5/2022	7.1%	111.0	111.0
TWH Water Treatment Industries, Inc.	Wastewater infrastructure repair, treatment and filtration holding company	11/2019	8.4%	97.5	97.5
Woodstream Corporation(3)	Pet products manufacturer	5/2022	7.8%	199.0	199.0
				\$ 2,316.1	\$ 2,294.7

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- (1) Represents the weighted average annual stated interest rate as of December 31, 2017. All interest rates are payable in cash.
- (2) Represents the fair value in accordance with Accounting Standards Codification 820-10. The determination of such fair value is not included in our board of directors valuation process described elsewhere herein.
- (3) We also hold a portion of this company's first lien senior secured loan.
- (4) We hold an equity investment in this company.

Table of Contents**RESULTS OF OPERATIONS***For the years ended December 31, 2018, 2017 and 2016*

Operating results for the years ended December 31, 2018, 2017 and 2016 were as follows:

(in millions)	For the Years Ended December 31,		
	2018	2017	2016
Total investment income	\$ 1,337	\$ 1,160	\$ 1,012
Total expenses, net of waiver of income based fees	624	630	497
Net investment income before income taxes	713	530	515
Income tax expense, including excise tax	19	19	21
Net investment income	694	511	494
Net realized gains on investments and foreign currency transactions	419	24	110
Net unrealized gains (losses) on investments, foreign currency and other transactions	(255)	136	(130)
Realized losses on extinguishment of debt		(4)	
Net increase in stockholders' equity resulting from operations	\$ 858	\$ 667	\$ 474

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

Investment Income

(in millions)	For the Years Ended December 31,		
	2018	2017	2016
Interest income from investments	\$ 1,041	\$ 951	\$ 806
Capital structuring service fees	143	105	99
Dividend income	97	76	75
Other income	56	28	32
Total investment income	\$ 1,337	\$ 1,160	\$ 1,012

The increase in interest income from investments for the year ended December 31, 2018 from the comparable period in 2017 was primarily due to an increase in the average size of our portfolio and an increase in the weighted average yield of our portfolio. The size of our portfolio increased from an average of \$11.4 billion at amortized cost for the year ended December 31, 2017 to an average of \$11.9 billion at amortized cost for the comparable period in 2018. The weighted average yield of our total portfolio increased from 8.5% for the year ended December 31, 2017 to 9.0% for the comparable period in 2018 primarily due to an increase in LIBOR during the period. The increase in capital structuring service fees for the year ended December 31, 2018 from the comparable period in 2017 was primarily due to the increase in new investment commitments (excluding investments acquired in the American Capital Acquisition and investments acquired in the SSLP Loan Sale in 2017), which increased from \$5.9 billion for year ended December 31, 2017 to \$8.0 billion for the comparable period in 2018. The weighted average capital structuring fees received on new investment commitments remained steady at 1.8% for the year ended December 31, 2018 from the comparable period in 2017.

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Dividend income for the years ended December 31, 2018 and 2017 included dividends received from Ivy Hill Asset Management, L.P. ("IHAM"), a wholly owned portfolio company, totaling \$58 million and \$40 million, respectively. Also during the year ended December 31, 2018, we received \$12 million in other non-recurring dividends from non-income producing equity securities compared to \$19 million for the comparable period in 2017. The increase in other income for the year ended December 31, 2018 from the comparable period in 2017 was primarily due to higher amendment fees and administrative agent fees.

The increase in interest income from investments for the year ended December 31, 2017 from the comparable period in 2016 was primarily due to an increase in the average size of our portfolio, partially offset by a decrease in the weighted average yield of our portfolio. The size of our portfolio increased from an average of \$9.0 billion at amortized cost for the year ended December 31, 2016 to an average of \$11.4 billion at amortized cost for the comparable period in 2017, which was largely due to the investments acquired as part of the American Capital Acquisition. The weighted average yield of our total portfolio decreased from 9.0% for the year ended December 31, 2016 to 8.5% for the comparable period in 2017. The decline in the weighted average yield was primarily due to the declining yield of the SSLP Certificates up until the SSLP made a liquidation distribution to the holders of the SSLP Certificates (the "SSLP Liquidation Distribution") and the effective termination of the SSLP, during the year ended December 31, 2017. The increase in capital structuring service fees for the year ended December 31, 2017 from the comparable period in 2016 was due to the increase in new investment commitments (excluding investments acquired from the American Capital Acquisition and investments acquired from the SSLP Loan Sale in 2017), which increased from \$3.7 billion for year ended December 31, 2016 to \$5.9 billion for the comparable period in 2017. This increase was partially offset by a decrease in weighted average capital structuring fees received on new investment commitments, which decreased from 2.7% for the year ended December 31, 2016 to 1.8% for the comparable period in 2017. This decline was primarily due to having a higher percentage of new investment commitments made to existing portfolio companies during the year ended December 31, 2017 as compared to the comparable period in 2016. Dividend income for the years ended December 31, 2017 and 2016 included dividends received from IHAM, a wholly owned portfolio company, totaling \$40 million and \$40 million, respectively. Also during the year ended December 31, 2017, we received \$19 million in other non-recurring dividends from non-income producing equity securities compared to \$20 million for the comparable period in 2016. The decrease in other income for the year ended December 31, 2017 from the comparable period in 2016 was primarily attributable to the decrease in sourcing fees from the SSLP for the year ended December 31, 2017 from the comparable period in 2016 resulting from the continued decrease in the size of the SSLP portfolio and eventually the effective termination of the SSLP in July 2017. This decrease was partially offset by higher amendment fees and administrative agent fees for the year ended December 31, 2017 from the comparable period in 2016.

Table of Contents**Operating Expenses**

(in millions)	For the Years Ended December 31,		
	2018	2017	2016
Interest and credit facility fees	\$ 240	\$ 225	\$ 186
Base management fees	180	171	137
Income based fees	169	134	123
Capital gains incentive fees	33	41	(5)
Administrative fees	13	12	14
Professional fees and other costs related to the American Capital Acquisition	3	45	15
Other general and administrative	26	32	27
Total operating expenses	\$ 664	\$ 660	\$ 497
Waiver of income based fees	(40)	\$ (30)	\$
Total expenses, net of waiver of income based fees	\$ 624	\$ 630	\$ 497

Interest and credit facility fees for the years ended December 31, 2018, 2017 and 2016, were comprised of the following:

(in millions)	For the Years Ended December 31,		
	2018	2017	2016
Stated interest expense	\$ 200	\$ 189	\$ 161
Facility fees	17	12	5
Amortization of debt issuance costs	18	18	14
Net accretion of discount on notes payable	5	6	6
Total interest and credit facility fees	\$ 240	\$ 225	\$ 186

Stated interest expense for the year ended December 31, 2018 increased from the comparable period in 2017 primarily due to the increase in our average principal amount of debt outstanding. For the year ended December 31, 2018, our average debt outstanding increased to \$4.8 billion as compared to \$4.6 billion for the comparable period in 2017. The weighted average stated interest rate on our outstanding debt was 4.1% for both the year ended December 31, 2018 and for the comparable period in 2017. Facility fees for the year ended December 31, 2018 increased from the comparable period in 2017 primarily due to lower utilization of our revolving facilities resulting in higher unused commitment fees.

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

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The increase in base management fees for the year ended December 31, 2018 from the comparable period in 2017 was primarily due to the increase in the average size of the portfolio for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase in base management fees for the year ended December 31, 2017 from the comparable period in 2016 was primarily due to the increase in the average size of the portfolio for the year ended December 31, 2017 (including the approximately \$2.5 billion in investments acquired in the American Capital Acquisition) as compared to the year ended December 31, 2016. The increase in income based fees for the year ended December 31, 2018 from the comparable period in 2017 was primarily due to the pre-incentive fee net investment income, as defined in the investment advisory and management agreement, for the year ended December 31, 2018 being higher than in the comparable period in 2017. The increase in income based fees for the year ended December 31, 2017 from the comparable period in 2016 was primarily due to the pre-incentive fee net investment income, as defined in the investment advisory and management agreement, for the year ended December 31, 2017 being higher than in the comparable period in 2016. As discussed earlier, the years ended December 31, 2018 and 2017 also reflect the Fee Waiver of \$40 million and \$30 million, respectively.

For the years ended December 31, 2018 and 2017, the capital gains incentive fee expense calculated in accordance with generally accepted accounting principles ("GAAP") was \$33 million and \$41 million, respectively. The capital gains incentive fee expense accrual for the year ended December 31, 2017 included an \$11 million accrual related to the American Capital Acquisition as a result of the fair value of the net assets acquired exceeding the fair value of the merger consideration paid by us. For the year ended December 31, 2016, the reduction in capital gains incentive fees calculated in accordance with GAAP was \$5 million. The capital gains incentive fee expense accrual for the year ended December 31, 2018 changed from the comparable period in 2017 primarily due to the \$11 million accrual related to the American Capital Acquisition during the year ended December 31, 2017 as discussed above, partially offset by higher net gains on investments, foreign currency and other transactions and the extinguishment of debt during the year ended December 31, 2018 of \$164 million compared to net gains of \$156 million during the year ended December 31, 2017. The capital gains incentive fee expense accrual for the year ended December 31, 2017 changed from the comparable period in 2016 primarily due to net gains on investments, foreign currency and other transactions and the extinguishment of debt during the year ended December 31, 2017 of \$156 million compared to net losses of \$20 million during the year ended December 31, 2016. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of December 31, 2018, 2017 and 2016, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$112 million, \$79 million and \$38 million, respectively. As of December 31, 2018, the capital gains incentive fee actually payable under our investment advisory and management agreement was \$50 million. As of December 31, 2017, there was no capital gains incentive fee actually payable under our investment advisory and management agreement. See Note 3 to our consolidated financial statements for the year ended December 31, 2018, for more information on the base management fees, income based fees and capital gains incentive fees.

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

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specifically to the American Capital Acquisition are included in professional fees and other costs related to the American Capital Acquisition as discussed below.

For the years ended December 31, 2018, 2017 and 2016, the Company incurred \$3 million, \$45 million and \$15 million, respectively, in professional fees and other costs related to the American Capital Acquisition. For the year ended December 31, 2017, these costs also included \$18 million in one-time investment banking fees incurred in January 2017 upon the closing of the American Capital Acquisition.

Other general and administrative expenses includes, among other costs, professional fees, insurance, fees and expenses related to evaluating and making investments in portfolio companies and independent directors' fees.

Income Tax Expense, Including Excise Tax

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

Depending on the level of taxable income earned in a tax year, we may choose to carry forward such taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. If we determine that our estimated current year taxable income will exceed our estimated dividend distributions for the current year from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. For the years ended December 31, 2018, 2017 and 2016, we recorded a net expense of \$14 million, \$12 million and \$12 million, respectively, for U.S. federal excise tax. The net expense for the years ended December 31, 2017 and 2016 each included a reduction in expense related to the recording of a requested refund resulting from the overpayment of the prior year's excise tax of \$1 million and \$1 million, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the years ended December 31, 2018, 2017 and 2016, we recorded a net tax expense of approximately \$5 million, \$7 million and \$9 million, respectively, for these subsidiaries. The net income tax expense for our taxable consolidated subsidiaries will vary depending on the level of realized gains from the exits of investments held by such taxable subsidiaries during the respective periods.

Table of Contents**Net Realized Gains/Losses**

The net realized gains from the sales, repayments or exits of investments during the years ended December 31, 2018, 2017 and 2016 were comprised of the following:

(in millions)	For the Years Ended December 31,		
	2018	2017	2016
Sales, repayments or exits of investments(1)	\$ 6,780	\$ 7,037(2)	\$ 3,749(3)
Net realized gains on investments:			
Gross realized gains	\$ 465	\$ 281	\$ 121
Gross realized losses	(59)	(237)	(11)
Total net realized gains on investments	\$ 406(4)	\$ 44(4)	\$ 110

- (1) Includes \$472 million, \$134 million and \$472 million of investments sold to IHAM and certain vehicles managed by IHAM during the years ended December 31, 2018, 2017 and 2016, respectively. A net realized loss of \$0 million was recorded on these transactions with IHAM during the year ended December 31, 2018. A net realized loss of \$0 million was recorded on these transactions with IHAM during the year ended December 31, 2017. A net realized gain of \$1 million was recorded on these transactions with IHAM for the year ended December 31, 2016. See Note 4 to our consolidated financial statements for the year ended December 31, 2018 for more detail on IHAM and its managed vehicles.
- (2) Includes the \$1.5 billion of proceeds from the SSLP Liquidation Distribution discussed above.
- (3) Includes \$474 million of investments sold to the SDLP in conjunction with the initial funding of the SDLP. No realized gains or losses were recorded on these transactions with the SDLP.
- (4) Includes approximately \$342 million and \$85 million of net realized gains on investments acquired as part of the American Capital Acquisition during the years ended December 31, 2018 and 2017, respectively.

The net realized gains on investments during the year ended December 31, 2018 consisted of the following:

(in millions)	Net Realized Gains (Losses)
Portfolio Company	
Alcami Holdings, LLC	\$ 324
Accruent, LLC	27
Varsity Brands Holding Co., Inc.	14
Imperial Capital Private Opportunities, LP	12
Acrisure, LLC	8
EcoMotors, Inc.	(9)
Things Remembered, Inc.	(16)
Other, net	46
Total, net	\$ 406

During the year ended December 31, 2018, we also recognized net realized gains on foreign currency and other transactions of \$13 million.

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

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

During the year ended December 31, 2017, we also recognized net realized losses on foreign currency and other transactions of \$20 million.

During the year ended December 31, 2017, we redeemed the entire \$183 million in aggregate principal amount outstanding of the unsecured notes that were scheduled to mature on October 1, 2022 (the "October 2022 Notes") in accordance with the terms of the indenture governing the October 2022 Notes. The October 2022 Notes bore interest at a rate of 5.875% per year, payable quarterly. The October 2022 Notes were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately \$185 million, which resulted in a realized loss on the extinguishment of debt of \$4 million.

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

(in millions) Portfolio Company	Net Realized Gains (Losses)
The Step2 Company, LLC	\$ 18
Napa Management Services Corporation	16
UL Holding Co., LLC	13
Physiotherapy Associates Holdings, Inc.	8
Q9 Holdings Inc.	(9)
Other, net	64
 Total, net	 \$ 110

Net Unrealized Gains/Losses

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses in our consolidated statement of operations. Net unrealized gains and losses

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on investments for the years ended December 31, 2018, 2017 and 2016, were comprised of the following:

(in millions)	For the Years Ended December 31,		
	2018	2017	2016
Unrealized appreciation	\$ 137	\$ 331	\$ 168
Unrealized depreciation	(275)	(301)	(306)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	(133)	113	13
 Total net unrealized gains (losses)	 \$ (271)	 \$ 143	 \$ (125)

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

The changes in net unrealized appreciation and depreciation on investments during the year ended December 31, 2018 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
OTG Management, LLC	\$ 25
PERC Holdings 1 LLC	11
Absolute Dental Management LLC	(9)
SCM Insurance Services Inc.	(10)
ADF Capital, Inc.	(11)
Teasdale Foods, Inc.	(11)
R3 Education Inc.	(12)
Eckler Industries, Inc.	(13)
Indra Holdings Corp.	(15)
Singer Sewing Company	(15)
New Trident Holdcorp, Inc.	(49)
Other, net	(29)
 Total, net	 \$ (138)

During the year ended December 31, 2018, we also recognized net unrealized gains on foreign currency and other transactions of \$16 million.

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The changes in net unrealized appreciation and depreciation on investments during the year ended December 31, 2017 consisted of the following:

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

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

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

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

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

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FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

As of December 31, 2018, we had \$296 million in cash and cash equivalents and \$5.3 billion in total aggregate principal amount of debt outstanding (\$5.2 billion at carrying value). Subject to leverage, borrowing base and other restrictions, we had approximately \$1.6 billion available for additional borrowings under the Facilities as of December 31, 2018.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the Investment Company Act, we are currently allowed to borrow amounts such that our asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowings. On June 21, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the Investment Company Act) of our board of directors, approved the application of the modified asset coverage requirement set forth in Section 61(a)(2) of the Investment Company Act, as amended by the Small Business Credit Availability Act. As a result, effective on June 21, 2019 (unless we receive earlier stockholder approval), our asset coverage requirement applicable to senior securities will be reduced from 200% to 150% (i.e., the revised regulatory leverage limitation permits BDCs to double the amount of borrowings, such that we would be able to borrow up to two dollars for every dollar we have in assets less all liabilities and indebtedness not represented by senior securities issued by us). As of December 31, 2018, the aggregate principal amount outstanding of the senior securities issued by us was \$5.3 billion. As of December 31, 2018, our asset coverage was 236%.

Equity Capital Activities

As of December 31, 2018 and 2017, our total equity market capitalization was \$6.6 billion and \$6.7 billion, respectively. On the Acquisition Date, in connection with the American Capital Acquisition, we issued 112 million shares valued at approximately \$16.42 per share. There were no other issuances of our equity securities during the years ended December 31, 2018, 2017 and 2016.

We are authorized under our stock repurchase program to purchase up to \$300 million (as of December 31, 2018) in the aggregate of our outstanding common stock in the open market at certain thresholds below our net asset value per share, in accordance with the guidelines specified in Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing, manner, price and amount of any share repurchases will be determined by us, in our discretion, based upon the evaluation of economic and market conditions, stock price, applicable legal and regulatory requirements and other factors. The program does not require us to repurchase any specific number of shares, and we cannot assure stockholders that any shares will be repurchased under the program. The expiration date of the stock repurchase program is February 28, 2019. The program may be suspended, extended, modified or discontinued at any time.

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As of December 31, 2018, we had repurchased a total of 0.5 million shares of our common stock in the open market under the stock repurchase program since its inception in September 2015, at an average price of \$13.92 per share, including commissions paid, leaving approximately \$293 million available for additional repurchases under the program. During the year ended December 31, 2018, we did not repurchase any shares of our common stock under the stock repurchase program.

See "Recent Developments," as well as Note 18 to our consolidated financial statements for the year ended December 31, 2018 for a subsequent event relating to our stock repurchase program.

Debt Capital Activities

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

(in millions)	As of December 31,					
	2018			2017		
	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount Outstanding	Carrying Value	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	\$ 2,133(2)	\$ 1,064	\$ 1,064	\$ 2,108	\$ 395	\$ 395
Revolving Funding Facility	1,000	520	520	1,000	600	600
SMBC Funding Facility	400	245	245	400	60	60
SBA Debentures				50		
2018 Convertible Notes				270	270	270(3)
2019 Convertible Notes	300	300	300(3)	300	300	298(3)
2022 Convertible Notes	388	388	372(3)	388	388	368(3)
2018 Notes				750	750	748(4)
2020 Notes	600	600	598(5)	600	600	597(5)
2022 Notes	600	600	595(6)	600	600	593(6)
2023 Notes	750	750	744(7)	750	750	743(7)
2025 Notes	600	600	593(8)			
2047 Notes	230	230	183(9)	230	230	182(9)
Total	\$ 7,001	\$ 5,297	\$ 5,214	\$ 7,446	\$ 4,943	\$ 4,854

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

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

(3) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below). As of December 31, 2018, the total unamortized debt issuance costs and the unaccreted discount for the 2019 Convertible Notes and the 2022 Convertible Notes (each as defined below) were \$0 million and \$16 million, respectively. As of December 31, 2017, the total unamortized debt

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issuance costs and the unaccreted discount for the 2018 Convertible Notes, the 2019 Convertible Notes and the 2022 Convertible Notes were \$0 million, \$2 million and \$20 million, respectively.

(4)

Represents the aggregate principal amount outstanding of the 2018 Notes (as defined below) less unamortized debt issuance costs and plus the net unamortized premium that was recorded upon the issuances of the 2018 Notes. As of December 31, 2017, the total unamortized debt issuance costs less the net unamortized premium was \$2 million.

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- (5) Represents the aggregate principal amount outstanding of the 2020 Notes (as defined below) less unamortized debt issuance costs and the net unaccreted discount recorded upon the issuances of the 2020 Notes. As of December 31, 2018 and 2017, the total unamortized debt issuance costs and the net unaccreted discount was \$2 million and \$3 million, respectively.
- (6) Represents the aggregate principal amount outstanding of the 2022 Notes (as defined below), less unamortized debt issuance costs and the net unaccreted discount recorded upon the issuances of the 2022 Notes. As of December 31, 2018 and 2017, the total unamortized debt issuance costs and the net unaccreted discount were \$5 million and \$7 million, respectively.
- (7) Represents the aggregate principal amount outstanding of the 2023 Notes (as defined below), less unamortized debt issuance costs and the unaccreted discount recorded upon the issuance of the 2023 Notes. As of December 31, 2018 and 2017, the total unamortized debt issuance costs and the unaccreted discount was \$6 million and \$7 million, respectively.
- (8) Represents the aggregate principal amount outstanding of the 2025 Notes (as defined below), less unamortized debt issuance costs and the unaccreted discount recorded upon the issuance of the 2025 Notes. As of December 31, 2018, the total unamortized debt issuance costs and the unaccreted discount was \$7 million.
- (9) Represents the aggregate principal amount outstanding of the 2047 Notes (as defined below) less the unaccreted purchased discount recorded as a part of the acquisition of Allied Capital in April 2010 ("the Allied Acquisition"). As of December 31, 2018 and 2017, the total unaccreted purchased discount was \$47 million and \$48 million, respectively. The carrying value represents the outstanding principal amount of the 2047 Notes less the unaccreted purchased discount recorded as a part of the Allied Acquisition.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount outstanding, of all our debt outstanding as of December 31, 2018 were 4.1% and 4.8 years, respectively, and as of December 31, 2017 were 4.1% and 4.3 years, respectively.

