ARES CAPITAL CORP
Form 497
February 05, 2007

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Subject to Completion
Preliminary Prospectus Supplement dated February 5, 2007

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

Filed pursuant to Rule 497
Registration No. 333-134077

PROSPECTUS SUPPLEMENT
(To prospectus dated June 23, 2006)

1,165,000 Shares

Common Stock

Ares Capital Corporation is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland that is regulated as a business development company under the Investment Company Act of 1940. We were founded in April 2004 and completed our initial public offering on October 8, 2004. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases may include an equity component, and, to a lesser extent, in equity investments, in private middle market companies.

We are managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, an independent Los Angeles based firm that currently manages investment funds that have approximately $12.0 billion of committed capital. Ares Technical Administration LLC provides the administrative services necessary for us to operate.

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "ARCC." On February 1, 2007, the last reported sales price of our common stock on The NASDAQ Global Select Market was $20.09 per share.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 15 of the accompanying prospectus.

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

	Per Share	Total

Public offering price	$	$
Underwriting discount (sales load)	$	$
Proceeds, before expenses, to Ares Capital Corporation(1)	$	$

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

The underwriter may also purchase up to an additional 174,750 shares from us at the public offering price, less the underwriting discounts, within 30 days from the date of this prospectus supplement to cover overallotments. If the underwriter exercises this option in full, the total public offering price will be $, the total underwriting discount (sales load) paid by us will be $, and the total proceeds, before expenses, will be $.

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

The shares will be ready for delivery on or about , 2007.

Merrill Lynch & Co.

The date of this prospectus supplement is , 2007.

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

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FORWARD-LOOKING STATEMENTS

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

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of Ares Capital Management to locate suitable investments for us and to monitor and administer our investments.

We use words such as "anticipates," "believes," "expects," "intends" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" in the accompanying prospectus and elsewhere in this prospectus supplement or the accompanying prospectus.

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

You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933 (the "Securities Act") and Section 21E(b)(2)(B) of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with this offering.

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" and the other information included in this prospectus supplement and the accompanying prospectus. Except where the context suggests otherwise, the terms "we," "us," "our," "the Company" and "Ares Capital" refer to Ares Capital Corporation and its subsidiaries; "Ares Capital Management," "investment adviser" or "Investment Adviser" refers to Ares Capital Management LLC; "Ares Administration" refers to Ares Technical Administration LLC; and "Ares" refers to Ares Partners Management Company LLC and its affiliated companies, including Ares Management LLC.

Ares Capital

Ares Capital is a specialty finance company that is a closed-end, non-diversified management investment company, regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, or the "1940 Act." We were founded in April 2004, completed our initial public offering on October 8, 2004 and completed four additional equity offerings in March 2005, October 2005, July 2006 and December 2006. Ares Capital's investment objective is to generate both current income and capital appreciation through debt and equity investments. We primarily invest in U.S. middle market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive.

We primarily invest in first and second lien senior loans and long-term mezzanine debt. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. In some cases, we may also receive warrants or options in connection with our debt instruments. Our investments have generally ranged between $10 million and $50 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with our capital availability. We also, to a lesser extent, make equity investments in private middle market companies. These investments have generally been less than $10 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these companies. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In this prospectus supplement, we generally use the term "middle market" to refer to companies with annual EBITDA between $5 million and $50 million. EBITDA represents net income before net interest expense, income tax expense, depreciation and amortization.

The first and second lien senior loans generally have stated terms of three to ten years and the mezzanine debt investments generally have stated terms of up to ten years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, there is no limit on the maturity or duration of any security in our portfolio. The debt that we invest in typically is not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's or lower than "BBB-" by Standard & Poor's). We may invest without limit in debt of any rating, including 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 Ares' current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares' senior principals have worked together for many years and have substantial experience in investing in senior loans, high yield bonds, mezzanine debt and private equity. The Company has access to the Ares staff of approximately 66 investment professionals and to the 50 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance and investor relations.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity securities of private companies, we also may invest up to 30% of the portfolio in opportunistic investments. Such investments may include investments in high-yield bonds, debt and equity securities in collateralized debt obligation vehicles and distressed debt or equity securities of public companies. We expect that these public companies generally will have debt that is non-investment grade. As part of this 30% of the portfolio, we may also invest in debt of middle market companies located outside of the United States, which investments are not anticipated to be in excess of 10% of the portfolio at the time such investments are made.