The ratio of total principal amount of debt outstanding to stockholders' equity as of December 31, 2018 was 0.73:1.00 compared to 0.70:1.00 as of December 31, 2017.

Revolving Credit Facility

We are party to a senior secured revolving credit facility (as amended and restated, the "Revolving Credit Facility"), that allows us to borrow up to \$2.1 billion at any one time outstanding. The Revolving Credit Facility consists of a \$414 million term loan tranche with a stated maturity date of March 30, 2023 and a \$1.7 billion revolving tranche. For \$1.6 billion of the revolving tranche, the end of the revolving period and the stated maturity date are March 30, 2022 and March 30, 2023, respectively. For \$50 million of the revolving tranche, the end of the revolving period and the stated maturity date are January 4, 2021 and January 4, 2022, respectively. For the remaining \$45 million of the revolving tranche, the end of the revolving period and the stated maturity date are May 4, 2019 and May 4, 2020, respectively. The Revolving Credit Facility also provides for a feature that allows us, under certain circumstances, to increase the overall size of the Revolving Credit Facility to a maximum of \$3.1 billion. The interest rate charged on the Revolving Credit Facility is based on an applicable spread of either 1.75% or 1.875% over LIBOR or 0.75% or 0.875% over an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility), in each case, determined monthly based on the total amount of the borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. As of December 31, 2018, the interest rate in effect was LIBOR plus 1.75%. We are also required to pay a letter of credit fee of either 2.00% or 2.125% per annum on letters of credit issued, determined monthly based on the total amount of the borrowing base relative to the total commitments of the

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Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. Additionally, we are required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. As of December 31, 2018, there was \$1.1 billion outstanding under the Revolving Credit Facility and we were in compliance in all material respects with the terms of the Revolving Credit Facility.

Revolving Funding Facility

Our consolidated subsidiary, Ares Capital CP Funding LLC ("Ares Capital CP") is party to a revolving funding facility (as amended, the "Revolving Funding Facility"), that allows Ares Capital CP to borrow up to \$1.0 billion at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are January 3, 2022 and January 3, 2024, respectively. The interest rate charged on the Revolving Funding Facility is based on LIBOR plus 2.00% per annum or a "base rate" (as defined in the agreements governing the Revolving Funding Facility) plus 1.00% per annum. Ares Capital CP is also required to pay a commitment fee of between 0.50% and 1.50% per annum depending on the size of the unused portion of the Revolving Funding Facility. As of December 31, 2018, there was \$520 million outstanding under the Revolving Funding Facility and we and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

SMBC Funding Facility

Our consolidated subsidiary, Ares Capital JB Funding LLC ("ACJB"), is party to a revolving funding facility (as amended, the "SMBC Funding Facility"), that allows ACJB to borrow up to \$400 million at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 14, 2019 and September 14, 2024, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement. The interest rate charged on the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over a "base rate" (as defined in the agreements governing the SMBC Funding Facility), in each case, determined monthly based on the amount of the average borrowings outstanding under the SMBC Funding Facility. As of December 31, 2018, the interest rate in effect was LIBOR plus 1.75%. Additionally, ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility. As of December 31, 2018, there was \$245 million outstanding under the SMBC Funding Facility and we and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

Convertible Unsecured Notes

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

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Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of December 31, 2018 are listed below.

	2019	2022
	Convertible Notes	Convertible Notes
Conversion premium	15.0%	15.0%
Closing stock price at issuance	\$17.53	\$16.86
Closing stock price date	July 15, 2013	January 23, 2017
Conversion price(1)	\$19.96	\$19.37
Conversion rate (shares per one thousand dollar principal amount)(1)	50.0897	51.6380
Conversion dates	July 15, 2018	August 1, 2021

(1)

Represents conversion price and conversion rate, as applicable, as of December 31, 2018, taking into account certain de minimis adjustments that will be made on the conversion date.

In certain circumstances, assuming the respective conversion dates above have not already passed, the Convertible Unsecured Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at their respective conversion rates (listed below as of December 31, 2018) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the "Convertible Unsecured Notes Indentures"). To the extent the 2019 Convertible Notes are converted, we have elected to settle with a combination of cash and shares of our common stock. Prior to the close of business on the business day immediately preceding their respective conversion date (listed above), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the respective Convertible Unsecured Notes Indenture. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require us to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

In January 2018, we repaid in full the \$270 million in aggregate principal amount of unsecured convertible notes due in January 2018 (the "2018 Convertible Notes") at par upon their maturity. See "Management's Discussion and Analysis Recent Developments," as well as Note 18 for a subsequent event regarding the 2019 Convertible Notes.

Unsecured Notes*2018 Notes*

We had issued \$750 million in aggregate principal amount of unsecured notes, which bore interest at a rate of 4.875% per year, payable semi-annually, that matured and were fully repaid on November 30, 2018 (the "2018 Notes").

2020 Notes

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

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"make whole" premium, if applicable, as determined pursuant to the indenture governing the 2020 Notes, and any accrued and unpaid interest.

2022 Notes

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

2023 Notes

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

2025 Notes

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

2047 Notes

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

As of December 31, 2018, we were in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures and the indentures governing the Unsecured Notes.

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

See Note 5 to our consolidated financial statements for the year ended December 31, 2018 for more information on our debt obligations.

Table of Contents**CONTRACTUAL OBLIGATIONS**

A summary of the maturities of our principal amounts of debt and other contractual payment obligations as of December 31, 2018 are as follows:

(in millions)	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Revolving Credit Facility	\$ 1,064	\$	\$ 17	\$ 1,047(1)	\$
Revolving Funding Facility	520			(2)	520
SMBC Funding Facility	245				245(3)
2019 Convertible Notes	300	300			
2022 Convertible Notes	388			388	
2020 Notes	600		600		
2022 Notes	600			600	
2023 Notes	750			750	
2025 Notes	600				600
2047 Notes	230				230
Operating lease obligations(4)	159	25	48	49	37
	\$ 5,456	\$ 325	\$ 665	\$ 2,834	\$ 1,632

- (1) The Revolving Credit Facility consists of a \$414 million term loan tranche with a stated maturity date of March 30, 2023 and a \$1,719 million revolving tranche. For \$1,624 million of the revolving tranche, the end of the revolving period and the stated maturity date are March 30, 2022 and March 30, 2023, respectively. For \$50 million of the revolving tranche, the end of the revolving period and the stated maturity date are January 4, 2021 and January 4, 2022, respectively. For the remaining \$45 million of the revolving tranche, the end of the revolving period and the stated maturity date are May 4, 2019 and May 4, 2020, respectively. We are required to repay any outstanding principal amounts under such revolving tranche on a monthly basis equal to 1/12th of the outstanding principal amount at the end of the revolving period.
- (2) As of December 31, 2018, the end of the reinvestment period for the Revolving Funding Facility was January 3, 2022. Subsequent to the end of this reinvestment period and prior to the stated maturity date of January 3, 2024, any principal proceeds from sales and repayments of loan assets held by Ares Capital CP will be used to repay the aggregate principal amount outstanding.
- (3) As of December 31, 2018, the end of the reinvestment period for the SMBC Funding Facility was September 14, 2019. Subsequent to the end of this reinvestment period and prior to the stated maturity date of September 14, 2024, any principal proceeds from sales and repayments of loan assets held by ACJB will be used to repay the aggregate principal amount outstanding.
- (4) We are obligated under a number of operating leases and subleases to pay for office spaces with terms ranging from less than one year to more than 5 years. See Note 7 to our consolidated financial statements for the year ended December 31, 2018 for more information on our lease obligations.

Table of Contents**OFF BALANCE SHEET ARRANGEMENTS**

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

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

(in millions)	As of December 31,	
	2018	2017
Total revolving and delayed draw loan commitments	\$ 1,915	\$ 881
Less: drawn commitments	(377)	(201)
Total undrawn commitments	1,538	680
Less: commitments substantially at our discretion	(6)	(11)
Less: unavailable commitments due to borrowing base or other covenant restrictions		
Total net adjusted undrawn revolving and delayed draw loan commitments	\$ 1,532	\$ 669

Included within the total revolving and delayed draw loan commitments as of December 31, 2018 and 2017 were delayed draw loan commitments totaling \$627 million and \$251 million, respectively. Our commitment to fund delayed draw loans is triggered upon the satisfaction of certain pre-negotiated terms and conditions. Generally, the most significant and uncertain term requires the borrower to satisfy a specific use of proceeds covenant. The use of proceeds covenant typically requires the borrower to use the additional loans for the specific purpose of a permitted acquisition or permitted investment, for example. In addition to the use of proceeds covenant, the borrower is generally required to satisfy additional negotiated covenants (including specified leverage levels).

Also included within the total revolving and delayed draw loan commitments as of December 31, 2018 were commitments to issue up to \$248 million in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of December 31, 2018, we had \$26 million in letters of credit issued and outstanding under these commitments on behalf of the portfolio companies. For all these letters of credit issued and outstanding, we would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. Of these letters of credit, \$23 million expire in 2019 and \$3 million expire in 2020. As of December 31, 2018, we recorded a liability of \$1 million for certain letters of credit issued and outstanding and none of the other letters of credit issued and outstanding were recorded as a liability on our balance sheet as such other letters of credit are considered in the valuation of the investments in the portfolio company.

We also have commitments to co-invest in the SDLP for our portion of the SDLP's commitments to fund delayed draw loans to certain portfolio companies of the SDLP. See "Senior Direct Lending Program" above and Note 4 to our consolidated financial statements for the year ended December 31, 2018 for more information.

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

(in millions)	As of December 31,	
	2018	2017
Total private equity commitments	\$ 114	\$ 111
Less: funded private equity commitments	(73)	(62)
Total unfunded private equity commitments	41	49
Less: private equity commitments substantially our discretion	(41)	(48)
Total net adjusted unfunded private equity commitments	\$	\$ 1

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

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

RECENT DEVELOPMENTS

In January 2019, we repaid in full the \$300 million in aggregate principal amount of the 2019 Convertible Notes upon their maturity. The 2019 Convertible Notes bore interest at a rate of 4.375% per year, payable semi-annually.

In February 2019, our board of directors authorized an amendment to our stock repurchase program to (a) increase the total authorization under the program from \$300 million to \$500 million and (b) extend the expiration date of the program from February 28, 2019 to February 15, 2020. Under the stock repurchase program, we may repurchase up to \$500 million in the aggregate of our outstanding common stock in the open market at a price per share that meets certain thresholds below our net asset value per share, in accordance with the guidelines specified in Rule 10b-18 of the Exchange Act. The timing, manner, price and amount of any share repurchases will be determined by us, in our discretion, based upon the evaluation of economic and market conditions, stock price, applicable legal and regulatory requirements and other factors.

From January 1, 2019 through February 7, 2019, we made new investment commitments of approximately \$623 million, of which \$577 million were funded. Of these new commitments, 45% were in first lien senior secured loans, 40% were in second lien senior secured loans, 13% were in the subordinated certificates of the SDLP and 2% were in preferred equity securities. Of the approximately \$623 million of new investment commitments, 98% were floating rate and 2% fixed rate. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 10.0%. We may seek to sell all or a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From January 1, 2019 through February 7, 2019, we exited approximately \$469 million of investment commitments. Of the total investment commitments exited, 74% were first lien senior secured loans and 26% were second lien senior secured loans. Of the approximately \$469 million of

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exited investment commitments, 100% were floating rate. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 9.0% and the weighted average yield on total investments exited or repaid during the period at amortized cost was 9.0%. On the approximately \$469 million of investment commitments exited from January 1, 2019 through February 7, 2019, we recognized total net realized gains of approximately \$2 million.

In addition, as of February 7, 2019, we had an investment backlog and pipeline of approximately \$1,435 million and \$150 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may sell all or a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will sell all or any portion of these investments.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Changes in the economic environment, financial markets, and any other parameters used in determining such estimates could cause actual results to differ. Our critical accounting policies, including those relating to the valuation of our investment portfolio, are described below. The critical accounting policies should be read in connection with our risk factors as disclosed in "Risk Factors" of this prospectus supplement and the accompanying prospectus. See Note 2 to our consolidated financial statements for the year ended December 31, 2018 for more information on our critical accounting policies.

Investments

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

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a portion of our investment portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, our independent

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registered public accounting firm obtains an understanding of, and performs select procedures relating to, our investment valuation process within the context of performing the integrated audit.

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

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

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

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

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

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

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

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

Fair Value of Financial Instruments

We follow ASC 825-10, which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for

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similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. We have not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "other assets" and "debt," which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled "interest receivable," "receivable for open trades," "payable for open trades," "accounts payable and other liabilities," "base management fees payable," "income based fees payable," "capital gains incentive fees payable" and "interest and facility fees payable" approximate fair value due to their short maturity.

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

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

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

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

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

Our portfolio investments (other than as described below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value ("EV") of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company's EBITDA (generally defined as net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. We may also employ other valuation multiples to determine EV, such as revenues or, in the case of certain portfolio companies in the power generation industry, kilowatt capacity. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on

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costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where we have control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where we do not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, we consider the current contractual interest rate, the maturity and other terms of the investment relative to the risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by us are substantially illiquid with no active transaction market, we depend on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

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

See Note 8 to our consolidated financial statements for the year ended December 31, 2018 for more information on our valuation process.

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

Information about our senior securities (including preferred stock, debt securities and other indebtedness) is shown in the following tables as of the end of the last ten fiscal years and as of December 31, 2018. The " " indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2018	\$ 1,063,750	\$ 2,362	\$	N/A
Fiscal 2017	\$ 395,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 571,053	\$ 2,296	\$	N/A
Fiscal 2015	\$ 515,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 170,000	\$ 2,292	\$	N/A
Fiscal 2013	\$	\$	\$	N/A
Fiscal 2012	\$	\$	\$	N/A
Fiscal 2011	\$ 395,000	\$ 2,393	\$	N/A
Fiscal 2010	\$ 146,000	\$ 3,079	\$	N/A
Fiscal 2009	\$ 474,144	\$ 2,294	\$	N/A
Revolving Funding Facility				
Fiscal 2018	\$ 520,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 600,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 155,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 250,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 324,000	\$ 2,292	\$	N/A
Fiscal 2013	\$ 185,000	\$ 2,547	\$	N/A
Fiscal 2012	\$ 300,000	\$ 2,721	\$	N/A
Fiscal 2011	\$ 463,000	\$ 2,393	\$	N/A
Fiscal 2010	\$ 242,050	\$ 3,079	\$	N/A
Fiscal 2009	\$ 221,569	\$ 2,294	\$	N/A
Revolving Funding II Facility				
Fiscal 2009	\$	\$	\$	N/A
SMBC Revolving Funding Facility				
Fiscal 2018	\$ 245,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 60,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 105,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 110,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 62,000	\$ 2,292	\$	N/A
Fiscal 2013	\$	\$	\$	N/A
Fiscal 2012	\$	\$	\$	N/A
SBA Debentures				
Fiscal 2017	\$	\$	\$	N/A
Fiscal 2016	\$ 25,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 22,000	\$ 2,213	\$	N/A
Debt Securitization				
Fiscal 2011	\$ 77,531	\$ 2,393	\$	N/A
Fiscal 2010	\$ 155,297	\$ 3,079	\$	N/A
Fiscal 2009	\$ 273,752	\$ 2,294	\$	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
February 2016 Convertible Notes				
Fiscal 2015	\$ 575,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 575,000	\$ 2,292	\$	N/A
Fiscal 2013	\$ 575,000	\$ 2,547	\$	N/A
Fiscal 2012	\$ 575,000	\$ 2,721	\$	N/A
Fiscal 2011	\$ 575,000	\$ 2,393	\$	N/A
June 2016 Convertible Notes				
Fiscal 2015	\$ 230,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 230,000	\$ 2,292	\$	N/A
Fiscal 2013	\$ 230,000	\$ 2,547	\$	N/A
Fiscal 2012	\$ 230,000	\$ 2,721	\$	N/A
Fiscal 2011	\$ 230,000	\$ 2,393	\$	N/A
2017 Convertible Notes				
Fiscal 2016	\$ 162,500	\$ 2,296	\$	N/A
Fiscal 2015	\$ 162,500	\$ 2,213	\$	N/A
Fiscal 2014	\$ 162,500	\$ 2,292	\$	N/A
Fiscal 2013	\$ 162,500	\$ 2,547	\$	N/A
Fiscal 2012	\$ 162,500	\$ 2,721	\$	N/A
2018 Convertible Notes				
Fiscal 2017	\$ 270,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 270,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 270,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 270,000	\$ 2,292	\$	N/A
Fiscal 2013	\$ 270,000	\$ 2,547	\$	N/A
Fiscal 2012	\$ 270,000	\$ 2,721	\$	N/A
2019 Convertible Notes				
Fiscal 2018	\$ 300,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 300,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 300,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 300,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 300,000	\$ 2,292	\$	N/A
Fiscal 2013	\$ 300,000	\$ 2,547	\$	N/A
2022 Convertible Notes				
Fiscal 2018	\$ 388,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 388,000	\$ 2,415	\$	N/A
2011 Notes				
Fiscal 2010	\$ 300,584	\$ 3,079	\$	\$ 1,018
2012 Notes				
Fiscal 2010	\$ 161,210	\$ 3,079	\$	\$ 1,018
2018 Notes				
Fiscal 2017	\$ 750,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 750,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 750,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 750,000	\$ 2,292	\$	N/A
Fiscal 2013	\$ 600,000	\$ 2,547	\$	N/A
2020 Notes				
Fiscal 2018	\$ 600,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 600,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 600,000	\$ 2,296	\$	N/A
Fiscal 2015	\$ 600,000	\$ 2,213	\$	N/A
Fiscal 2014	\$ 400,000	\$ 2,292	\$	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
January 2022 Notes				
Fiscal 2018	\$ 600,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 600,000	\$ 2,415	\$	N/A
Fiscal 2016	\$ 600,000	\$ 2,296	\$	N/A
February 2022 Notes				
Fiscal 2014	\$ 143,750	\$ 2,292	\$	\$ 1,024
Fiscal 2013	\$ 143,750	\$ 2,547	\$	\$ 1,043
Fiscal 2012	\$ 143,750	\$ 2,721	\$	\$ 1,035
October 2022 Notes				
Fiscal 2016	\$ 182,500	\$ 2,296	\$	\$ 1,017
Fiscal 2015	\$ 182,500	\$ 2,213	\$	\$ 1,011
Fiscal 2014	\$ 182,500	\$ 2,292	\$	\$ 1,013
Fiscal 2013	\$ 182,500	\$ 2,547	\$	\$ 993
Fiscal 2012	\$ 182,500	\$ 2,721	\$	\$ 986
2040 Notes				
Fiscal 2014	\$ 200,000	\$ 2,292	\$	\$ 1,040
Fiscal 2013	\$ 200,000	\$ 2,547	\$	\$ 1,038
Fiscal 2012	\$ 200,000	\$ 2,721	\$	\$ 1,041
Fiscal 2011	\$ 200,000	\$ 2,393	\$	\$ 984
Fiscal 2010	\$ 200,000	\$ 3,079	\$	\$ 952
2023 Notes				
Fiscal 2018	\$ 750,000	\$ 2,362	\$	N/A
Fiscal 2017	\$ 750,000	\$ 2,415	\$	N/A
2025 Notes				
Fiscal 2018	\$ 600,000	\$ 2,362	\$	N/A
2047 Notes				
Fiscal 2018	\$ 229,557	\$ 2,362	\$	\$ 1,013
Fiscal 2017	\$ 229,557	\$ 2,415	\$	\$ 1,021
Fiscal 2016	\$ 229,557	\$ 2,296	\$	\$ 1,015
Fiscal 2015	\$ 229,557	\$ 2,213	\$	\$ 1,011
Fiscal 2014	\$ 229,557	\$ 2,292	\$	\$ 985
Fiscal 2013	\$ 230,000	\$ 2,547	\$	\$ 972
Fiscal 2012	\$ 230,000	\$ 2,721	\$	\$ 978
Fiscal 2011	\$ 230,000	\$ 2,393	\$	\$ 917
Fiscal 2010	\$ 230,000	\$ 3,079	\$	\$ 847

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

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the "Asset Coverage Per Unit" (including for the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes, which were issued in \$25 increments). In June 2016, Ares Capital received exemptive relief from the SEC allowing it to modify the asset coverage requirements to exclude SBA Debentures from this calculation. As such, the asset coverage ratio beginning with Fiscal 2016 excludes the SBA Debentures. Certain prior year amounts have been reclassified to conform to the 2016 and 2017 presentation. In particular, unamortized debt issuance costs were previously included in other assets and were reclassified to long-term debt as a result of the adoption of ASU 2015-03, Interest Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs during the first quarter of 2016.

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

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

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DESCRIPTION OF NOTES

The following description of the particular terms of the % convertible notes due 2024 supplements and, to the extent inconsistent therewith, replaces the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus.

We will issue the notes under a base indenture (the "base indenture"), dated as of October 21, 2010, between us and U.S. Bank National Association, as trustee (the "trustee"), as supplemented by a separate supplemental indenture to be dated as of initial settlement date for the notes (the "supplemental indenture"). As used in this section, all references to the "indenture" mean the base indenture as supplemented by the supplemental indenture. The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, or the TIA.

The following description is a summary of the material provisions of the notes and the indenture and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of certain terms used in the indenture. We urge you to read these documents because they, and not this description, define your rights as a holder of the notes.

For purposes of this description, references to "we," "our" and "us" refer only to Ares Capital Corporation and not to any of its current or future subsidiaries, and references to "subsidiaries" refer only to the entities falling within the definition of such term below under the caption " Events of Default."

General

The notes:

will be our general unsecured, senior obligations;

will initially be limited to an aggregate principal amount of \$350,000,000 (or \$402,500,000 if the underwriters' option to purchase additional notes is exercised in full);

will bear cash interest from March , 2019, or from the most recent date on which interest has been paid or duly provided for, at an annual rate of % payable on March 1 and September 1 of each year, beginning on September 1, 2019;

will bear additional interest in the circumstances described below under the caption " Events of Default";

will not be redeemable prior to maturity;

will be subject to repurchase by us at the option of the holders following a fundamental change (as defined below under " Fundamental Change Permits Holders to Require Us to Repurchase Notes"), at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, *plus* accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date;

will mature on March 1, 2024, unless earlier converted or repurchased;

will be issued in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof (an "authorized denomination"); and

will be represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form. See " Book-Entry, Settlement and Clearance."

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Subject to satisfaction of certain conditions and during the periods described below, the notes may be converted at an initial conversion rate of _____ shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$ _____ per share of common stock). The conversion rate is subject to adjustment if certain events occur.

We will settle conversions of notes by paying or delivering, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described under " Conversion Rights Settlement Upon Conversion." You will not receive any separate cash payment for interest, if any, accrued and unpaid to the conversion date except under the limited circumstances described below.

The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise. The indenture does not contain any financial covenants and does not restrict us from paying dividends or issuing or repurchasing our other securities. Other than restrictions described under " Fundamental Change Permits Holders to Require Us to Repurchase Notes" and " Consolidation, Merger and Sale of Assets" below and except for the provisions set forth under " Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change," the indenture does not contain any covenants or other provisions designed to afford holders of the notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect such holders.

We may, without the consent of the holders, issue additional notes under the indenture with the same terms (except for certain differences, such as the date as of which interest begins to accrue, the first interest payment date for such additional notes and provisions relating to transfer restrictions) as the notes offered hereby in an unlimited aggregate principal amount; *provided* that such additional notes must be identified by a separate, or no, CUSIP number if they are deemed not to be part of the same issue as the notes offered hereby for U.S. federal income tax or securities laws purposes. The notes offered hereby and any such additional notes would rank equally and ratably and would be treated as a single class for all purposes under the indenture.

We do not intend to list the notes on any securities exchange or any automated dealer quotation system.

Cancellation and Repurchase

We will cause all notes surrendered for payment, registration of transfer or exchange or conversion, if surrendered to any person other than the trustee (including any of our agents, subsidiaries or affiliates), to be delivered to the trustee for cancellation. All notes delivered to the trustee shall be cancelled promptly by the trustee. No notes shall be authenticated in exchange for any notes cancelled as provided in the indenture. Any notes surrendered for cancellation may not be reissued or resold and will be promptly cancelled and no longer outstanding under the indenture.

We may, to the extent permitted by law, and directly or indirectly (regardless of whether such notes are surrendered to us), repurchase notes in the open market or otherwise, whether by us or our subsidiaries or through a private or public tender or exchange offer or through counterparties to private agreements, including by cash-settled swaps or other derivatives. Any notes repurchased by us may, at our option, be surrendered to the trustee for cancellation, but may not be reissued or resold by us.

Payments on the Notes; Paying Agent and Registrar; Transfer and Exchange

For purposes of the notes, the description below under this section titled " Payments on the Notes; Paying Agent and Registrar; Transfer and Exchange" supersedes, in its entirety, the information

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in the accompanying prospectus under the caption "Description of our Debt Securities Payment and Paying Agents."

We will pay the principal of, and interest on, notes in global form registered in the name of or held by DTC or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global note.

We will pay the principal of any certificated notes at the office or agency designated by us for that purpose. We have initially designated the trustee as our paying agent and registrar and its agency in New York, New York as a place where notes may be presented for payment or for registration of transfer. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar. Interest on certificated notes will be payable (i) to holders having an aggregate principal amount of \$5,000,000 or less, by check mailed to the holders of these notes and (ii) to holders having an aggregate principal amount of more than \$5,000,000, either by check mailed to each holder or, upon application by a holder to the registrar not later than the relevant regular record date (as defined below), by wire transfer in immediately available funds to that holder's account within the United States, which application shall remain in effect until the holder notifies, in writing, the registrar to the contrary.

A holder of notes may transfer or exchange notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of notes, but we may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture. We are not required to transfer or exchange any note surrendered for conversion or required repurchase.

The registered holder of a note will be treated as its owner for all purposes.

Interest

The notes will bear cash interest at a rate of % per year until maturity. Interest on the notes will accrue from March , 2019 or from the most recent date on which interest has been paid or duly provided for. Interest will be payable semiannually in arrears on March 1 and September 1 of each year, beginning on September 1, 2019.

Interest will be paid to the person in whose name a note is registered at 5:00 p.m. New York City time (the "close of business") on February 15 or August 15, as the case may be, immediately preceding the relevant interest payment date (each, a "regular record date"). Interest on the notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

If any interest payment date, the maturity date or any earlier required repurchase date upon a fundamental change of a note falls on a day that is not a business day, the required payment will be made on the next succeeding business day and no interest on such payment will accrue in respect of the delay. The term "business day" means any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or be closed; *provided, however*, that, solely for purposes of the immediately preceding sentence, a day on which the applicable place of payment is authorized or required by law or executive order to close or be closed will be deemed not to be a "business day."

The notes will bear additional interest in the circumstances described below under the caption " Events of Default." All references in this prospectus supplement to interest on the notes include any additional interest payable on the notes, unless the context requires otherwise.

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Ranking

The provisions described in the accompanying prospectus under the caption "Description of our Debt Securities Indenture Provisions Subordination" will not apply to the notes.

The notes will be our general unsecured obligations that rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated in right of payment to the notes. The notes will rank equally, in right of payment with all of our existing and future liabilities that are not so subordinated. The notes will effectively rank junior to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness. The notes will rank structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure secured debt will be available to pay obligations on the notes only after all indebtedness under such secured debt has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the notes then outstanding.

As of February 28, 2019, our total consolidated indebtedness was approximately \$5.8 billion aggregate principal amount outstanding, of which approximately \$1.9 billion was secured indebtedness at the Ares Capital level, and of which an aggregate of approximately \$715 million was indebtedness of our subsidiaries. After giving effect to the issuance of the notes (assuming no exercise of the underwriters' option to purchase additional notes), and assuming the proceeds therefrom are used to repay outstanding borrowings under the Facilities, our total consolidated indebtedness would have been approximately \$5.8 billion aggregate principal amount outstanding as of February 28, 2019. See "Capitalization."

Conversion Rights

General

Prior to the close of business on the business day immediately preceding December 1, 2023, the notes will be convertible only upon satisfaction of one or more of the conditions described under the headings " Conversion Upon Satisfaction of Sale Price Condition," " Conversion Upon Satisfaction of Trading Price Condition," and " Conversion Upon Specified Corporate Events." On or after December 1, 2023, holders may convert their notes at the conversion rate at any time prior to the close of business on the second "scheduled trading day" (as defined below) immediately preceding the maturity date irrespective of the foregoing conditions. The conversion rate will initially be _____ shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$ _____ per share of our common stock). The conversion rate will be subject to adjustment as described below. Upon conversion of a note, we will satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, all as set forth below under " Settlement Upon Conversion." If we satisfy our conversion obligation in solely cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of our common stock, if any, due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each "VWAP trading day" in an "observation period" consisting of 15 "VWAP trading days" (as those terms are defined below under " Settlement Upon Conversion"). The trustee will initially act as the conversion agent, but any shares of our common stock issuable upon conversion will be issued by us directly to the relevant converting holder in accordance with the indenture.

A holder may convert fewer than all of such holder's notes so long as the notes converted are a multiple of \$1,000 principal amount.

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If a holder of notes has submitted notes for repurchase upon a fundamental change, the holder may convert those notes only if that holder first withdraws its repurchase notice.

Upon conversion, you will not receive any separate cash payment for accrued and unpaid interest, if any, except as described below, and we will not adjust the conversion rate for any accrued and unpaid interest on any converted notes. We will not issue fractional shares of our common stock upon conversion of notes. Instead, we will pay cash in lieu of delivering any fractional share as described under "Settlement Upon Conversion." Our payment and delivery, as the case may be, to you of the cash, shares of our common stock or a combination thereof, as the case may be, into which a note is convertible will be deemed to satisfy in full our obligation to pay:

the principal amount of the note; and

accrued and unpaid interest, if any, to, but not including, the relevant conversion date.

As a result, accrued and unpaid interest, if any, to, but not including, the relevant conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited. Upon a conversion of notes into a combination of cash and shares of our common stock, accrued and unpaid interest will be deemed to be paid first out of the cash paid upon such conversion.

Notwithstanding the immediately preceding paragraph, if notes are converted after the close of business on a regular record date for the payment of interest, holders of such notes at the close of business on such regular record date will receive, on or, at our election, before the corresponding interest payment date, the full amount of interest payable on such notes on such interest payment date notwithstanding the conversion. Notes surrendered for conversion during the period from the close of business on any regular record date to 9:00 a.m. New York City time (the "open of business") on the immediately following interest payment date must be accompanied by funds equal to the amount of interest payable on such interest payment date on the notes so converted; *provided* that no such payment need be made:

for conversions with a conversion date occurring after the regular record date immediately preceding the maturity date;

if we have specified a fundamental change repurchase date that is after such regular record date and on or prior to the corresponding interest payment date; or

to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note.

Therefore, for the avoidance of doubt, all record holders as of the close of business on the regular record date immediately preceding the maturity date will receive the full interest payment due on the maturity date regardless of whether their notes have been converted following such regular record date.

If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of any shares of our common stock upon the conversion, unless the tax is due because the holder requests any shares to be issued in a name other than the holder's name, in which case the holder will pay that tax.

Holders may surrender their notes for conversion under the following circumstances:

Conversion Upon Satisfaction of Sale Price Condition

Prior to the close of business on the business day immediately preceding December 1, 2023, a holder may surrender all or a portion (in an authorized denomination) of its notes for conversion during any calendar quarter commencing after the calendar quarter ending on June 30, 2019 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20

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"trading days" (as defined below) (whether or not consecutive) during the period of 30 consecutive trading days ending, and including, on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day.

The "last reported sale price" of our common stock on any date means the closing sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) per share of our common stock on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. The last reported sale price will be determined without reference to after-hours trading or extended market trading. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "last reported sale price" will be the last quoted bid price per share for our common stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the "last reported sale price" will be the average of the mid-point of the last bid and ask prices per share for our common stock on the relevant date from a nationally recognized independent investment banking firm selected by us for this purpose.

A "trading day" means a day on which (i) trading in our common stock generally occurs on The NASDAQ Global Select Market" or, if our common stock is not then listed on The NASDAQ Global Select Market, on the principal other U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then traded; (ii) there is no "market disruption event" (as defined below); and (iii) a last reported sale price for our common stock is available on such securities exchange or market. If our common stock is not so listed or traded, "trading day" means a "business day."

"Market disruption event" means, with respect to any date, the occurrence or existence, during the one-half hour period ending at the scheduled close of trading on such date on the principal U.S. national or regional securities exchange or other market on which our common stock is listed for trading or trades, of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock.

Conversion Upon Satisfaction of Trading Price Condition

Prior to the close of business on the business day immediately preceding December 1, 2023, a holder of notes may surrender its notes for conversion during the five business day period after any ten consecutive trading day period (the "measurement period") in which the "trading price" per \$1,000 principal amount of notes, as determined following a request by a holder of notes in accordance with the procedures described below, for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day.

The "trading price" of the notes on any date of determination means the average of the secondary market bid quotations obtained by the bid solicitation agent for \$5 million principal amount of notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select and whose names we provide to the bid solicitation agent; *provided* that if three such bids cannot reasonably be obtained by the bid solicitation agent but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the bid solicitation agent, that one bid shall be used. If the bid solicitation agent cannot reasonably obtain at least one bid for \$5 million principal amount of notes on any trading day from a nationally recognized securities dealer, then the trading price per \$1,000 principal amount of notes will be deemed to be less than 98% of the product of the last reported sale

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price of our common stock and the conversion rate on that trading day. If (x) we are not acting as bid solicitation agent, and we do not, when we are required to, instruct the bid solicitation agent to obtain bids, or if we give such instruction to the bid solicitation agent, and the bid solicitation agent fails to make such determination, or (y) we are acting as bid solicitation agent and we fail to make such determination, then, in either case, the trading price per \$1,000 principal amount of notes will be deemed to be less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each trading day of such failure.

The bid solicitation agent (if other than us) shall have no obligation to determine the trading price per \$1,000 principal amount of notes unless we have requested such determination; and we shall have no obligation to make such request (or, if we are acting as bid solicitation agent, we shall have no obligation to determine the trading price) unless holders of at least \$2 million of notes provide us with reasonable evidence that the trading price per \$1,000 principal amount of notes would be less than 98% of the product of the last reported sale price of our common stock and the conversion rate. At such time, we shall instruct the bid solicitation agent (if other than us) to determine, or if we are acting as bid solicitation agent, we shall determine, the trading price per \$1,000 principal amount of notes (in accordance with the procedures described above) beginning on the next trading day and on each successive trading day until the trading price per \$1,000 principal amount of notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the conversion rate. If the trading price condition has been met, we will so notify the holders, the trustee and the conversion agent (if other than the trustee). If, at any time after the trading price condition has been met, the trading price per \$1,000 principal amount of notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the conversion rate for such date, we will so notify the holders, the trustee and the conversion agent (if other than the trustee).

U.S. Bank National Association will initially act as the bid solicitation agent.

Conversion Upon Specified Corporate Events

Certain Distributions

If, prior to the close of business on the business day immediately preceding December 1, 2023, we elect to:

issue to all or substantially all holders of our common stock any rights, options or warrants (other than rights issued pursuant to a stockholder rights plan) entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase shares of our common stock at a price per share that is less than the average of the last reported sale prices of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement of such issuance; or

distribute to all or substantially all holders of our common stock our assets, debt securities or rights to purchase our securities (other than pursuant to a stockholder rights plan), which distribution has a per share value, as reasonably determined by us in good faith, exceeding 10% of the last reported sale price of our common stock on the trading day preceding the date of announcement for such distribution,

then, in either case, we must notify the holders of the notes at least 20 scheduled trading days prior to the "ex-dividend date" (as defined below) for such issuance or distribution. However, if we are then otherwise permitted to settle conversions by physical settlement, then we may instead elect to provide such notice at least five scheduled trading days before such ex-dividend date. In that event, we will be required to settle all conversions with a conversion date occurring on or after the date we provide such notice and on or before the business day immediately before such ex-dividend date (or any earlier

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announcement by us that such issuance or distribution will not take place) by physical settlement, and we will describe the same in the notice. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of (x) the close of business on the business day immediately preceding such ex-dividend date; and (y) any such announcement. Notwithstanding the foregoing, holders of the notes may not exercise this conversion right, and we will not be required to provide such notice, if they participate, at the same time and upon the same terms as holders of our common stock and solely as a result of holding the notes, in such issuance or distribution without having to convert their notes as if they held a number of shares of our common stock equal to the conversion rate, *multiplied by* the principal amount (expressed in thousands) of notes held by such holder.

Certain Corporate Events

If (i) a transaction or event that constitutes a "fundamental change" (as defined under " Fundamental Change Permits Holders to Require Us to Repurchase Notes") or a "make-whole fundamental change" (as defined under " Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change") occurs prior to the close of business on the business day immediately preceding December 1, 2023, regardless of whether a holder has the right to require us to repurchase the notes as described under " Fundamental Change Permits Holders to Require Us to Repurchase Notes," or (ii) prior to the close of business on the business day immediately preceding December 1, 2023, we are a party to a consolidation, merger, binding share exchange, or transfer or lease of all or substantially all of our assets, pursuant to which our common stock would be converted into cash, securities or other assets (in each case, other than a merger or other business combination transaction that is effected solely to change our jurisdiction of incorporation and that does not constitute a fundamental change or a make-whole fundamental change), then the notes may be surrendered for conversion at any time from or after the effective date of the transaction (or, if later, the business day after we give notice of such transaction) until 35 trading days after the effective date of such transaction or, if such transaction also constitutes a fundamental change (other than an "exempted fundamental change," as defined below under the caption " Fundamental Change Permits Holders to Require Us to Repurchase Notes"), until the related fundamental change repurchase date. We will notify holders, the trustee and the conversion agent (if other than the trustee) of the occurrence of each such transaction and the related right to convert notes no later than the effective date of such transaction.

Conversions On or After December 1, 2023

On or after December 1, 2023, a holder may convert all or any portion (in an authorized denomination) of its notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions.

Conversion Procedures

If you hold a beneficial interest in a global note, to convert you must comply with DTC's procedures for converting a beneficial interest in a global note and, if required, pay funds equal to interest payable on the next interest payment date to which you are not entitled and, if required, pay all taxes or duties, if any.

If you hold a certificated note, to convert you must:

complete and manually sign the conversion notice on the back of the note, or a facsimile of the conversion notice;

deliver the conversion notice, which is irrevocable, and the note to the conversion agent;

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if required, furnish appropriate endorsements and transfer documents and, if required, pay all taxes or duties, if any; and

if required, pay funds equal to interest payable on the next interest payment date to which you are not entitled.

We refer to the date you comply with the relevant procedures for conversion described above as the "conversion date."

If a holder has already delivered a repurchase notice as described under " Fundamental Change Permits Holders to Require Us to Repurchase Notes" with respect to a note, the holder may not surrender that note for conversion until the holder has withdrawn the repurchase notice in accordance with the relevant provisions of the indenture. If a holder submits its notes for required repurchase, the holder's right to withdraw the repurchase notice and convert the notes that are subject to repurchase will terminate at the close of business on the business day immediately preceding the relevant fundamental change repurchase date.

Limitation on Beneficial Ownership

Notwithstanding the foregoing, no holder of notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a "beneficial owner" (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time (the "limitation"). Any purported delivery of shares of our common stock upon conversion of notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the converting holder becoming the beneficial owner of more than the limitation. If any delivery of shares of our common stock owed to a holder upon conversion of notes is not made, in whole or in part, as a result of the limitation, our obligation to make such delivery shall not be extinguished and we shall deliver such shares as promptly as practicable after any such converting holder gives notice to us that such delivery would not result in it being the beneficial owner of more than 5.0% of the shares of our common stock outstanding at such time. The limitation shall no longer apply following the effective date of any fundamental change, as defined in " Fundamental Change Permits Holders to Require Us to Repurchase Notes."

Settlement Upon Conversion

Upon conversion, we may choose to pay or deliver, as the case may be, either cash ("cash settlement"), shares of our common stock ("physical settlement") or a combination of cash and shares of our common stock ("combination settlement"), as described below. We refer to each of these settlement methods as a "settlement method."

All conversions with a conversion date occurring on or after December 1, 2023 will be settled using the same settlement method. Prior to December 1, 2023, we will use the same settlement method for all conversions with the same conversion date, but we will not have any obligation to use the same settlement method with respect to conversions with different conversion dates. That is, prior to December 1, 2023, we may choose for notes converted with the same conversion date to settle conversions in physical settlement, and choose for notes converted with another conversion date cash settlement or combination settlement. If we elect a settlement method, we will inform holders so converting through the trustee of the settlement method we have selected no later than the close of business on the trading day immediately following the related conversion date (or in the case of any conversions with a conversion date occurring on or after December 1, 2023, no later than December 1, 2023). If we fail to elect a settlement method in a timely manner, we will be deemed to have elected the "default settlement method" (as defined below), and such failure will be deemed not to be a

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default or event of default). If we elect combination settlement, but we do not timely notify converting holders of the specified dollar amount per \$1,000 principal amount of notes, such specified dollar amount will be deemed to be \$1,000. It is our current intent and policy to settle conversions through combination settlement with a specified dollar amount of \$1,000. However, we shall not settle any conversions through cash settlement or combination settlement if such settlement would be prohibited by our then outstanding senior secured revolving credit agreements or other debt instruments.

The "default settlement method" will initially be combination settlement with a specified dollar amount of \$1,000. However, we may, from time to time, change the default settlement method by sending notice of the new default settlement method to the holders.

Settlement amounts will be computed as follows:

if physical settlement applies, we will deliver to the converting holder in respect of each \$1,000 principal amount of notes being converted a number of shares of our common stock equal to the conversion rate in effect on the relevant conversion date;

if cash settlement applies, we will pay to the converting holder in respect of each \$1,000 principal amount of notes being converted an amount in cash equal to the sum of the daily conversion values for each of the 15 consecutive VWAP trading days during the related observation period; and

if combination settlement applies, we will pay or deliver, as the case may be, to the converting holder in respect of each \$1,000 principal amount of notes being converted a "settlement amount" (as defined below) equal to the sum of the "daily settlement amounts" (as defined below) for each of the 15 consecutive VWAP trading days during the relevant observation period.

The "daily settlement amount," for each of the 15 consecutive VWAP trading days during the observation period, shall consist of:

cash equal to the lesser of (i) the maximum cash amount per \$1,000 principal amount of notes to be received upon conversion (excluding cash in lieu of any fractional share) as specified (or deemed to have been elected) in the notice specifying our chosen settlement method (the "specified dollar amount"), if any, *divided by* 15 (such quotient, the "daily measurement value") and (ii) the daily conversion value for such VWAP trading day; and

if such daily conversion value exceeds the daily measurement value, a number of shares equal to (i) the difference between such daily conversion value and the daily measurement value, *divided by* (ii) the "daily VWAP" (as defined below) for such VWAP trading day.

The "daily conversion value" means, for each of the 15 consecutive VWAP trading days during the observation period, one-15th of the product of (1) the conversion rate on such VWAP trading day and (2) the daily VWAP on such VWAP trading day.

The "daily VWAP" means, for each of the 15 consecutive VWAP trading days during the applicable observation period, the per share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page "ARCC <equity> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such VWAP trading day (or if such volume-weighted average price is unavailable, the market value of one share of our common stock on such VWAP trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us). The "daily VWAP" will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

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The "observation period" with respect to any note surrendered for conversion means:

if the relevant conversion date occurs prior to December 1, 2023, the 15 consecutive VWAP trading days beginning on, and including, the second VWAP trading day after such conversion date; and

if the relevant conversion date occurs on or after December 1, 2023, the 15 consecutive VWAP trading days beginning on, and including, the 16th scheduled trading day immediately preceding the maturity date.

"VWAP trading day" means a day on which (i) there is no "VWAP market disruption event" (as defined below); and (ii) trading in our common stock generally occurs on The NASDAQ Global Select Market or, if our common stock is not then listed on The NASDAQ Global Select Market, on the principal other U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then listed or admitted for trading. If our common stock is not so listed or admitted for trading, "VWAP trading day" means a "business day."

"Scheduled trading day" means a day that is scheduled to be a trading day on the principal U.S. national or regional securities exchange or market on which our common stock is listed or admitted for trading. If our common stock is not so listed or admitted for trading, "scheduled trading day" means a "business day."

"VWAP market disruption event" means (i) a failure by the primary U.S. national or regional securities exchange or market on which our common stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any scheduled trading day for our common stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock.

Except as described under " Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change" and " Recapitalizations, Reclassifications and Changes of Our Common Stock," we will deliver the consideration due in respect of conversion on the second business day immediately following the relevant conversion date, if physical settlement applies, or on the second business day immediately following the last VWAP trading day of the relevant observation period, in the case of any other settlement method; *provided, however,* that we will settle on the maturity date (or, if the maturity date is not a business day, the immediately following business day) any conversions to which physical settlement applies and whose conversion date occurs after the regular record date immediately preceding the maturity date (and, for such purposes, the conversion date will be deemed instead to occur on the second scheduled trading day preceding the maturity date).

We will deliver cash in lieu of any fractional share of common stock issuable upon conversion based on the daily VWAP on the relevant conversion date (in the case of physical settlement) or based on the daily VWAP on the last VWAP trading day of the relevant observation period (in the case of combination settlement).

Each conversion will be deemed to have been effected as to any notes surrendered for conversion on the conversion date; *provided, however,* that the person in whose name any shares of our common stock shall be issuable upon such conversion will become the holder of record of such shares as of the close of business on the conversion date (in the case of physical settlement) or the last VWAP trading day of the relevant observation period (in the case of combination settlement), in each case solely for the purpose of receiving or participating in any dividend, distribution, issuance, share split or

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combination, tender or exchange offer or any other event that would lead to a conversion rate adjustment as described under " Conversion Rate Adjustments" below.

Conversion Rate Adjustments

The conversion rate will be adjusted as described below, except that we will not make any adjustments to the conversion rate if holders of the notes participate (other than in the case of a share split or share combination or a tender or exchange offer), at the same time and upon the same terms as holders of our common stock and solely as a result of holding the notes, in any of the transactions described below without having to convert their notes as if they held a number of shares of our common stock equal to the conversion rate, *multiplied* by the principal amount (expressed in thousands) of notes held by such holder.

- (1) If we exclusively issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date of such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or combination, as applicable;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date or effective date;

OS_0 = the number of shares of our common stock outstanding immediately prior to the open of business on such ex-dividend date or effective date (before giving effect to such dividend, distribution, split or combination); and

OS_1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this clause (1) shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this clause (1) is declared but not so paid or made, the conversion rate shall be immediately readjusted, effective as of the date our board of directors or a committee thereof determines not to pay such dividend or distribution, to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (2) If we issue to all or substantially all holders of our common stock any rights, options or warrants (other than pursuant to a stockholder rights plan) entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase shares of our common stock at a price per share that is less than the average of the last reported sale prices of our common stock for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement of such issuance, the conversion rate will be adjusted based on the following formula:

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such issuance;

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- CR₁ = the conversion rate in effect immediately after the open of business on such ex-dividend date;
OS₀ = the number of shares of our common stock outstanding immediately prior to the open of business on such ex-dividend date;
X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and
Y = the number of shares of our common stock equal to the aggregate price payable to exercise such rights, options or warrants, *divided* by the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the ex-dividend date for such issuance. To the extent that shares of our common stock are not delivered after the expiration of such rights, options or warrants, the conversion rate shall be decreased to the conversion rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of our common stock actually delivered. If such rights, options or warrants are not so issued, the conversion rate shall be decreased to the conversion rate that would then be in effect if such ex-dividend date for such issuance had not occurred.

For the purpose of this clause (2) and for the purpose of the first bullet point under " Conversion Upon Specified Corporate Events Certain Distributions," in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of our common stock at less than such average of the last reported sale prices for the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date of announcement of such issuance, and in determining the aggregate offering price of such shares of our common stock, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by us in good faith.

(3)

If we distribute shares of our capital stock, evidences of our indebtedness, other assets or property of ours or rights, options or warrants to acquire our capital stock or other securities, to all or substantially all holders of our common stock, excluding:

dividends, distributions or issuances as to which an adjustment was effected (or would be effected without giving effect to the "deferral exception" (as defined below)) pursuant to clause (1) or (2) above;

dividends or distributions paid exclusively in cash;

distributions pursuant to a stockholder rights plan, except to the extent described further below;

a distribution solely pursuant to a "common stock change event," as defined below under the caption " Recapitalizations, Reclassifications and Changes of Our Common Stock," as to which the provisions set forth below under that caption shall apply; and

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spin-offs as to which the provisions set forth below in this clause (3) shall apply, then the conversion rate will be adjusted based on the following formula:

where,

- CR₀ = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;
- CR₁ = the conversion rate in effect immediately after the open of business on such ex-dividend date;
- SP₀ = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the ex-dividend date for such distribution; and
- FMV = the fair market value (as determined by us in good faith) of the shares of capital stock, evidences of indebtedness, assets, property, rights, options or warrants distributed with respect to each outstanding share of our common stock on the ex-dividend date for such distribution.

Any increase made under the portion of this clause (3) above will become effective immediately after the open of business on the ex-dividend date for such distribution. If such distribution is not so paid or made, the conversion rate shall be decreased to be the conversion rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP₀" (as defined above), in lieu of the foregoing increase, each holder of a note shall receive, in respect of each \$1,000 principal amount thereof held as of the record date for such distribution, at the same time and upon the same terms as holders of our common stock, the amount and kind of our capital stock, evidences of our indebtedness, other assets or property of ours or rights, options or warrants to acquire our capital stock or other securities that such holder would have received if such holder owned a number of shares of our common stock equal to the conversion rate in effect on the record date for the distribution.

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock of shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit of ours, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange, which we refer to as a "spin-off," the conversion rate will be adjusted based on the following formula:

where,

- CR₀ = the conversion rate in effect immediately prior to the close of business on the last trading day of the "spin-off valuation period" (as defined below) for such spin-off;
- CR₁ = the conversion rate in effect immediately after the close of business on the last trading day of such spin-off valuation period;

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FMV_0 = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock (determined by reference to the definitions of "last reported sale price," "trading day" and "market disruption event" set forth under " Conversion Upon Satisfaction of Sale Price Condition" as if references therein to our common stock were to such capital stock or similar equity interest) over the first 10 consecutive trading day period (the "spin-off valuation period") beginning on, and including, the ex-dividend date of such spin-off; and

MP_0 = the average of the last reported sale prices of our common stock for each trading day occurring during such spin-off valuation period.

The adjustment to the conversion rate under the preceding paragraph will become effective immediately after the close of business on the last trading day of such spin-off valuation period; *provided* that (x) in respect of any conversion of notes to which physical settlement is applicable, if the relevant conversion date occurs during the spin-off valuation period, then the reference to "10" in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, such conversion date in determining the conversion rate applicable to such conversion; and (y) in respect of any conversion of notes to which cash settlement or combination settlement is applicable, for any VWAP trading day that falls within the relevant observation period for such conversion and within the spin-off valuation period, reference to "10" in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, such VWAP trading day in determining the conversion rate applicable to such conversion as of such VWAP trading day.

(4) If any cash dividend or distribution is made to all or substantially all holders of our common stock, (other than cash dividends that, together with all other such cash dividends paid in the same calendar quarter, do not exceed an aggregate of \$0.42 per share per calendar quarter (the "dividend threshold," which is subject to adjustment as described below)), the conversion rate will be adjusted based on the following formula:

where,

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution;

CR_1 = the conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution;

SP_0 = the last reported sale price of our common stock on the trading day immediately preceding the ex-dividend date for such dividend or distribution;

T = the dividend threshold; and

C = the amount in cash per share we distribute to holders of our common stock, together with all other such cash dividends per share paid in the same calendar quarter (other than cash dividends for which an adjustment was already effected (or would be effected without regard to the deferral exception)).

The dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate; *provided* that no adjustment will be made to the dividend

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threshold for any adjustment to the conversion rate under this clause (4) or pursuant to the provisions described below under the caption " Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change."

Any increase made under this clause (4) shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution. If such dividend or distribution is not so paid, the conversion rate shall be decreased, effective as of the date our board of directors or a committee thereof determines not to make or pay such dividend or distribution, to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP0" (as defined above), in lieu of the foregoing increase, each holder of a note shall receive, for each \$1,000 principal amount of notes held as of the record date for such cash dividend or distribution, at the same time and upon the same terms as holders of shares of our common stock, the amount of cash that such holder would have received if such holder owned a number of shares of our common stock equal to the conversion rate on such record date.

(5)

If we or any of our subsidiaries make a payment in respect of a tender or exchange offer for our common stock (other than an odd-lot tender offer), to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the last reported sale price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (such last date the "expiration date"), the conversion rate will be adjusted based on the following formula:

where,

- CR₀ = the conversion rate in effect immediately prior to the close of business on the last trading day of the "tender/exchange offer valuation period" (as defined below) for such tender or exchange offer;
- CR₁ = the conversion rate in effect immediately after the close of business on the last trading day of such tender/exchange offer valuation period;
- AC = the aggregate value of all cash and any other consideration (as determined by us in good faith) paid or payable for shares purchased in such tender or exchange offer;
- OS₀ = the number of shares of our common stock outstanding immediately prior to the time such tender or exchange offer expires (including all shares accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of shares of our common stock outstanding immediately after the time such tender or exchange offer expires (excluding all shares accepted for purchase or exchange in such tender or exchange offer); and
- SP₁ = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period (the "tender/exchange offer valuation period") commencing on, and including, the trading day next succeeding such expiration date;

provided, however, that in no event will the conversion rate be decreased pursuant to the foregoing adjustment. The adjustment to the conversion rate under the preceding paragraph will become effective immediately after the close of business on the last trading day of such tender/

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exchange offer valuation period; *provided* that (x) in respect of any conversion of notes to which physical settlement is applicable, if the relevant conversion date occurs during the tender/exchange offer valuation period, then references to "10" in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the trading day next succeeding the expiration date of such tender or exchange offer to, and including, such conversion date in determining the conversion rate applicable to such conversion and (y) in respect of any conversion of notes to which cash settlement or combination settlement is applicable, for any VWAP trading day that falls within the relevant observation period for such conversion and within the tender/exchange offer valuation period, references to "10" in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the trading day next succeeding such expiration date to, and including, such VWAP trading day in determining the conversion rate as of such VWAP trading day.

Notwithstanding the foregoing, if a conversion rate adjustment becomes effective on any ex-dividend date as described above, and a holder that has converted its notes, where the relevant conversion date (in the case of physical settlement) or the VWAP last trading day of the relevant observation period (in the case of combination settlement) occurs on or after such ex-dividend date and on or prior to the related record date, would be treated as the record holder of shares of our common stock, if any, issuable upon such conversion (in the case of physical settlement) or issuable on account of such VWAP trading day (in the case of combination settlement) as described under "Settlement Upon Conversion" based on an adjusted conversion rate for such ex-dividend date, then, notwithstanding the foregoing conversion rate adjustment provisions, the conversion rate adjustment relating to such ex-dividend date will not be made for such conversion. Instead, such holder will be treated as if such holder were the record owner of such shares of our common stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

Except as stated herein, we will not adjust the conversion rate for the issuance of shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or the right to purchase shares of our common stock or such convertible or exchangeable securities.

As used in this section, "ex-dividend date" means the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from us or, if applicable, from the seller of our common stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market. For the avoidance of doubt, any alternative trading convention on the applicable exchange or market in respect of our common stock under a separate ticker symbol or CUSIP number will not be considered "regular way" for purposes of the definition of "ex-dividend date."

Subject to any applicable stock exchange listing rules, we are permitted to increase the conversion rate of the notes by any amount for a period of at least 20 business days if our board of directors or a committee thereof determines that such increase would be in our best interest. We may also (but are not required to) increase the conversion rate to avoid or diminish income tax to holders of our common stock or rights to purchase shares of our common stock in connection with a dividend or distribution of shares (or rights to acquire shares) or similar event, subject to any applicable stock exchange listing rules.

A holder may, in some circumstances, including a distribution of cash dividends to holders of our shares of common stock, be deemed to have received a distribution subject to U.S. federal income tax as a result of an adjustment or the nonoccurrence of an adjustment to the conversion rate. Applicable withholding taxes (including backup withholding) may be withheld from interest and payments upon the sale, exchange, redemption, retirement or other taxable disposition of the notes. In addition, if any withholding taxes (including backup withholding) are paid on behalf of a holder, then those withholding taxes may be withheld from interest, shares of common stock or sales proceeds subsequently paid or credited to that holder. For a discussion of the U.S. federal income tax treatment of an adjustment to the conversion rate, see "Certain Material U.S. Federal Income Tax Considerations."

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To the extent that we have a stockholder rights plan in effect upon conversion of the notes into common stock, you will receive, in addition to any shares of our common stock received in connection with such conversion, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case, and only in such case, the conversion rate will be adjusted at the time of separation as if we distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness, assets, property, rights, options or warrants as described in the first paragraph of clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

Notwithstanding any of the foregoing, the conversion rate will not be adjusted:

upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;

upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;

upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the notes were first issued;

solely for a change in the par value of the common stock or a change in our jurisdiction of incorporation; or

for accrued and unpaid interest, if any.

Adjustments to the conversion rate will be calculated to the nearest 1/10,000th of a share. We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate and make such carried forward adjustment, regardless of whether the aggregate adjustment is less than 1%, on the conversion date for any notes and on each VWAP trading day of any observation period for any converted notes. We refer to the provision described in this paragraph as the "deferral exception."

Recapitalizations, Reclassifications and Changes of our Common Stock

In the case of:

any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination or a change solely in par value);

any consolidation, merger or combination involving us;

any sale, lease or other transfer to a third party of all or substantially all of our and our subsidiaries' consolidated assets; or

any statutory share exchange,

in each case, as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (such an event, a "common stock change event," and such stock, other securities, other property, assets or cash, the "reference property," and the amount and kind of reference property that a holder of one share of our common stock would be entitled to receive on account of such common stock change event (without

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giving effect to any arrangement not to issue or deliver a fractional portion of any security or other property), a "reference property unit"), then, at and after the effective time of the transaction:

the consideration due upon conversion of any note, and the conditions to any such conversion, will be determined in the same manner as if each reference to any number of shares of common stock in the provisions described under this " Conversion Rights" section (or in any related definitions) were instead a reference to the same number of reference property units; and

for purposes of the definition of "fundamental change" and "make-whole fundamental change," the terms "common stock" and "common equity" will be deemed to mean the common equity (including depositary receipts representing common equity), if any, forming part of such reference property.

For these purposes, the daily VWAP or last reported sale price of any reference property unit or portion thereof that does not consist of a class of securities will be the fair value of such reference property unit or portion thereof, as applicable, determined in good faith by us (or, in the case of cash denominated in U.S. dollars, the face amount thereof). If the common stock change event causes our common stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the composition of the reference property unit will be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of our common stock. If the holders of our common stock receive only cash in such common stock change event, then for all conversions with a conversion date that occurs on or after the effective date of such common stock change event, (i) the consideration due upon conversion of each \$1,000 principal amount of notes shall be solely cash in an amount equal to the conversion rate in effect on the conversion date (as may be increased as described under " Adjustment to Shares Due Upon Conversion Upon a Make-Whole Fundamental Change"), *multiplied* by the price paid per share of common stock in such transaction and (ii) we will satisfy our conversion obligation by paying cash to converting holders on or before the second business day immediately following the conversion date. We will notify holders, the trustee and the conversion agent (if other than the trustee) of the weighted average as soon as practicable after such determination is made. We will agree in the indenture not to become a party to any such transaction unless its terms are consistent with the foregoing in all material respects.

In connection with any change to the conversion right described above, we will also adjust the dividend threshold (as defined under " Conversion Rate Adjustments") based on the value of the common equity, if any, included in the reference property and (if applicable) the value of any non-stock consideration included in the reference property. If the reference property is composed solely of non-stock consideration, the dividend threshold will be zero.

Adjustments of Prices

Whenever any provision of the indenture requires us to calculate the last reported sale prices, the daily VWAPs, the daily conversion values or the daily settlement amounts over a span of multiple days (including an observation period and a period for determining the "stock price" (as defined below) for purposes of a make-whole fundamental change), we will make appropriate adjustments, if any, to each to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex-dividend date of the event occurs, at any time during the period when the last reported sale prices, the daily VWAPs, the daily conversion values or the daily settlement amounts are to be calculated.

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Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change

If an event that constitutes a "fundamental change," as defined in clauses (1), (2) or (4) of the definition of such term below, and determined after giving effect to any exceptions to or exclusions from such definition, but without regard to the proviso in clause (2) of the definition thereof (such an event, a "make-whole fundamental change") occurs and a holder elects to convert its notes in connection with such make-whole fundamental change, we will, under certain circumstances, increase the conversion rate for the notes so surrendered for conversion by a number of additional shares of our common stock (the "additional shares"), as described below. A conversion of notes will be deemed for these purposes to be "in connection with" such make-whole fundamental change if the notice of conversion of the notes is received by the conversion agent from, and including, the effective date of the make-whole fundamental change up to, and including, the business day immediately prior to the related fundamental change repurchase date (or, in the case of an exempted fundamental change, or a make-whole fundamental change that would have been a fundamental change but for the proviso in clause (2) of the definition thereof, the 35th calendar day immediately following the effective date of such make-whole fundamental change).

Upon surrender of notes for conversion in connection with a make-whole fundamental change, we will, at our option, satisfy our conversion obligation by physical settlement, cash settlement or combination settlement, as described under " Settlement Upon Conversion." However, if the consideration for our common stock in any make-whole fundamental change described in clause (2) of the definition of fundamental change is composed entirely of cash, for any conversion of notes following the effective date of such make-whole fundamental change, the conversion obligation will be calculated based solely on the "stock price" for the transaction and will be deemed to be an amount of cash per \$1,000 principal amount of converted notes equal to the conversion rate (including any adjustment as described in this section) in effect on the relevant conversion date, *multiplied by* such stock price. In such event, the conversion obligation will be determined and paid to holders in cash on the third business day following the conversion date. We will notify holders of the effective date of any make-whole fundamental change and issue a press release announcing such effective date no later than five business days after such effective date.

The number of additional shares, if any, by which the conversion rate will be increased will be determined by reference to the table below, based on the date on which the make-whole fundamental change occurs or becomes effective (the "effective date") and the price (the "stock price") paid (or deemed to be paid) per share of our common stock in the make-whole fundamental change. If the holders of our common stock receive only cash in a make-whole fundamental change described in clause (2) of the definition of fundamental change, the stock price shall be the cash amount paid per share. Otherwise, the stock price shall be the average of the last reported sale prices of our common stock over the five trading day period ending on, and including, the trading day immediately preceding the effective date of the make-whole fundamental change.

The stock prices set forth in the column headings of the table below will be adjusted as of any date on which the conversion rate of the notes is otherwise adjusted. The adjusted stock prices will equal the stock prices immediately prior to such adjustment, *multiplied by* a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares will be adjusted in the same manner and at the same time as the conversion rate as set forth under " Conversion Rate Adjustments."

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The following table sets forth the number of additional shares to be received per \$1,000 principal amount of notes for each stock price and effective date set forth below:

Effective Date	Stock Price							
	\$	\$	\$	\$	\$	\$	\$	\$
, 2019								
March 1, 2020								
March 1, 2021								
March 1, 2022								
March 1, 2023								
March 1, 2024								

The exact stock prices and effective dates may not be set forth in the table above, in which case:

if the stock price is between two stock prices in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock prices and the earlier and later effective dates, as applicable, based on a 365- or 366-day year, as applicable;

if the stock price is greater than \$ _____ per share (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate; and

if the stock price is less than \$ _____ per share (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate.

Notwithstanding the foregoing, in no event will the conversion rate exceed _____ shares per \$1,000 principal amount of notes, subject to adjustment in the same manner as the conversion rate as set forth under " Conversion Rate Adjustments."

Our obligation to satisfy the additional shares requirement could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

Exchange in Lieu of Conversion

Notwithstanding anything to the contrary, and subject to the terms of the indenture, if a note is submitted for conversion, we may elect to arrange to have such note exchanged in lieu of conversion by a financial institution we designate. To make such election, we must send notice of such election to the holder of such note before the close of business on the business day immediately following the conversion date for such note, and we must arrange for the financial institution to deliver the consideration due upon such conversion in the same manner and at the same time as we would have been required to do so. We will remain responsible to deliver such consideration if the financial institution fails to timely deliver the same.

Fundamental Change Permits Holders to Require Us to Repurchase Notes

If a "fundamental change" (as defined below in this section) occurs at any time, holders will have the right, at their option, to require us to repurchase for cash any or all of their notes, or any portion of the principal amount thereof that is in an authorized denomination. The price we are required to pay is equal to 100% of the principal amount of the notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change repurchase date (unless the fundamental

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change repurchase date falls after a regular record date but on or prior to the interest payment date to which such regular record date relates, in which case we will, on or, at our election, before such interest payment date, instead pay the full amount of accrued and unpaid interest to the holder of record on such regular record date, and the fundamental change repurchase price will be equal to 100% of the principal amount of the notes to be repurchased). The "fundamental change repurchase date" will be a date specified by us that is not less than 20 or more than 35 calendar days following the date of our fundamental change notice as described below (and will be subject to postponement by a number of days by which our notice of the fundamental change is delivered to holders beyond the deadline set forth in the third immediately succeeding paragraph).

A "fundamental change" will be deemed to have occurred at the time after the notes are originally issued if any of the following occurs:

- (1) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act, other than us, our subsidiaries and our and their employee benefit plans, has become the direct or indirect beneficial owner of our common equity representing more than 50% of the voting power of our common equity and files a Schedule 13D or Schedule TO or any other schedule, form or report under the Exchange Act disclosing such beneficial ownership;
- (2) the consummation of (A) any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination or a change solely in par value) as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of us pursuant to which our common stock will be converted into cash, securities or other property; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our subsidiaries; *provided, however*, that a transaction described in clause (A) or (B) in which the holders of all classes of our common equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of common equity of the continuing or surviving corporation or transferee, or the parent thereof, immediately after such transaction in substantially the same proportions as such ownership immediately prior to such transaction shall not be a fundamental change pursuant to this clause (2);
- (3) our stockholders approve any plan or proposal for the liquidation or dissolution of us; or
- (4) our common stock ceases to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) for a period of 20 consecutive trading days.

A transaction or transactions described in clause (2) above will not constitute a fundamental change (even if that transaction is, or those transactions are, also described under another clause above) if at least 90% of the consideration received or to be received by our common stockholders, excluding cash payments for fractional shares or pursuant to dissenters rights, in connection with such transaction or transactions consists of shares of our common stock that are listed or quoted (or depositary receipts representing shares of common stock, which depositary receipts are listed or quoted) on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions, and such transaction or transactions constitute a common stock change event whose reference property consists of such consideration.

For purposes of the definition of "fundamental change" above, any transaction that constitutes a fundamental change pursuant to both clause (1) and clause (2) (excluding the proviso to such

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clause (2)) of such definition will be deemed to be a fundamental change solely under clause (2) of such definition (subject to such proviso).

A filing that would otherwise constitute a fundamental change under clause (1) above will not constitute a fundamental change if (x) the filing occurs in connection with a transaction in which we become a wholly owned subsidiary of an SEC-reporting entity, and for purposes of the conversion provisions herein, our common stock is replaced by the publicly traded and listed securities of such SEC-reporting company, and (y) no such filing is made or is in effect with respect to common equity representing more than 50% of the voting power of such other company.

On or before the 20th day after (i) the date that we knew or reasonably should have known that the fundamental change occurred, in the case of a fundamental change described under clause (1) of the definition thereof, or (ii) the date the fundamental change occurred, in the case of any other fundamental change, we will provide to all holders of the notes and the trustee and paying agent a notice of the occurrence of the fundamental change and of the resulting repurchase right. Such notice shall state, among other things:

the events causing a fundamental change;

the effective date of the fundamental change;

the last date on which a holder may exercise the repurchase right;

the fundamental change repurchase price;

the fundamental change repurchase date;

the name and address of the paying agent and the conversion agent, if applicable;

the conversion rate and, if applicable, any adjustments to the conversion rate;

if applicable, that the notes with respect to which a fundamental change repurchase notice has been delivered by a holder may be converted only if the holder withdraws the fundamental change repurchase notice in accordance with the terms of the indenture; and

the procedures that holders must follow to require us to repurchase their notes.

To exercise the fundamental change repurchase right, you must deliver, on or before the business day immediately preceding the fundamental change repurchase date, the notes to be repurchased, duly endorsed for transfer, together with a written repurchase notice and the form entitled "Form of Fundamental Change Repurchase Notice" on the reverse side of the notes duly completed, to the paying agent. Each repurchase notice must state:

if certificated, the certificate numbers of your notes to be delivered for repurchase or if not certificated, the notice must comply with appropriate DTC procedures;

the portion of the principal amount of notes to be repurchased, which must be an authorized denomination; and

that the notes are to be repurchased by us pursuant to the applicable provisions of the notes and the indenture.

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Holders may withdraw any repurchase notice (in whole or in part) by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day immediately preceding the fundamental change repurchase date. The notice of withdrawal shall state:

the principal amount of the withdrawn notes;

if certificated notes have been issued, the certificate numbers of the withdrawn notes or, if not certificated, the notice must comply with appropriate DTC procedures; and

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the principal amount, if any, which remains subject to the repurchase notice, which must be an authorized denomination.

We will be required to repurchase the notes surrendered for repurchase in accordance with the indenture on the fundamental change repurchase date, subject to extension if necessary to comply with the provisions of the Investment Company Act.

Holders will receive payment of the fundamental change repurchase price on the later of (i) the fundamental change repurchase date and (ii) the time of book-entry transfer or the delivery of the notes to the paying agent. If on the fundamental change repurchase date the paying agent holds money sufficient to pay the fundamental change repurchase price of the notes for which holders have surrendered and not withdrawn repurchase notices on the fundamental change repurchase date, then:

the notes will cease to be outstanding and interest will cease to accrue (whether or not book-entry transfer of the notes is made or whether or not the notes are delivered to the paying agent); and

all other rights of the holder will terminate (other than the right to receive the fundamental change repurchase price upon delivery or transfer of the notes),

in each case subject to the right of a holder of any notes as of the close of business on a regular record date to receive the related interest payment.

In connection with any repurchase offer pursuant to a fundamental change repurchase notice, we will, if required:

comply in all material respects with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act that may then be applicable;

file a Schedule TO or any other required schedule under the Exchange Act; and

otherwise comply in all material respects with all federal and state securities laws in connection with any offer by us to repurchase the notes,

in each case, so as to permit the rights and obligations under this " Fundamental Change Permits Holders to Require Us to Repurchase Notes" to be exercised in the time and in the manner specified in the indenture. However, to the extent that our obligations to offer to repurchase and to repurchase notes pursuant to the provisions described above conflict with any law or regulation that is applicable to us and enacted after the date we initially issue the notes, our compliance with such law or regulation will not be considered to be a default of those obligations.

No notes may be repurchased on any date at the option of holders upon a fundamental change if the principal amount of the notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by us in the payment of the fundamental change repurchase price with respect to such notes).

Notwithstanding anything to the contrary, we will be deemed to satisfy our obligations to repurchase notes pursuant to the provisions described above if one or more third parties conduct the repurchase offer and repurchase tendered notes in a manner that would have satisfied our obligations to do the same if conducted directly by us.

In addition, notwithstanding anything to the contrary, we will not be required to send a fundamental change notice, publish any related notice or offer to repurchase or repurchase any notes, as described above, in connection with a fundamental change occurring pursuant to clause (2)(A) or

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(B) (or pursuant to any other clause of such definition that also constitutes a fundamental change occurring pursuant to clause (2)(A) or (B)) of the definition thereof, if:

such fundamental change constitutes a common stock change event whose reference property consists solely of cash in U.S. dollars;

immediately after such fundamental change, the notes become convertible into solely such cash in an amount per \$1,000 principal amount of notes that equals or exceeds the fundamental change repurchase price per \$1,000 principal amount of notes (calculated assuming that the same includes accrued interest to, but excluding, the latest possible fundamental change repurchase date for such fundamental change); and

we timely send the notice relating to such fundamental change required pursuant the provisions described above under the caption " Conversion Rights Conversion Upon Specified Corporate Events Certain Corporate Events."

We refer to such a fundamental change as an "exempted fundamental change."

The repurchase rights of the holders could discourage a potential acquirer of us. The fundamental change repurchase feature, however, is not the result of management's knowledge of any specific effort to obtain control of us by any means or part of a plan by management to adopt a series of anti-takeover provisions.

The term fundamental change is limited to specified transactions and may not include other events that might adversely affect our financial condition. In addition, the requirement that we offer to repurchase the notes upon a fundamental change may not protect holders in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

The definition of fundamental change includes a phrase relating to the conveyance, transfer, sale, lease or disposition of "all or substantially all" of our consolidated assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of the notes to require us to repurchase its notes as a result of the conveyance, transfer, sale, lease or other disposition of less than all of our assets may be uncertain.

If a fundamental change were to occur, we may not have enough funds to pay the fundamental change repurchase price. Our ability to repurchase the notes for cash may be limited by restrictions on our ability to obtain funds for such repurchase through dividends from our subsidiaries, the terms of our then existing borrowing arrangements, the limitations imposed on us by the Investment Company Act or otherwise. See "Risk Factors Risks Relating to the Notes We may not have, or have the ability to raise, the funds necessary to settle conversions of the notes or to repurchase the notes upon a fundamental change, and our debt may contain limitations on our ability to pay cash or deliver shares of our common stock upon conversion or repurchase of the notes." If we fail to repurchase the notes when required following a fundamental change, we will be in default under the indenture. In addition, we have, and may in the future incur, other indebtedness with similar change in control provisions permitting our holders to accelerate or to require us to repurchase our indebtedness upon the occurrence of similar events or on some specific dates.

Consolidation, Merger and Sale of Assets

For purposes of the notes, the description below under this section titled " Consolidation, Merger and Sale of Assets" supersedes, in its entirety, the information in the accompanying prospectus under the caption "Description of our Debt Securities Merger or Consolidation."

The indenture provides that we shall not consolidate with or merge with or into, or sell, convey, transfer or lease all or substantially all of our properties and assets to, another person, unless (i) the resulting, surviving or transferee person (if not us) is a corporation organized and existing under

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the laws of the United States of America, any State thereof or the District of Columbia, and such corporation (if not us) expressly assumes by supplemental indenture all of our obligations under the notes and the indenture; and (ii) immediately after giving effect to such transaction, no default or event of default has occurred and is continuing under the indenture. Upon any such consolidation, merger or sale, conveyance, transfer or lease, the resulting, surviving or transferee person (if not us) shall succeed to us, and may exercise every right and power of, ours under the indenture, and we shall be discharged from our obligations under the notes and the indenture except in the case of any such lease.

Although these types of transactions are permitted under the indenture, certain of the foregoing transactions could constitute a fundamental change permitting each holder to require us to repurchase the notes of such holder as described above.

An assumption by any person of obligations under the notes and the indenture might be deemed for U.S. federal income tax purposes to be an exchange of the notes for new notes by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

Events of Default

For purposes of the notes, the description below under this section titled " Events of Default" supersedes, in its entirety, the information in the accompanying prospectus under the caption "Description of our Debt Securities Events of Default."

Each of the following is an event of default:

- (1) default in any payment of interest on any note when due and payable and the default continues for a period of 30 days;
- (2) default in the payment of principal of any note when due and payable at its stated maturity, upon any required repurchase, upon declaration of acceleration or otherwise;
- (3) our failure to comply with our obligation to convert the notes in accordance with the indenture upon exercise of a holder's conversion right, and such default is not cured within five business days;
- (4) our failure to give a fundamental change notice as described under " Fundamental Change Permits Holders to Require Us to Repurchase Notes" and such failure is not cured within 10 days after the due date for such notice;
- (5) our failure to give notice of a specified corporate transaction as described under " Conversion Rights Conversion Upon Specified Corporate Events" when due and such failure is not cured within 5 business days after the due date for such notice;
- (6) our failure for 60 consecutive days after written notice from the trustee or the holders of at least 25% in principal amount of the notes then outstanding has been received to comply with any of our other agreements contained in the notes or indenture;
- (7) our failure to comply with the obligation set forth under " Covenants Investment Company Act Section 18(a)(1)(A) as Modified by Section 61(a)(1)";

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(8)

default by us or any of our "subsidiaries" (as defined below) that are "significant subsidiaries," as defined in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act (but excluding any subsidiary which is (a) a non-recourse or limited recourse subsidiary or (b) a bankruptcy remote special purpose vehicle), with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of \$100 million in the aggregate of us and/or any such subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise, in each case after the expiration of any applicable grace period; *provided, however*, that such default will not constitute an event of default unless it is not cured or waived, or such indebtedness is discharged, or such acceleration is rescinded, stayed or annulled, within 30 days after written notice from the trustee or the holders of at least 25% in principal amount of the notes then outstanding has; or

(9)

(a) we or any of our subsidiaries that are significant subsidiaries, as defined in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act, file for bankruptcy or (b) certain events of bankruptcy, insolvency, or reorganization of us or any of our subsidiaries that are significant subsidiaries, as defined in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act occur and remain undischarged or unstayed for a period of 60 days.

Notwithstanding anything to the contrary above, if a subsidiary of ours meets the criteria of clause (3) of the definition of "significant subsidiary" in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act but not clause (1) or (2) thereof, then such subsidiary will not be deemed not to be a "significant subsidiary" for purposes of clauses (8) or (9) above unless such subsidiary's income from continuing operations before income taxes, exclusive of amounts attributable to any non-controlling interests, for the last completed fiscal year before the date of determination exceeds \$100 million.

"Subsidiary" means, with respect to any person, (i) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of the capital stock entitled (without regard to the occurrence of any contingency, but after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees, as applicable, of such corporation, association or other business entity is owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of such person; and (ii) any partnership or limited liability company where (x) more than 50% of the capital accounts, distribution rights, equity and voting interests, or of the general and limited partnership interests, as applicable, of such partnership or limited liability company are owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of such person, whether in the form of membership, general, special or limited partnership or limited liability company interests or otherwise; and (y) such person or any one or more of the other subsidiaries of such person is a controlling general partner of, or otherwise controls, such partnership or limited liability company; *provided, however*, that, any investments held by us in the ordinary course of business that are not, under GAAP, consolidated on our financial statements will be deemed not to be a "subsidiary" of ours.

If an event of default occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding notes by notice to us and the trustee, may, and the trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest, if any, on all the notes to be due and payable. In case of certain events of bankruptcy, insolvency or reorganization involving us, but not any of our subsidiaries, 100% of the principal of and accrued and unpaid interest on the notes will automatically become due and payable. Upon such a

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declaration of acceleration, such principal and accrued and unpaid interest, if any, will be due and payable immediately.

The provisions described in the paragraph above, however, are subject to the condition that if, at any time after the principal of the notes shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained as provided in the indenture, we will pay or deliver, as the case may be, or will deposit with the trustee an amount of cash and/or shares of our common stock (or other reference property) sufficient to pay all matured installments of interest upon all the notes, all amounts of consideration due upon the conversion of any and all converted notes, and the principal of any and all notes which shall have become due otherwise than by acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the rate or rates, if any, specified in the notes to the date of such payment or deposit) and such amount as shall be sufficient to cover all amounts owing to the trustee and its agents and counsel, and if any and all events of default under the indenture, other than the non-payment of the principal of notes which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided in the indenture, then and in every such case the holders of a majority in aggregate principal amount of all the notes then outstanding, by written notice to us and to the trustee, may rescind and annul such declaration and its consequences, but no such rescission and annulment will extend to or shall affect any subsequent default or shall impair any right consequent on such default.

Notwithstanding the foregoing, the indenture will provide that, to the extent we elect, the sole remedy for an event of default relating to our failure to comply with our obligations as set forth under " Reports" below will, after the occurrence of such an event of default, consist exclusively of the right to receive additional interest on the notes at a rate equal to:

0.25% per annum of the principal amount of the notes outstanding for each day during the 180-day period beginning on, and including, the first date on which such an event of default occurs; and

0.50% per annum of the principal amount of the notes outstanding for each day during the 180-day period beginning on, and including, the 181st day following, and including, such first date and during which such event of default is continuing.

If we so elect, such additional interest will be payable in the same manner and on the same dates as the stated interest payable on the notes. On the 361st day after such event of default (if the event of default relating to the reporting obligations is not cured or waived prior to such 361st day), the notes will be subject to acceleration as described above. The provisions of the indenture described in this paragraph will not affect the rights of holders of notes in the event of the occurrence of any other event of default. In the event we do not elect to pay the additional interest following an event of default in accordance with this provision or we elected to make such payment but do not pay the additional interest when due, then the notes will be immediately subject to acceleration as described above.

In order to elect to pay the additional interest as the sole remedy during the first 360 days after the occurrence of an event of default relating to the failure to comply with the reporting obligations in accordance with the two immediately preceding paragraphs, we must notify all holders of the notes (with a copy to the trustee and the paying agent) of such election prior to the beginning of such 360-day period. Upon our failure to timely give such notice, the notes will be immediately subject to acceleration as described above.

If any portion of the amount payable on the notes upon acceleration is considered by a court to be unearned interest (through the allocation of the value of the instrument to the embedded warrant or otherwise), the court could disallow recovery of any such portion.

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The holders of a majority in principal amount of the outstanding notes may waive all past defaults (except with respect to nonpayment of principal or interest, with respect to the failure to deliver the consideration due upon conversion or with respect to a covenant that cannot be modified or amended without the consent of each holder) and rescind any such acceleration with respect to the notes and its consequences if (i) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing events of default, other than the nonpayment of the principal of and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Each holder shall have the right to receive payment or delivery, as the case may be, of:

the principal (including the fundamental change repurchase price, if applicable) of;

accrued and unpaid interest, if any, on; and

the consideration due upon conversion of,

its notes, on or after the respective due dates expressed or provided for in the indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, and such right to receive such payment or delivery, as the case may be, on or after such respective dates shall not be impaired or affected without the consent of such holder.

If an event of default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such holders have offered to the trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, or the right to receive payment or delivery of the consideration due upon conversion, no holder may pursue any remedy with respect to the indenture or the notes unless:

- (1) such holder has previously given the trustee notice that an event of default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding notes have requested the trustee in writing to pursue the remedy;
- (3) such holders have offered the trustee security or indemnity reasonably satisfactory to it against any costs, loss, liability or expense (including fees and expenses of its counsel);
- (4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that, in the opinion of the trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions and the trustee's right to demand security or indemnity reasonably satisfactory to it in accordance with the indenture, the holders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee.

The indenture provides that in the event an event of default has occurred and is continuing, the trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee will be entitled to indemnification

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satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The indenture provides that if a default occurs and is continuing and is known to the trustee, the trustee must send to each holder notice of the default within 90 days after it occurs. Except in the case of a default in the payment of principal of or interest on any note or a default in the payment or delivery of the consideration due upon conversion, the trustee may withhold notice if and so long as a committee of trust officers of the trustee in good faith determines that withholding notice is in the interests of the holders.

Modification and Amendment

For purposes of the notes, the description below under this section titled " Modification and Amendment" supersedes, in its entirety, the information in the accompanying prospectus under the caption "Description of our Debt Securities Modification or Waiver."

Subject to certain exceptions, the indenture or the notes may be amended with the consent of the holders of at least a majority in principal amount of the notes then outstanding (including without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, notes) and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, notes). However, without the consent of each holder of an outstanding note affected, no amendment may, among other things:

- (1) reduce the amount of notes whose holders must consent to an amendment;
- (2) reduce the rate of or extend the stated time for payment of interest on any note;
- (3) reduce the principal of or extend the stated maturity of any note;
- (4) make any change that adversely affects the conversion rights of any notes;
- (5) reduce the fundamental change repurchase price of any note or amend or modify in any manner adverse to the holders of notes our obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (6) make any note payable in money other than that stated in the note;
- (7) impair the right of any holder to receive payment of principal and interest on such holder's notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's notes; or
- (8) make any change in the amendment provisions that require each holder's consent or in the waiver provisions, except to increase any such percentage or to provide that other provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding note affected thereby.

Without the consent of any holder, we and the trustee may amend the indenture without notice to:

- (1) cure or supplement any ambiguity, omission, defect or inconsistency, as determined in good faith by us;
- (2) provide for the assumption by a successor corporation of our obligations under the indenture;
- (3) add guarantees with respect to the notes;

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- (4) secure the notes;
- (5) add to our covenants or events of default for the benefit of the holders or surrender any right or power conferred upon us;
- (6) make any change that does not adversely affect the rights of any holder, as determined in good faith by us;
- (7) conform the provisions of the indenture to the "Description of Notes" section in the preliminary prospectus supplement, as supplemented by the related pricing term sheet, as determined in good faith by us;
- (8) evidence and provide for the appointment under the indenture of a successor trustee;
- (9) enter into supplemental indentures pursuant to, and in accordance with, the provisions described above under the caption " Conversion Rights Recapitalizations, Reclassifications and Changes of Our Common Stock" in connection with a common stock change event;
- (10) irrevocably elect or eliminate any settlement method or specified dollar amount; *provided, however*, that no such election or elimination will affect any settlement method theretofore elected (or deemed to be elected) with respect to any note pursuant to the provisions described above under the caption " Conversion Rights";
- (11) comply with the rules of DTC or any other applicable depository, so long as such amendment does not materially and adversely affect the rights of any holder of notes;
- (12) comply with any requirement of the SEC relating to the qualification of the indenture under the Trust Indenture Act of 1939, as amended; or
- (13) make any other change that does not adversely affect the interests of the holders of the notes in any material respect, as determined in good faith by us.

Holders do not need to approve the particular form of any proposed amendment. It will be sufficient if such holders approve the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to send to the holders a notice briefly describing such amendment, subject to limited exceptions set forth in the indenture. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

Discharge

The provisions described in the accompanying prospectus under the caption "Description of our Debt Securities Defeasance" will not apply to the notes.

We may satisfy and discharge our obligations under the indenture by delivering to the securities registrar for cancellation all outstanding notes or by depositing with the trustee or delivering to the holders, as applicable, after the notes have become due and payable, whether at maturity, any fundamental change repurchase date, upon conversion or otherwise, cash or cash and/or shares of our common stock (or other reference property), solely to satisfy outstanding conversions, as applicable, sufficient to pay all of the outstanding notes and paying all other sums payable under the indenture by us. Such discharge is subject to terms contained in the indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator or stockholder of ours, as such, will have any liability for any obligations of ours under the indenture or the notes or for any

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claim based on, in respect of, or by reason of, such obligations or their creation. By accepting any note, each noteholder will be deemed to waive and release all such liability, and such waiver and release are part of the consideration for the issuance of the notes.

Calculations in Respect of Notes

Except as otherwise provided above under the heading " Conversion Rights Conversion Upon Satisfaction of Trading Price Condition", we will be responsible for making all calculations called for under the notes. These calculations include, but are not limited to, determinations of the last reported sale prices of our common stock, accrued interest payable on the notes and the conversion rate of the notes. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of notes. We will provide a schedule of our calculations to each of the trustee and the conversion agent, and each of the trustee and conversion agent is entitled to rely conclusively upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of notes upon the request of that holder.

Reports

The indenture provides that any documents or reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act must be sent by us to the trustee within 15 days after the same are required to be filed with the SEC (giving effect to any grace period under the Exchange Act, including pursuant to Rule 12b-25 thereunder). However, we need not send to the trustee any material for which we have received, or are seeking in good faith and have not been denied, confidential treatment by the SEC. Documents filed by us with the SEC via the EDGAR system (or any successor system thereto) will be deemed to be filed with the trustee as of the time such documents are filed via EDGAR (or such successor system).

Investment Company Act Section 18(a)(1)(A) as Modified by Section 61(a)(1)

We agree that for the period of time during which notes are outstanding, we will not violate, whether or not we are subject to, Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act or any successor provisions thereto of the Investment Company Act, as such obligation may be amended or superseded but giving effect to any exemptive relief that may be granted to us by the SEC.

Trustee

U.S. Bank National Association is the trustee, security registrar, paying agent and conversion agent. U.S. Bank National Association, in each of its capacities, including without limitation as trustee, security registrar, paying agent and conversion agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this prospectus supplement and accompanying prospectus or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information, or for any information provided to it by us, including but not limited to last reported sale prices of our stock, settlement amounts and any other information.

We may maintain banking relationships in the ordinary course of business with the trustee and its affiliates.

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Governing Law

The indenture provides that it and the notes, and any claim, controversy or dispute arising under or related to the indenture or the notes, will be governed by and construed in accordance with the laws of the State of New York.

Book-Entry, Settlement and Clearance

Global Notes

The notes will be initially issued in the form of one or more registered notes in global form, without interest coupons (the "global notes"). Upon issuance, each of the global notes will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

upon deposit of a global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the underwriters; and

ownership of beneficial interests in a global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Book-Entry Procedures for Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC. We provide the following summary of those operations and procedures solely for the convenience of investors. The operations and procedures of DTC are controlled by that settlement system and may be changed at any time. Neither we nor the underwriters are responsible for those operations or procedures.

DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York;

a "banking organization" within the meaning of the New York State Banking Law;

a member of the Federal Reserve System;

a "clearing corporation" within the meaning of the Uniform Commercial Code; and

a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the underwriters; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either

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directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global note, that nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

will not be entitled to have notes represented by the global note registered in their names;

will not receive or be entitled to receive physical, certificated notes; and

will not be considered the owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal and interest and of amounts due upon conversion with respect to the notes represented by a global note will be made by the trustee to DTC's nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Certificated Notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related notes only if:

DTC notifies us at any time that it is unwilling or unable to continue as depository for the global notes and a successor depository is not appointed within 90 days;

DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days;

we, in our sole discretion, permit the exchange of any beneficial interest in a global note for one or more physical, certificated notes at the request of the owner of such beneficial interest; or

an event of default with respect to the notes has occurred and is continuing and such beneficial owner requests that its notes be issued in physical, certificated form.

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CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain material U.S. federal income tax considerations relating to the acquisition, ownership, disposition and conversion of the notes we are offering, our qualification and taxation as a regulated investment company, or "RIC", for U.S. federal income tax purposes, and the acquisition, ownership and disposition of our common stock into which the notes may be converted. This discussion does not purport to be a complete description of all of the tax considerations relating thereto. In particular, we have not described certain considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws, including investors subject to the alternative minimum tax, tax-exempt organizations, insurance companies, investors that are treated as partnerships for U.S. federal income tax purposes, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, pension plans and trusts, financial institutions, a person that holds shares as part of a straddle or a hedging or conversion transaction, real estate investment trusts ("REITs"), regulated investment companies, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, Non-U.S. Holders engaged in a trade or business in the United States, persons who have ceased to be U.S. citizen or to be taxed as residents of the United States, "controlled foreign corporations," and "passive foreign investment companies." This summary is limited to beneficial owners of notes that will hold the notes and our common stock (if the notes are converted) as capital assets (within the meaning of the Code) and does not address owners of an investor. This discussion is based upon the Code, its legislative history, existing and proposed U.S. Treasury regulations, published rulings and court decisions, each as of the date of this offering memorandum and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service (the "IRS") regarding the notes offered pursuant to this offering or our common stock. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invest in tax-exempt securities or certain other investment assets.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the notes or our common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Investors treated as a partnership for U.S. federal income tax purposes (or investors that are partners in such a partnership), are encouraged to consult with their own tax advisors with respect to the tax consequences relating to the purchase, ownership and disposition of the notes and our common stock.

The notes are complex, and certain aspects of the U.S. tax treatment of the notes are not certain. Tax matters are very complicated and the tax consequences to an investor of an investment in the notes and our common stock will depend on the facts of such investor's particular situation. Investors are strongly encouraged to consult their own tax advisor regarding the U.S. federal income tax consequences of the acquisition, ownership, disposition and conversion of the notes and of the acquisition, ownership and disposition of our common stock, as well as the effect of state, local and foreign tax laws and the effect of any possible changes in tax laws.

TAX CONSEQUENCES TO U.S. HOLDERS OF NOTES

The following is a summary of certain material U.S. federal income tax consequences that will apply to a "U.S. Holder" of the notes. As used herein, the term "U.S. Holder" means a beneficial owner of a note or shares of our stock that is for U.S. federal income tax purposes:

an individual who is a citizen or resident of the United States;

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a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons (as defined in the Code) have the authority to control all of its substantial decisions, or if the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes; or

an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

If you are not a U.S. Holder, this section does not apply to you. Please see " Tax Consequences to Non-U.S. Holders of Notes", below.

Payments of Stated Interest. Subject to the discussion below under " Tax Consequences to U.S. Holders of Notes Original Issue Discount", stated interest paid on a note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount. If the note's stated redemption price at maturity exceeds its issue price by greater than a *de minimis* amount it will be treated as a discount debt instrument issued with OID. For U.S. federal income tax purposes, the "issue price" of the notes will equal the first price at which a substantial amount of the notes are sold to investors, excluding sales to bond houses, brokers, or similar persons or persons acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of the notes is equal to the sum of all amounts a holder is entitled to receive from us on the notes other than "qualified stated interest." Generally, an interest payment on a debt instrument is "qualified stated interest" if: (i) it is part of a series of stated interest payments on a debt instrument, (ii) that are unconditionally payable at least annually, (iii) at a single fixed rate applied to the outstanding principal amount of the debt instrument. OID is treated as *de minimis* where it is less than $\frac{1}{4}$ of 1% of the debt instrument's stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity date.

If the notes are issued with OID, a U.S. Holder will be required to include the OID in gross income, as ordinary income, as the OID accrues on a constant yield basis, in advance of the receipt of the cash payment attributable to the OID, regardless of such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. The amount of OID that a U.S. Holder must include in gross income for each taxable year is the sum of the daily portions of OID that accrue on the U.S. Holder's notes for each day of the taxable year during which the U.S. Holder holds the notes. The daily portion of OID is determined by allocating to each day of an accrual period (generally, the period between interest payment dates or compounding dates) a pro rata portion of the OID allocable to such accrual period. The amount of OID allocable to an accrual period is the product of the "adjusted issue price" of the notes at the beginning of the accrual period multiplied by the yield to maturity of the notes (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to reflect the length of the accrual period), reduced by the amount of any stated interest allocable to such accrual period. The adjusted issue price of the notes at the beginning of an accrual period generally will equal their issue price, increased by the aggregate amount of OID that has accrued on the notes in all prior accrual periods. The amount of OID included in a U.S. Holder's gross income will increase the U.S. Holder's adjusted tax basis in the notes. Under these rules, a U.S. Holder will have to include increasingly greater amounts of OID over such U.S. Holder's holding period in the notes. U.S. Holders should consult their own tax advisors concerning the consequences of, and accrual of, OID on the notes.

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A U.S. Holder generally may irrevocably elect to treat all interest on the notes as OID and calculate the amount includible in income using a constant yield basis. U.S. Holders should consult their own tax advisors regarding this election.

For purposes of determining the amount of the notes to be converted to common stock, the U.S. Holder's basis in the notes shall include any accrued and unpaid interest or OID (up through the date of conversion) and interest arising from an acquisition premium (as discussed below).

Acquisition Premium

A U.S. holder who purchases a note for an amount that is greater than its adjusted issue price but less than its stated redemption price at maturity will be treated as having purchased the note at an "acquisition premium." A U.S. holder that purchases a note with acquisition may offset OID inclusions using a "fixed fraction" (the numerator of which is the excess of the holder's initial basis in the notes over the issue price of the notes, and the denominator of which is the excess of the redemption price at maturity of the notes over their issue price) that measures the percentage of the remaining OID on the note that is excluded from the U.S. holder's income. A U.S. holder may elect to amortize the acquisition premium over the remaining term of the note on a constant yield method with a corresponding decrease in its tax basis in the note. U.S. Holders should consult their tax advisors with respect to the applicability of the acquisition premium rules to their notes.

Bond Premium. If a U.S. Holder's purchases a note for an amount greater than the sum of all amounts payable on the note after the acquisition date (other than payments of qualified stated interest), the U.S. Holder will be treated for U.S. federal income tax purposes as having acquired the note with bond premium equal to the amount of the difference between the note's stated principal amount and the U.S. Holder's purchase price. In that case, the U.S. Holder generally may elect to amortize the bond premium (as an offset to interest income), using a constant-yield method, over the remaining term of the note. A U.S. Holder's initial tax basis in a note will be determined as described below under " Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Notes." Such an election generally applies to all bonds held or subsequently acquired by the U.S. Holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. Holder's basis does not include amounts paid equal to the value of the note's conversion premium and such amounts are not amortizable, regardless of whether the U.S. Holder has made an election to amortize bond premium.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Notes. Upon the sale, exchange, redemption, retirement or other taxable disposition of a note (other than a conversion into common stock), a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the disposition and the U.S. Holder's tax basis in the note (other than amounts attributable to accrued but unpaid stated interest or OID, which will be taxed as interest income to the extent not previously so taxed, offset by any acquisition premium). A U.S. Holder's tax basis in a note generally will be equal to the cost of the note to such U.S. Holder increased by any accrued and unpaid OID.

Subject to the discussion above under " Tax Consequences to U.S. Holders of Notes Original Issue Discount" Gain or loss recognized on the sale, exchange, redemption, retirement or other taxable disposition of a note generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the disposition the note has been held for more than one year. Under current law, long-term capital gains recognized by non-corporate U.S. Holders generally are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Conversion into Common Stock. A U.S. Holder's conversion of a note solely into common stock and cash in lieu of a fractional share of common stock generally will not be a taxable event,

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except that the receipt of cash in lieu of a fractional share of common stock (such receipt to be treated as if the fractional share were issued and received and then immediately redeemed for cash) will result in capital gain or loss (measured by the difference between the cash received in lieu of the fractional share and the U.S. Holder's tax basis in the fractional share) and the fair market value of common stock received with respect to accrued interest will be taxed as a payment of interest as described under " Payments of Stated Interest" above.

A U.S. Holder's tax basis in the common stock received upon a conversion of a note (other than common stock received with respect to accrued interest and unpaid interest or OID, but including any basis allocable to a fractional share) will equal the tax basis of the note that was converted. A U.S. Holder's tax basis in the common stock received with respect to accrued interest (including any accrued and unpaid OID, as described above under the heading " Original Issue Discount") will equal the fair market value of the stock received. A U.S. Holder's tax basis in a fractional share will be determined by allocating the holder's tax basis in the common stock received upon conversion between the common stock received (other than the fractional share) and the fractional share, in accordance with their respective fair market values.

The U.S. Holder's holding period for the common stock received will include the U.S. Holder's holding period for the note converted, except that the holding period of any common stock received with respect to accrued interest (including any accrued and unpaid OID, as described above under the heading " Tax Consequences to U.S. Holders of Notes Original Issue Discount") will commence on the day after the date of receipt of such common stock.

Conversion into Cash. If a U.S. Holder converts a note and receives from us solely cash, the holder will recognize gain or loss in the same manner as if such holder had disposed of the note in a taxable disposition as described under " Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Notes" above.

Conversion into Common Stock and Cash. The tax consequences of the conversion of a note into a combination of common stock and cash are not entirely clear. A U.S. Holder may be treated as exchanging the note for common stock and cash in a recapitalization for U.S. federal income tax purposes. In such a case, a U.S. Holder would recognize capital gain, but not loss, equal to the excess of the sum of the fair market value of the common stock (including the fractional share that would be received) and cash received (other than amounts attributable to accrued interest, which would be treated as such as described under " Payments of Stated Interest" above, accrued and unpaid OID, which would be treated as described under " Original Issue Discount" above, or cash received in lieu of a fractional share, as described below) over the holder's tax basis in the note, but in no event would the capital gain recognized exceed the amount of cash received (excluding cash attributable to accrued and unpaid interest or OID, or received in lieu of a fractional share). In such circumstances, a U.S. Holder's tax basis in the common stock received upon a conversion of a note (other than common stock received with respect to accrued interest, but including any basis allocable to a fractional share) would equal the tax basis of the note that was converted, reduced by the amount of cash received (excluding cash received in lieu of a fractional share, accrued and unpaid OID and cash attributable to accrued interest), and increased by the amount of gain, if any, recognized (other than with respect to a fractional share). A U.S. Holder's tax basis in the common stock received with respect to accrued interest would equal the fair market value of the stock received. A U.S. Holder's holding period for common stock received upon conversion would include the period during which such holder held the notes, except that the holding period of any common stock received with respect to accrued interest would commence on the day after the date of receipt. A U.S. Holder that receives cash for a fractional share of common stock will be treated as having been issued the fractional share and having it immediately redeemed for cash. The U.S. Holder will recognize capital gain or loss with respect to the fractional share equal to the difference between the cash received in lieu of the fractional share and the U.S. Holder's tax basis in the fractional share. A U.S. Holder's tax basis in the fractional share

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would be determined by allocating the holder's tax basis in the common stock received upon conversion (as described above) between the common stock received (other than the fractional share) and the fractional share, in accordance with their respective fair market values.

Alternatively, the conversion of a note into a combination of common stock and cash may be treated as in part a conversion of a portion of the note into common stock and in part a redemption of a portion of the note for cash, in which case the redemption portion would be taxed in the manner described under " Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Notes" above. A U.S. Holder's ability to recognize a loss in this circumstance is unclear. Under this alternative characterization, with respect to the portion of the note treated as converted into common stock, a U.S. Holder generally would not recognize gain or loss with respect to the common stock received upon conversion (other than with respect to cash received in lieu of a fractional share or common stock attributable to accrued interest), and the U.S. Holder's holding period for such common stock would include the period during which such holder held the note, except that the holding period of any common stock received with respect to accrued interest would commence on the day after the date of receipt. In such case, the U.S. Holder's basis in the note would be allocated *pro rata* between the common stock received (including any fractional share of common stock for which cash is received but excluding common stock received with respect to accrued interest) and cash received, in accordance with their relative fair market values. A U.S. Holder that receives cash for a fractional share of common stock will be treated as having been issued the fractional share and having it immediately redeemed for cash. The U.S. Holder will recognize capital gain or loss with respect to the fractional share equal to the difference between the cash received in lieu of the fractional share and the U.S. Holder's tax basis in the fractional share. A U.S. Holder's tax basis in the fractional share would be determined by allocating the holder's tax basis in the common stock received upon conversion (as described above) between the common stock received (other than the fractional share) and the fractional share, in accordance with their respective fair market values.

Under either of the treatments described above, it is not entirely clear under U.S. federal income tax law how the portion of the note converted into cash should be allocated between the principal amount of the note converted and the accrued but unpaid interest or OID on the note converted. We intend to take the position that the cash is allocated first to the amount of any accrued and unpaid stated interest on the note converted to the extent of such unpaid stated interest, second to the amount of OID accrued and unpaid (if any) in respect of the note converted to the extent of such accrued and unpaid OID (if any), and thereafter to the principal amount of the note converted.

Any cash and the value of any common stock received that is attributable to accrued and unpaid interest or OID on the notes that has not been included in the U.S. Holder's income would be taxed as ordinary interest income. The basis in any shares of common stock attributable to accrued interest would equal the fair market value of such shares when received. The holding period for any shares of common stock attributable to accrued interest would begin the day after the date of receipt.

Any capital gain recognized by U.S. Holders upon the conversion of a note into common stock and cash will be long-term capital gain if at the time of conversion the notes have been held for more than one year. Under current law, long-term capital gains recognized by non-corporate U.S. Holders generally are subject to reduced tax rates. The deductibility of capital losses may be subject to limitations.

U.S. Holders should consult their tax advisors regarding the tax treatment of the receipt of a combination of cash and common stock for notes upon conversion.

Constructive Distributions. The conversion rate of the notes will be adjusted in certain circumstances. Under the Code and applicable U.S. Treasury regulations, adjustments that have the effect of increasing a U.S. Holder's interest in our assets or earnings and profits may, in some circumstances, result in a deemed distribution to the holder. Adjustments to the conversion rate made

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pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the U.S. Holders of the notes generally will not be deemed to result in such a distribution. Conversion rate adjustments arising from a stock split or a stock dividend generally are considered to be pursuant to a bona fide reasonable adjustment formula and thus will not give rise to a deemed distribution. However, certain of the possible conversion rate adjustments (generally including adjustments to the conversion rate to compensate U.S. Holders of the notes for distributions of cash or property to our stockholders) will not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made, the U.S. Holders of notes will be deemed to have received a distribution even though they have not received any cash or property as a result of such adjustments. Conversely, if an event occurs that increases the interests of holders of the notes and the conversion rate is not adjusted, the resulting increase in the proportionate interests of holders of the notes could be treated as a deemed distribution to such holders. We are required to report the amount of any deemed distributions to the IRS and to holders of our notes (or, alternatively, on our website).

Any deemed distribution will be taxed in the same manner as an actual distribution even if a U.S. Holder of the notes has not received any cash or property as a result of such adjustments. Deemed distributions generally would not be eligible for the reduced maximum rate applicable to qualified dividend income or for the dividends received deduction. See "Taxation of U.S. Holders of Common Stock" below. U.S. Holders should consult their tax advisors as to the tax consequences of receiving constructive dividends.

Possible Effect of a Consolidation or Merger. In certain situations, we may consolidate or merge into another entity (as described above under "Description of Notes Consolidation, Merger and Sale of Assets" and "Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change"). Depending on the circumstances, a change in the obligor of the notes as a result of the consolidation or merger could result in a deemed taxable exchange to a U.S. Holder, and the modified notes could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss. Such a deemed taxable exchange could also alter the amount of accrued and unpaid OID, if any, on the notes (see " Tax Consequences to U.S. Holders of Notes Original Issue Discount"). U.S. Holders should consult their own advisors on the possible tax consequences of our consolidating or merging into another entity on an investment in the notes.

Backup Withholding and Information Reporting. Information returns generally will be filed with the IRS in connection with payments on the notes and the proceeds from a sale or other disposition of the notes. A U.S. Holder will be subject to backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Additional U.S. Federal Income Tax Considerations. In addition to the discussion above, U.S. Holders should refer to the discussion under " Taxation of U.S. Holders of Common Stock Medicare Tax on Net Investment Income" and " Withholding and Information Reporting on Foreign Financial Accounts" for a discussion of additional U.S. federal income tax considerations that may apply even if a U.S. Holder does not receive our common stock on a conversion of notes.

Tax Consequences to Non-U.S. Holders of Notes

The following is a summary of certain material U.S. federal income tax consequences that will apply to you if you are a "Non-U.S. Holder" of the notes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a note that is not a U.S. Holder or a partnership (or an entity or

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arrangement treated as a partnership) for U.S. federal income tax purposes. A "Non-U.S. Holder" does not include an individual present in the United States for 183 days or more in the taxable year of disposition of the notes or common stock. A holder that is a partnership holding the notes or shares of our common stock, and each partner in such a partnership, is encouraged to consult his, her or its own tax advisor regarding U.S. federal income tax consequences of the sale, exchange or disposition of the notes.

If you are not a Non-U.S. Holder, this section does not apply to you.

Payments on the Notes. Subject to the discussion below concerning backup withholding, payments of principal and interest (including any amounts generally treated as OID for U.S. federal income tax purposes, as described above under " Tax Consequences to U.S. Holders of Notes Original Issue Discount") on the notes to any Non-U.S. Holder will not be subject to U.S. federal withholding tax, provided that:

the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock that are entitled to vote;

the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership; and

the U.S. payor of the interest (including us, or any intermediary who pays the interest on our behalf) does not have actual knowledge or reason to know that a holder is a United States person and such holder certifies to the U.S. payor under penalties of perjury on a properly executed IRS Form W-8BEN or W-8BEN-E that such holder is not (or, in the case of a Non-U.S. Holder that is an estate or trust, such forms certifying that the beneficiary of the estate or trust is not) a United States person.

If a Non-U.S. Holder does not qualify for an exemption under these rules, interest income from the notes may be subject to withholding tax at the rate of 30% (or lower applicable treaty rate).

Sale, Exchange, Redemption, Retirement or Other Disposition of the Notes. Subject to the discussion below on backup withholding and withholding and information reporting on financial accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain recognized on a sale, exchange, redemption, retirement, or other disposition of notes (except with respect to accrued and unpaid interest or OID, which would be taxed as described above under " Payments on the Notes.")

Constructive Dividends. In the case of a deemed distribution as described under " Tax Consequences to U.S. Holders of Notes Constructive Dividends," such deemed distribution will be subject to withholding of U.S. federal income tax in the same manner as distributions of our investment company taxable income to Non-U.S. Holders as described under " Taxation of Non-U.S. Holders of Common Stock." In the case of such a constructive dividend, it is possible that the U.S. federal income tax on the constructive dividend would be withheld from interest, shares of common stock or sales proceeds subsequently paid or credited to the Non-U.S. Holder. A Non-U.S. Holder that is subject to withholding tax under such circumstances should consult its own tax advisor as to whether it is eligible for a refund of all or a portion of the withholding tax.

Backup Withholding and Information Reporting. Information returns will be filed with the IRS in connection with payments on the notes. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of the notes and the Non-U.S. Holder may be subject to backup withholding on payments on the notes or on the proceeds from a sale or other disposition of the notes. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid

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backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Additional U.S. Federal Income Tax Considerations. In addition to the discussion above, Non-U.S. Holders should refer to the discussion under " Withholding and Information Reporting on Foreign Financial Accounts" for a discussion of additional U.S. federal income tax considerations that may apply even if a Non-U.S. Holder does not receive our common stock on a conversion of notes.

ELECTION TO BE TAXED AS A RIC

As a BDC, we have elected to be treated and intend to operate in a manner so as to continuously qualify annually as a RIC under the Code. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on our net ordinary income or capital gains that we timely distribute (or are deemed to distribute) to our stockholders as dividends. Instead, dividends we distribute (or are deemed to timely distribute) generally will be taxable to stockholders, and any net operating losses, foreign tax credits and most other tax attributes generally will not pass through to stockholders. We will be subject to U.S. federal corporate-level income tax on any undistributed income and gains. To continue to qualify as a RIC, we must, among other things, meet certain source of income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year at least 90% of our "investment company taxable income," as defined by the Code (the "Annual Distribution Requirement"). The following discussion assumes that we qualify as a RIC.

TAXATION AS A RIC

If we:

qualify as a RIC; and

satisfy the Annual Distribution Requirement;

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (realized net long-term capital gain in excess of realized net short-term capital loss) that we timely distribute (or are deemed to timely distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any net income or capital gains not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for each calendar year and (3) any income realized, but not distributed, in preceding years (to the extent that U.S. federal income tax was not imposed on such amounts) less certain over-distributions in the prior year (collectively, the "Excise Tax Requirement"). We have paid in the past, and can be expected to pay in the future, such excise tax on a portion of our income.

Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and (2) other requirements relating to our status as a RIC, including the Diversification Tests (as defined below). If we dispose of assets to meet the Annual Distribution Requirement, the Diversification Tests, or the Excise Tax Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

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To qualify as a RIC for U.S. federal income tax purposes, we generally must, among other things:

qualify to be treated as a BDC at all times during each taxable year;

derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities or foreign currencies or other income derived with respect to our business of investing in such stock, securities or foreign currencies, or (b) net income derived from an interest in a "qualified publicly traded partnership," or "QPTP" (collectively, the "90% Income Test"); and

diversify our holdings so that at the end of each quarter of the taxable year:

at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs and other securities that, with respect to any issuer, do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of that issuer; and

no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of (i) one issuer, (ii) two or more issuers that are controlled, as determined under the Code, by us and that are engaged in the same or similar or related trades or businesses or (iii) securities of one or more QPTPs (collectively, the "Diversification Tests").

We may be required to recognize taxable income for U.S. federal income tax purposes in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with "payment-in-kind" interest or, in certain cases, that have increasing interest rates or that are issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and the Excise Tax Requirement, even though we will not have received any corresponding cash amount. In order to enable us to make distributions to stockholders that will be sufficient to enable us to satisfy the Annual Distribution Requirement and the Excise Tax Requirement, we may need to liquidate or sell some of our assets at times or at prices that are not advantageous, raise additional equity or debt capital, take out loans, forego new investment opportunities or otherwise take actions that are disadvantageous to our business (or be unable to take actions that are advantageous to our business). If we borrow money, we may be prevented by loan covenants from declaring and paying dividends in certain circumstances. Even if we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements, under the Investment Company Act, we are generally not permitted to make distributions to our stockholders while our debt obligations and senior securities are outstanding unless certain "asset coverage" tests or other financial covenants are met. Limits on our payment of dividends may prevent us from meeting the Annual Distribution Requirement, and may, therefore, jeopardize our qualification for taxation as a RIC, or subject us to the 4% excise tax on undistributed income.

A portfolio company in which we invest may face financial difficulty that requires us to work-out, modify or otherwise restructure our investment in the portfolio company. Any such restructuring could, depending on the specific terms of the restructuring, cause us to recognize taxable income without a corresponding receipt of cash, which could affect our ability to satisfy the Annual Distribution Requirement or the Excise Tax Requirement, or result in unusable capital losses and

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future non-cash income. Any such reorganization could also result in our receiving assets that give rise to non-qualifying income for purposes of the 90% Income Test.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (a) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (b) convert long-term capital gain (currently taxed at lower rates for non-corporate taxpayers) into higher taxed short-term capital gain or ordinary income, (c) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (d) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur (e) adversely alter the characterization of certain complex financial transactions, (f) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income, (g) cause us to recognize income or gain without receipt of a corresponding cash payment, and (h) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the effects of these provisions; however, no assurance can be given that we will be eligible for any such tax elections or that any elections we make will fully mitigate the effects of these provisions.

Gain or loss recognized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Our investment in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes. In that case, our yield on those securities would be decreased. Stockholders will generally not be entitled to claim a U.S. foreign tax credit or deduction with respect to non-U.S. taxes paid by us.

If we purchase shares in a "passive foreign investment company" (a "PFIC"), we may be subject to U.S. federal income tax on a portion of any "excess distribution" received on, or gain from the disposition of, such shares, even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we may elect to mark-to-market at the end of each taxable year our shares in such PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Our ability to make either election will depend on factors beyond our control, and we are subject to restrictions that may limit the availability or benefit of these elections. Under either election, we may be required to recognize in any year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of determining whether we satisfy the Excise Tax Requirement.

Our functional currency is the U.S. dollar for U.S. federal income tax purposes. Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time we accrue income, expenses or other liabilities denominated in a foreign currency and the time we actually collect such income or pay such expenses or liabilities may be treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts, the disposition of debt denominated in a foreign currency and other financial transactions denominated in foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, may also be treated as ordinary income or loss.

Some of the income and fees that we recognize, such as management fees, may not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a

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failure to satisfy the 90% Income Test, we may be required to recognize such income or fees through one or more entities treated as U.S. corporations for U.S. federal income tax purposes. While we expect that recognizing such income through such corporations will assist us in satisfying the 90% Income Test, no assurance can be given that this structure will be respected for U.S. federal income tax purposes, which could result in such income not being counted towards satisfying the 90% Income Test. If the amount of such income were too great and we were otherwise unable to mitigate this effect, it could result in our disqualification as a RIC. If, as we expect, the structure is respected, such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce the yield on such income and fees.

We are limited in our ability to deduct expenses in excess of our investment company taxable income. If our expenses in a given year exceed our investment company taxable income, we will have a net operating loss for that year. However, we are not permitted to carry forward our net operating losses to subsequent years so these net operating losses generally will not pass through to our stockholders. In addition, expenses can be used only to offset investment company taxable income, and may not be used to offset net capital gain. As a RIC, we may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset our investment company taxable income, but may carry forward those losses, and use them to offset future capital gains, indefinitely. Further, our deduction of net business interest expense is limited to 30% of our "adjusted taxable income" plus "floor plan financing interest expense." Due to these limits on the deductibility of expenses, net capital losses and business interest expenses, we may have aggregate taxable income that we are required to distribute and that is taxable to stockholders even if this income is greater than the aggregate net income we actually earned during those years.

FAILURE TO QUALIFY AS A RIC

If we fail to satisfy the 90% Income Test for any taxable year or the Diversification Tests for any quarter of the taxable year, we may still continue to be taxed as a RIC for the relevant taxable year if we are eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. Additionally, relief is provided for certain *de minimis* failures of the diversification requirements where we correct the failure within a specified period. If the applicable relief provisions are not available or cannot be met, all of our income would be subject to corporate-level income tax as described below. We cannot provide assurance that we would qualify for any such relief should we fail the 90% Income Test or the Diversification Tests.

If we were to fail to meet the RIC requirements for more than two consecutive years and then seek to requalify as a RIC, we would be required to pay corporate level tax on the unrealized appreciation recognized during the succeeding five-year period unless we make a special election to recognize gain to the extent of any unrealized appreciation in our assets at the time of requalification.

If we are unable to qualify for treatment as a RIC, and relief is not available as discussed above, we would be subject to tax on all of our taxable income at the regular corporate U.S. federal income tax rate (and we also would be subject to any applicable state and local taxes). We would not be able to deduct distributions to stockholders and would not be required to make distributions for U.S. federal income tax purposes. Distributions generally would be taxable to our holders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate U.S. Holders would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's adjusted tax basis in its common stock, and any remaining distributions would be treated as capital gains.

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TAXATION OF U.S. HOLDERS OF COMMON STOCK

The following summary generally describes certain material U.S. federal income tax consequences of an investment in shares of our common stock beneficially owned by, and received on conversion of notes by, U.S. Holders (as defined above under "Taxation of U.S. Holders of Notes"). If you are not a U.S. Holder, this section does not apply to you.

Whether an investment in the shares of our common stock is appropriate for a U.S. Holder will depend upon that person's particular circumstances. An investment in the shares of our common stock by a U.S. Holder on conversion of the notes may have adverse tax consequences. U.S. stockholders should consult their own tax advisors about the U.S. tax consequences of beneficially owning our common stock as a result of the conversion of the notes.

Distributions on Our Common Stock

Distributions by us generally are taxable to U.S. Holders as ordinary income or capital gain. Distributions of our investment company taxable income will be taxable as ordinary income to U.S. Holders to the extent of our current and accumulated earnings and profits, whether paid in cash or reinvested in additional shares of our common stock. Distributions of our net capital gain properly reported by us as "capital gain dividends" will be taxable to a U.S. Holder as long-term capital gains (which, under current law, are taxed at preferential rates) in the case of individuals, trusts or estates. This is true regardless of the U.S. Holder's holding period in our common stock and regardless of whether the dividend is paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. Holder's adjusted tax basis in such U.S. Holder's common stock and, after the adjusted tax basis is reduced to zero, will constitute capital gain to such U.S. Holder. We have made distributions in excess of our earnings and profits and may continue to do so in the future. As a result, a U.S. Holder will need to consider the effect of our distributions on such U.S. Holder's adjusted tax basis in our common stock in their individual circumstances.

A portion of our ordinary income dividends, but not capital gain dividends, paid to corporate U.S. Holders may, if certain conditions are met, qualify for the 50% dividends-received deduction to the extent that we have received dividends from certain corporations during the taxable year, but only to the extent such ordinary income dividends are treated as paid out of our earnings and profits. We expect only a small portion of our dividends to qualify for this deduction. We expect only a small portion of our dividends to qualify as qualified dividend income. A corporate U.S. stockholder may be required to reduce its basis in its common stock with respect to certain "extraordinary dividends," as defined in Section 1059 of the Code. Corporate U.S. stockholders should consult their own tax advisors in determining the application of these rules in their particular circumstances.

Although we currently intend to distribute our net capital gain for each taxable year on a timely basis, we may in the future decide to retain some or all of our net capital gain, and may designate the retained amount as a "deemed dividend." In that case, among other consequences: we will pay U.S. federal corporate income tax on the retained amount; each U.S. Holder will be required to include their pro rata share of the deemed distribution in income as if it had been actually distributed to them; and the U.S. Holder will be entitled to claim a credit equal to their pro rata share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. Holder's adjusted tax basis in our common stock.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gains dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, a U.S. Holder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to holders

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of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by a U.S. Holder on December 31 of the year in which the dividend was declared.

We have the ability to declare a large portion of a dividend in shares of our stock. As long as a portion of such dividend is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, a U.S. Holder will be taxed on 100% of the fair market value of the dividend on the date the dividend is received in the same manner as a cash dividend, even if most of the dividend was paid in shares of our stock. If we were to convert the notes partly or entirely into common stock, and as a result a U.S. Holder acquired shares of common stock, shortly before the record date of a distribution, the price of the shares will include the value of the distribution and such U.S. Holder will be subject to tax on the distribution even though it economically represents a return of his, her or its investment.

Sale or Other Disposition of Our Common Stock

A U.S. Holder generally will recognize taxable gain or loss if the U.S. Holder sells or otherwise disposes of his, her or its shares of our common stock. The amount of gain or loss will be measured by the difference between a U.S. Holder's adjusted tax basis (determined in accordance with the discussion under " Taxation of U.S. Holders of Notes Conversion of the Notes into Common Stock" or the discussion under " Taxation of U.S. Holders of Notes Conversion of the Notes into Common Stock and Cash", as well as the discussion under " Taxation of U.S. Holders of Common Stock Distributions on Our Common Stock) in our common stock sold or otherwise disposed of and the amount of the proceeds received in exchange. Any gain or loss arising from such sale or other disposition generally will be treated as long-term capital gain or loss if a U.S. Holder has held our common stock for more than one year (taking into account the discussion of holding period considerations in " Taxation of U.S. Holders of Notes Conversion of the Notes into Common Stock" or " Taxation of U.S. Holders of Notes Conversion of the Notes into Common Stock and Cash", as appropriate under the circumstances). Otherwise, such gain or loss will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock in which a U.S. Holder has a holding period of six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if substantially identical stock or securities are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. U.S. Holders who hold and dispose of our common stock separately from, and contemporaneously with, holding the notes should consult their own tax adviser on the potential U.S. federal income tax consequences of conversion of the notes into our common stock on any capital losses recognized on the disposal of such separately held investment in our common stock.

In general, U.S. Holders that are individuals, trusts or estates are taxed at preferential rates on their net capital gain. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. Holders currently are subject to U.S. federal income tax on net capital gain at the maximum rate that also applies to ordinary income. Non-corporate U.S. Holders with net capital losses for a year (i.e., capital loss in excess of capital gain) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. Holder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. Holders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years. Distributions out of our current or accumulated earnings and profits also will not be eligible for the 20% pass through deduction under Section 199A of the Code, although under recently proposed regulations (that have

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not yet been finalized), qualified REIT dividends earned by us may be eligible for the Section 199A deduction.

Information Reporting and Backup Withholding

We will send to each of our U.S. Holders, after the end of each calendar year, a notice providing, on a per share and per distribution basis, the amounts includible in such U.S. Holder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each year's distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. Holder's particular situation.

We may be required to withhold U.S. federal income tax ("backup withholding") from all taxable distributions to a U.S. Holder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such holder is subject to backup withholding. An individual's taxpayer identification number is his or her social security number. Backup withholding is not an additional tax. Any amount withheld under backup withholding is allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such stockholder to a refund, provided that proper information is timely provided to the IRS.

Medicare Tax on Net Investment Income

Non-corporate U.S. Holders generally are subject to a 3.8% Medicare surtax on their "net investment income," the calculation of which includes interest income and OID on the notes, any taxable gain from the disposition of the notes or our common stock and any distributions on our common stock (including the amount of any deemed distribution on the notes (as described above under the heading " Tax Consequences to U.S. Holders of Notes Constructive Dividends")) to the extent such distribution is treated as a dividend or as capital gain (as described above under "Taxation of U.S. Holders of Common Stock Distributions on Our Common Stock"). Non-corporate U.S. Holders should consult their own tax advisors on the effect of acquiring, holding, disposing and converting the notes, as well as acquiring, holding and disposing of our common stock, on the computation of "net investment income" in their individual circumstances.

Disclosure of Certain Recognized Losses.

Under U.S. Treasury regulations, if a U.S. Holder recognizes a loss with respect to our common stock of \$2 million or more for a non-corporate U.S. Holder or \$10 million or more for a corporate U.S. Holder in any single taxable year, such holder must file with the IRS a disclosure statement on Form 8886. Direct holders of certain "portfolio securities" in many cases are excepted from this reporting requirement, but under current guidance, equity owners of a RIC are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. U.S. Holders should consult their own tax advisors to determine the applicability of these regulations in light of their individual circumstances.

TAXATION OF NON-U.S. HOLDERS OF COMMON STOCK

The following discussion applies only to persons that are Non-U.S. Holders. If you are not a Non-U.S. Holder, this discussion does not apply to you.

Whether an investment in our common stock is appropriate for a Non-U.S. Holder will depend upon that holder's particular circumstances. An investment in our common stock by a Non-U.S. Holder

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may have adverse tax consequences and, accordingly, may not be appropriate for a Non-U.S. Holder. Non-U.S. Holders should consult their own tax advisors before investing in the notes as to the tax consequences of acquiring, holding and disposing of our common stock as a result of a conversion of the notes.

Distributions on, and Sale or Other Disposition of, Our Common Stock

Distributions of our investment company taxable income to Non-U.S. Holders will be subject to U.S. withholding tax (unless lowered or eliminated by an applicable income tax treaty) to the extent payable from our current and accumulated earnings and profits unless an exception applies.

Actual or deemed distributions of our net capital gain to a Non-U.S. Holder, and gains recognized by a Non-U.S. Holder upon the sale of our common stock, will not be subject to withholding of U.S. federal income tax and generally will not be subject to U.S. federal income tax unless the Non-U.S. Holder is an individual, has been present in the United States for 183 days or more during the taxable year, and certain other conditions are satisfied. Non-U.S. Holders of our common stock are encouraged to consult their own advisors as to the applicability of an income tax treaty in their individual circumstances.

In general, no U.S. source withholding taxes will be imposed on dividends paid by RICs to Non-U.S. Holders to the extent the dividends are designated as "interest-related dividends" or "short-term capital gain dividends." Under this exemption, interest-related dividends and short-term capital gain dividends generally represent distributions of interest or short-term capital gain that would not have been subject to U.S. withholding tax at the source if they had been received directly by a non-U.S. Holder, and that satisfy certain other requirements. We expect that a portion of our dividends will qualify as interest related gain dividends, although we cannot assure you the exact proportion that will so qualify.

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. Holder will be entitled to a U.S. federal income tax credit or tax refund equal to the Non-U.S. Holder's allocable share of the tax we pay on the capital gain deemed to have been distributed. In order to obtain the refund, the Non-U.S. Holder must obtain a U.S. taxpayer identification number (if one has not been previously obtained) and file a U.S. federal income tax return even if the Non-U.S. Holder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

We have the ability to declare a large portion of a dividend in shares of our common stock. As long as a portion of such dividend is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, our Non-U.S. Holders will be taxed on 100% of the fair market value of the dividend on the date the dividend is received in the same manner as a cash dividend (including the application of withholding tax rules described above), even if most of the dividend is paid in shares of our common stock. In such a circumstance, we may be required to withhold all or substantially all of the cash we would otherwise distribute to a Non-U.S. Holder.

Information Reporting and Backup Withholding

A Non-U.S. Holder who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the Non-U.S. Holder provides us or the dividend paying agent with an IRS Form W-8BEN or IRS Form W-8BEN-E (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. Holder or otherwise establishes an exemption from backup withholding.

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WITHHOLDING AND INFORMATION REPORTING ON FINANCIAL ACCOUNTS

Pursuant to Sections 1471 to 1474 of the Code and the U.S. Treasury regulations thereunder, the relevant withholding agent generally will be required to withhold 30% of any interest paid on the notes or any dividends paid on our common stock to: (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and such entity meets certain other specified requirements or is subject to an applicable "intergovernmental agreement." If payment of this withholding tax is made, Non-U.S. Holders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such dividends or proceeds will be required to seek a credit or refund from the IRS to obtain the benefit of such exemption or reduction. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Certain jurisdictions have entered into agreements with the United States that may supplement or modify these rules. Non-U.S. Holders should consult their own tax advisers regarding the particular consequences to them of this legislation and guidance. We will not pay any additional amounts in respect to any amounts withheld.

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J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the aggregate principal amount of notes set forth opposite its name below.

Underwriter	Aggregate Principal Amount of Securities to be Purchased
J.P. Morgan Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
RBC Capital Markets, LLC	
Total	\$

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The following table shows the total underwriting discounts that we are to pay to the underwriters in connection with this offering. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional notes.

	Per Note	Without Option	With Option
Public offering price	%	\$	\$
Underwriting discount (sales load)	%	\$	\$
Proceeds, before expenses, to us	%	\$	\$

The underwriters propose to offer some of the notes to the public at the public offering price set forth on the cover page of this prospectus supplement and may offer the notes to certain other Financial Industry Regulatory Authority (FINRA) members at the public offering price less a concession not in excess of % of the aggregate principal amount of the notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of % of the aggregate principal amount of the notes. After the initial offering of the notes to the public, the public offering price and such concessions may be changed. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.

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The expenses of the offering, not including the underwriting discount, are estimated at approximately \$ _____ million and are payable by us.

Option

We have granted the underwriters an option to purchase, for settlement within a period of 13 days from, and including, the date notes are first issued, up to an additional \$52,500,000 aggregate principal amount of notes.

No Sales of Similar Securities

We have agreed, with exceptions, not to sell or transfer any common stock for 45 days after the date of this prospectus supplement without first obtaining the written consent of J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Our executive officers and directors and Ares Capital Management and certain of its affiliates have agreed, with exceptions, not to sell or transfer any common stock for 30 days after the date of this prospectus supplement without first obtaining the written consent of J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

offer, pledge, sell or contract to sell any common stock,

sell any option or contract to purchase any common stock,

purchase any option or contract to sell any common stock,

grant any option, right or warrant for the sale of any common stock,

otherwise dispose of or transfer any common stock,

request or demand that we file a registration statement related to the common stock, or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Listing

The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or quoted on any automated dealer quotation system. We have been advised by the underwriters that they presently intend to make a market in the notes after completion of the offering as permitted by applicable laws and regulations. The underwriters are not obligated, however, to make a market in the notes and any such market-making may be discontinued at any time in the sole discretion of the underwriters without any notice. Accordingly, no assurance can be given as to the liquidity of, or development of a public trading market for, the notes. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

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Price Stabilization, Short Positions

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater principal amount of notes than they are required to purchase in the offering. The underwriters must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Any of these activities may cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be affected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time without any notice relating thereto.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Notes

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited principal amount of the notes for sale to their online brokerage customers.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The underwriters and their respective affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Ares and its affiliates and managed funds and Ares Capital or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Ares Capital or on behalf of Ares Capital, Ares or any of our or their portfolio companies, affiliates and/or managed funds. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to Ares, Ares Capital or Ares Capital Management and their affiliates and managed funds.

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Affiliates of certain of the underwriters may be limited partners of private investment funds affiliated with our investment adviser, Ares Capital Management.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to Ares, Ares Capital, Ares Capital Management or any of our portfolio companies.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if among other things we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of their business and not in connection with the offering of the notes. In addition, after the offering period for the sale of the notes, the underwriters or their affiliates may develop analyses or opinions related to Ares, Ares Capital or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding Ares Capital to our noteholders or any other persons.

In the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes. Any such credit default swaps or short positions could adversely affect future trading prices of the notes. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of certain of the underwriters serve as agents and/or lenders under our credit facilities or other debt instruments (including the Revolving Credit Facility and the Revolving Funding Facility) and may also be lenders to private investment funds managed by IHAM. JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, is the administrative agent under our Revolving Credit Facility. Merrill Lynch, Pierce, Fenner & Smith Incorporated and JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, are joint bookrunners and joint lead arrangers for our Revolving Credit Facility. Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, is a syndication agent with respect to our Revolving Credit Facility. Bank of America N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, is also a lender under our Revolving Funding Facility. Certain of the underwriters and their affiliates were underwriters in connection with our initial public offering and our subsequent common stock offerings, debt offerings and rights offering, for which they received customary fees.

Proceeds of this offering will be used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility, the Revolving Funding Facility and/or the SMBC Funding Facility.

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Affiliates of certain of the underwriters, including Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and RBC Capital Markets, LLC are lenders under the Revolving Credit Facility. An affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated is a lender under the Revolving Funding Facility. Accordingly, affiliates of certain of the underwriters may receive more than 5% of the proceeds of this offering to the extent such proceeds are used to repay or repurchase outstanding indebtedness under the Revolving Credit Facility and/or the Revolving Funding Facility.

The principal business address of J.P. Morgan Securities LLC is 383 Madison Avenue, New York, New York 10179. The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, NY 10036. The principal business address of RBC Capital Markets, LLC is 200 Vesey Street, 8th Floor, New York, New York 10281.

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LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Proskauer Rose LLP, Los Angeles, California, Eversheds Sutherland (US) LLP, Washington, D.C., Venable LLP, Baltimore, Maryland, and Latham & Watkins LLP, New York, New York. Proskauer Rose LLP has from time to time represented the underwriters, Ares and Ares Capital Management on unrelated matters. Certain legal matters in connection with the offering will be passed upon for the underwriters by Freshfields Bruckhaus Deringer US LLP.

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Report of Independent Registered Public Accounting Firm

To the stockholders and board of directors
Ares Capital Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ares Capital Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 12, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Such procedures also included confirmation of investments owned as of December 31, 2018 by correspondence with custodians, portfolio companies or agents. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2004.

Los Angeles, California
February 12, 2019

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Report of Independent Registered Public Accounting Firm

The stockholders and board of directors
Ares Capital Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Ares Capital Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company, including the consolidated schedules of investments, as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders' equity, and cash flows, for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 12, 2019, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

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(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Los Angeles, California
February 12, 2019

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

(in millions, except per share data)

	As of December 31,	
	2018	2017
ASSETS		
Investments at fair value		
Non-controlled/non-affiliate company investments	\$ 10,478	\$ 10,010
Non-controlled affiliate company investments	292	216
Controlled affiliate company investments	1,647	1,615
Total investments at fair value (amortized cost of \$12,754 and \$11,905, respectively)	12,417	11,841
Cash and cash equivalents	296	316
Interest receivable	91	93
Receivable for open trades	12	1
Other assets	79	96
Total assets	\$ 12,895	\$ 12,347
LIABILITIES		
Debt	\$ 5,214	\$ 4,854
Base management fees payable	45	44
Income based fees payable	36	27
Capital gains incentive fees payable	112	79
Accounts payable and other liabilities	99	181
Interest and facility fees payable	64	64
Payable for open trades	25	
Total liabilities	5,595	5,249
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001 per share, 600 common shares authorized; 426 and 426 common shares issued and outstanding, respectively		
Capital in excess of par value	7,173	7,192
Accumulated undistributed (overdistributed) earnings	127	(94)
Total stockholders' equity	7,300	7,098
Total liabilities and stockholders' equity	\$ 12,895	\$ 12,347
NET ASSETS PER SHARE	\$ 17.12	\$ 16.65

See accompanying notes to consolidated financial statements.

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Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS****(in millions, except per share data)**

	For the Years Ended December 31,		
	2018	2017	2016
INVESTMENT INCOME:			
From non-controlled/non-affiliate company investments:			
Interest income from investments (excluding payment-in-kind ("PIK") interest)	\$ 834	\$ 711	\$ 515
PIK interest income from investments	42	42	34
Capital structuring service fees	130	95	90
Dividend income	35	26	35
Other income	38	19	14
Total investment income from non-controlled/non-affiliate company investments	1,079	893	688
From non-controlled affiliate company investments:			
Interest income from investments (excluding PIK interest)	16	13	12
PIK interest income from investments	4	4	4
Capital structuring service fees			1
Dividend income	4	1	
Total investment income from non-controlled affiliate company investments	24	18	17
From controlled affiliate company investments:			
Interest income from investments (excluding PIK interest)	123	162	238
PIK interest income from investments	22	19	3
Capital structuring service fees	13	10	8
Dividend income	58	49	40
Other income	18	9	18
Total investment income from controlled affiliate company investments	234	249	307
Total investment income	1,337	1,160	1,012
EXPENSES:			
Interest and credit facility fees	240	225	186
Base management fees	180	171	137
Income based fees	169	134	123
Capital gains incentive fees	33	41	(5)
Administrative fees	13	12	14
Professional fees and other costs related to the American Capital Acquisition	3	45	15
Other general and administrative	26	32	27
Total expenses	664	660	497
Waiver of income based fees	(40)	(30)	
Total expenses, net of waiver of income based fees	624	630	497
NET INVESTMENT INCOME BEFORE INCOME TAXES	713	530	515
Income tax expense, including excise tax	19	19	21
NET INVESTMENT INCOME	694	511	494
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS, FOREIGN CURRENCY AND OTHER TRANSACTIONS:			
Net realized gains (losses):			

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Non-controlled/non-affiliate company investments	90	(56)	66
Non-controlled affiliate company investments			14
Controlled affiliate company investments	316	100	30
Foreign currency and other transactions	13	(20)	
Net realized gains	419	24	110
Net unrealized gains (losses):			
Non-controlled/non-affiliate company investments	(85)	(42)	(179)
Non-controlled affiliate company investments	4	(2)	14
Controlled affiliate company investments	(190)	187	40
Foreign currency and other transactions	16	(7)	(5)
Net unrealized gains (losses)	(255)	136	(130)
Net realized and unrealized gains (losses) on investments, foreign currency and other transactions	164	160	(20)
REALIZED LOSSES ON EXTINGUISHMENT OF DEBT		(4)	
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	\$ 858	\$ 667	\$ 474
BASIC AND DILUTED EARNINGS PER COMMON SHARE (see Note 10)	\$ 2.01	\$ 1.57	\$ 1.51
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING (see Note 10)	426	425	314

See accompanying notes to consolidated financial statements.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of December 31, 2018
(dollar amounts in millions)

Company(1)	Business Description	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Healthcare Services							
Absolute Dental Management LLC and ADM Equity, LLC	Dental services provider	First lien senior secured loan (\$19.1 par due 1/2022)		1/5/2016	\$ 19.1	\$ 11.8(2)(14)	
		First lien senior secured loan (\$5.1 par due 1/2022)		1/5/2016	5.1	3.1(4)(14)	
		Class A preferred units (4,000,000 units)		1/5/2016	4.0	(2)	
		Class A common units (4,000,000 units)		1/5/2016			(2)
					28.2	14.9	
Acessa Health Inc. (fka HALT Medical, Inc.)	Medical supply provider	Common stock (569,823 shares)		6/22/2017	0.1		
ADCS Billings Intermediate Holdings, LLC(19)	Dermatology practice	First lien senior secured revolving loan (\$1.3 par due 5/2022)	10.25% (Base Rate + 4.75%/Q)	5/18/2016	1.3	1.2(2)(15)	
ADG, LLC and RC IV GEDC Investor LLC(19)	Dental services provider	First lien senior secured revolving loan (\$3.1 par due 9/2022)	7.27% (Libor + 4.75%/M)	9/28/2016	3.1	3.0(2)(15)	
		First lien senior secured revolving loan (\$8.1 par due 9/2022)	9.25% (Base Rate + 3.75%/M)	9/28/2016	8.1	7.8(2)(15)	
		Second lien senior secured loan (\$87.5 par due 3/2024)	11.88% (Libor + 9.00%/Q)	9/28/2016	87.5	77.0(2)(15)	
		Membership units (3,000,000 units)		9/28/2016	3.0	1.0(2)	
					101.7	88.8	
Air Medical Group Holdings, Inc. and Air Medical Buyer Corp.	Emergency air medical services provider	Senior subordinated loan (\$182.7 par due 3/2026)	10.38% (Libor + 7.88%/M)	3/14/2018	182.7	182.7(2)(15)	
		Warrant to purchase up to 115,733 units of common stock (expires 3/2028)		3/14/2018	0.9	1.6(2)	
					183.6	184.3	
Alcami Corporation and ACM Holdings I, LLC(19)	Outsourced drug development services provider	First lien senior secured revolving loan (\$1.8 par due 7/2023)	6.26% (Libor + 3.75%/M)	7/12/2018	1.8	1.8(2)(15)	
		First lien senior secured revolving loan (\$1.7 par due 7/2023)	6.21% (Libor + 3.75%/M)	7/12/2018	1.7	1.7(2)(15)	
		First lien senior secured loan (\$30.1 par due 7/2025)	6.71% (Libor + 4.25%/M)	7/12/2018	30.0	29.8(3)(15)	
		Second lien senior secured loan (\$77.5 par due 7/2025)	10.51% (Libor + 8.00%/M)	7/12/2018	76.8	76.0(2)(15)	

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		due 7/2026) Common units (3,269,900 units)		7/12/2018	32.7	26.1(2)
					143.0	135.4
Alteon Health, LLC	Provider of physician management services	First lien senior secured loan (\$3.0 par due 9/2022)	9.02% (Libor + 6.50%/M)	5/15/2017	3.0	2.5(2)(15)
American Academy Holdings, LLC(19)	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	First lien senior secured revolving loan (\$0.9 par due 12/2022)	9.05% (Libor + 6.25%/Q)	12/15/2017	0.9	0.9(2)(15)
		First lien senior secured loan (\$85.8 par due 12/2022)	9.05% (Libor + 6.25%/Q)	12/15/2017	85.8	85.8(2)(15)
		First lien senior secured loan (\$92.4 par due 12/2022)	9.05% (Libor + 6.25%/Q)	12/15/2017	92.4	92.4(3)(15)
		Senior subordinated loan (\$79.9 par due 6/2023)	16.33% (Libor + 8.00% Cash, 6.00% PIK/Q)	12/15/2017	79.9	79.9(2)(15)
					259.0	259.0

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Company(1)	Business Description	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Bambino CI Inc.(19)	Manufacturer and provider of single-use obstetrics products	First lien senior secured revolving loan (\$0.3 par due 12/2023)	7.93% (Libor + 5.50%/M)	10/17/2017	0.3	0.3(2)(15)	
		First lien senior secured loan (\$2.5 par due 12/2024)	8.02% (Libor + 5.50%/M)	10/17/2017	2.5	2.5(2)(15)	
		First lien senior secured loan (\$30.9 par due 12/2024)	8.02% (Libor + 5.50%/M)	10/17/2017	30.9	30.9(3)(15)	
					33.7	33.7	
Care Hospice, Inc(19)	Provider of hospice services	First lien senior secured revolving loan (\$0.3 par due 4/2022)	7.22% (Libor + 4.75%/M)	2/8/2018	0.3	0.3(2)(15)(18)	
CCS-CMGC Holdings, Inc.(19)	Correctional facility healthcare operator	First lien senior secured revolving loan (\$1.9 par due 10/2023)	8.02% (Libor + 5.50%/M)	10/1/2018	1.9	1.8(2)(15)(18)	
		First lien senior secured loan (\$35.0 par due 10/2025)	8.02% (Libor + 5.50%/M)	9/25/2018	34.7	34.8(3)(15)	
					36.6	36.6	
Center for Autism and Related Disorders, LLC(19)	Autism treatment and services provider specializing in applied behavior analysis therapy	First lien senior secured revolving loan		11/21/2018		(17)	
Comprehensive EyeCare Partners, LLC(19)	Vision care practice management company	First lien senior secured revolving loan (\$0.2 par due 2/2024)	9.00% (Base Rate + 3.50%/Q)	2/14/2018	0.2	0.2(2)(15)	
		First lien senior secured loan (\$2.4 par due 2/2024)	7.30% (Libor + 4.50%/Q)	2/14/2018	2.4	2.4(2)(15)	
		First lien senior secured loan (\$5.4 par due 2/2024)	7.30% (Libor + 4.50%/Q)	2/14/2018	5.4	5.4(2)(15)	
					8.0	8.0	
CSTM LLC(7)	Dental services provider	Class A membership units (1,979 units)		1/3/2017			
D4C Dental Brands HoldCo, Inc. and Bambino Group Holdings, LLC(19)	Dental services provider	First lien senior secured revolving loan (\$3.3 par due 12/2022)	10.75% (Base Rate + 5.25%/Q)	12/21/2016	3.3	3.3(2)(15)	
		Class A preferred units (1,000,000 units)		12/21/2016	1.0	1.3(2)	
					4.3	4.6	
Datix Bidco Limited(8)	Global healthcare software company that provides software solutions for patient safety and risk management	First lien senior secured loan (\$5.8 par due 4/2025)	7.28% (Libor + 4.50%/S)	4/27/2018	5.7	5.8(2)(15)	
				7/2/2015	0.4	0.4(2)(15)(18)	

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DCA Investment Holding, LLC(19)	Multi-branded dental practice management	First lien senior secured revolving loan (\$0.4 par due 7/2021)	9.75% (Base Rate + 4.25%/Q)	7/2/2015	18.5	18.5(4)(15)
		First lien senior secured loan (\$18.5 par due 7/2021)	8.05% (Libor + 5.25%/Q)			
					18.9	18.9
Emerus Holdings, Inc.(19)	Freestanding 24-hour emergency care micro-hospitals operator	First lien senior secured revolving loan (\$3.0 par due 9/2020)	7.31% (Libor + 4.50%/Q)	3/14/2017	3.0	2.9(2)(15)
		First lien senior secured loan (\$3.2 par due 9/2021)	7.31% (Libor + 4.50%/Q)	3/14/2017	2.9	3.1(2)(15)
					5.9	6.0
GHX Ultimate Parent Corporation, Commerce Parent, Inc. and Commerce Topco, LLC	On-demand supply chain automation solutions provider to the healthcare industry	Second lien senior secured loan (\$34.5 par due 6/2025)	10.81% (Libor + 8.00%/Q)	6/30/2017	34.2	34.5(2)(15)
		Series A preferred stock (110,425 shares)	13.55% PIK (Libor + 10.75%/Q)	6/30/2017	133.5	133.5(2)(15)
		Class A units (14,013,303 units)		6/30/2017	14.0	16.9(2)
					181.7	184.9
Greenphire, Inc. and RMCF III CIV XXIX, L.P	Software provider for clinical trial management	Limited partnership interest (99.90% interest)		12/19/2014	1.0	3.0(2)

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Company(1)	Business Description	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Hygiena Borrower LLC(19)	Adenosine triphosphate testing technology provider	First lien senior secured revolving loan		8/26/2016			(17)
		First lien senior secured loan (\$9.5 par due 8/2022)	6.80% (Libor + 4.00%/Q)	6/29/2018	9.5	9.4(2)(15)	
		Second lien senior secured loan (\$11.1 par due 8/2023)	10.55% (Libor + 7.75%/Q)	6/29/2018	11.1	11.0(2)(15)	
		Second lien senior secured loan (\$0.6 par due 8/2023)	10.55% (Libor + 7.75%/Q)	6/29/2018	0.6	0.6(2)(15)	
		Second lien senior secured loan (\$10.0 par due 8/2023)	10.55% (Libor + 7.75%/Q)	8/26/2016	10.0	9.9(2)(15)	
		Second lien senior secured loan (\$10.7 par due 8/2023)	10.55% (Libor + 7.75%/Q)	2/27/2017	10.7	10.6(2)(15)	
					41.9	41.5	
JDC Healthcare Management, LLC(19)	Dental services provider	First lien senior secured revolving loan (\$0.8 par due 4/2022)	12.25% (Base Rate + 6.75%/Q)	4/10/2017	0.8	0.8(2)(15)	
		First lien senior secured loan (\$4.1 par due 4/2023)	10.01% (Libor + 7.75%/A)	4/10/2017	4.1	4.1(2)(15)	
		First lien senior secured loan (\$9.9 par due 4/2023)	10.27% (Libor + 7.75%/M)	4/10/2017	9.9	9.7(2)(15)	
		First lien senior secured loan (\$19.7 par due 4/2023)	10.27% (Libor + 7.75%/M)	4/10/2017	19.7	19.3(4)(15)	
					34.5	33.9	
KBHS Acquisition, LLC (d/b/a Alita Care, LLC)(19)	Provider of behavioral health services	First lien senior secured revolving loan (\$0.2 par due 3/2022)	7.38% (Libor + 5.00%/M)	3/17/2017	0.2	0.2(2)(15)	
		First lien senior secured revolving loan (\$0.3 par due 3/2022)	7.42% (Libor + 5.00%/M)	3/17/2017	0.3	0.3(2)(15)	
		First lien senior secured revolving loan (\$0.8 par due 3/2022)	7.46% (Libor + 5.00%/M)	3/17/2017	0.8	0.8(2)(15)	
		First lien senior secured revolving loan (\$0.6 par due 3/2022)	7.47% (Libor + 5.00%/M)	3/17/2017	0.6	0.6(2)(15)	
		First lien senior secured revolving loan (\$0.3 par due 3/2022)	7.50% (Libor + 5.00%/M)	3/17/2017	0.3	0.3(2)(15)	
		First lien senior secured revolving loan (\$0.3 par due 3/2022)	7.43% (Libor + 5.00%/M)	3/17/2017	0.3	0.3(2)(15)	
		First lien senior secured revolving loan (\$2.1 par due 3/2022)	7.52% (Libor + 5.00%/M)	3/17/2017	2.1	2.0(2)(15)	
					4.6	4.5	
Key Surgical LLC(19)	Provider of sterile processing, operating room and instrument	First lien senior secured loan (\$17.0 par due 6/2023)	5.75% (EURIBOR + 4.75%/Q)	6/1/2017	16.6	17.0(2)(15)	

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	care supplies for hospitals	First lien senior secured loan (\$9.3 par due 6/2023)	7.28% (Libor + 4.75%/Q)	10/31/2018	9.3	9.3(2)(15)
					25.9	26.3
MB2 Dental Solutions, LLC(19)	Dental services provider	First lien senior secured revolving loan (\$2.7 par due 9/2023)	9.25% (Base Rate + 3.75%/Q)	9/29/2017	2.7	2.7(2)(15)
		First lien senior secured loan (\$5.8 par due 9/2023)	7.57% (Libor + 4.75%/Q)	9/29/2017	5.8	5.8(2)(15)
					8.5	8.5

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Company(1)	Business Description	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
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