About Ares

Ares is an independent firm with approximately $12.0 billion of total committed capital and over 150 employees. Ares was founded in 1997 by a group of highly experienced investment professionals.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the acquisition and management of senior loans, high yield bonds, mezzanine and special situation investments. Ares' private equity activities focus on providing flexible, junior capital to middle market companies. Ares has the ability to invest across a capital structure, from senior secured floating rate debt to common equity.

Ares is comprised of the following groups:

Capital Markets Group. The Ares Capital Markets Group currently manages a variety of funds and investment vehicles that have approximately $7.4 billion of total committed capital, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

Private Debt Group. The Ares Private Debt Group manages the assets of Ares Capital. The Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt.

Private Equity Group. The Ares Private Equity Group manages the Ares Corporate Opportunities Fund L.P. and the Ares Corporate Opportunities Fund II, L.P. (collectively referred to as "ACOF"), which together have approximately $2.8 billion of total committed capital. ACOF generally makes private equity investments in companies in amounts substantially larger than the private equity investments anticipated to be made by Ares Capital. The Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

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

Ares Capital Management

Ares Capital Management, our investment adviser, is served by a dedicated origination and transaction development team of 19 investment professionals, including our President, Michael J. Arougheti, which team is augmented by Ares' additional investment professionals, primarily its 31 member Capital Markets Group. Ares Capital Management's investment committee has 5 members, including Mr. Arougheti and 4 founding members of Ares. In addition, Ares Capital Management leverages off of Ares' entire investment platform and benefits from the Ares investment professionals' significant capital markets, trading and research expertise developed through Ares industry analysts. Ares funds have made investments in over 1,100 companies in over 30 different industries and currently hold over 450 investments in over 30 different industries.

Our Corporate Information

Our administrative offices are located at 1999 Avenue of the Stars, Suite 1900, Los Angeles, California, 90067, telephone number (310) 201-4200, and our executive offices are located at 280 Park Avenue, 22nd Floor, Building East, New York, New York 10017, telephone number (212) 750-7300.

FEES AND EXPENSES

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

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid by us	2.00%(1)
Offering expenses borne by us	1.04%(2)
Dividend reinvestment plan expenses	None(3)
Total stockholder transaction expenses paid by us	3.04%

Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(4):	
Management fees	2.21%(5)
Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income, subject to certain limitations)	2.38%(6)
Interest payments on borrowed funds	2.00%(7)
Other expenses	0.74%(8)
Total annual expenses (estimated)	7.33%(9)

(1) The underwriting discount or commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $244,117 and based on the 1,165,000 shares offered in this offering.

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

(4) "Consolidated net assets attributable to common stock" equals net asset value at September 30, 2006 plus the anticipated net proceeds from this offering.

(5) Our management fee is 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents. The 2.21% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement" in the accompanying prospectus.

(6) This item represents an estimate of our incentive fees based on annualizing actual amounts earned on our pre-incentive fee net income for the nine months ended September 30, 2006 and assumes that incentive fees earned at the end of the 2006 calendar year will be based on the actual realized capital gains as of September 30, 2006, computed net of realized capital losses and unrealized capital depreciation. It also assumes that this fee will remain constant although it is based on our performance and will not be paid unless we achieve certain goals. In addition, we may realize additional capital gains or losses, or suffer additional unrealized capital depreciation in the fourth quarter that could result in an increase or decrease of the capital gains portion of the incentive fee payable to our investment adviser.

The incentive fee consists of two parts:
The first part, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment

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

The second part, payable annually in arrears for each calendar year ending on or after December 31, 2004, equals 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness) is less than 8% of our net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases.

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

(7)

"Interest payments on borrowed funds" represents an estimate of our annualized interest expenses based on actual interest and credit facility expense incurred and amortization of debt issuance cost for the nine months ended September 30, 2006. During the nine months ended September 30, 2006, the average borrowings were $211.9 million and cash paid for interest expense was $5.9 million. We had outstanding borrowings of $522 million at February 1, 2007. The estimate is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us" in the accompanying prospectus.

(8)

Includes our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Administration in performing its obligations under the administration agreement. Such expenses are based on annualized other expenses for the nine months ended September 30, 2006. See "Management Administration Agreement" in the accompanying prospectus. The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses.

(9)

"Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the "Total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, our "Total annual expenses" would be 4.98% of consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents, and that our annual operating expenses would remain at the levels set forth in the table above.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return(1)	$ 80	$ 178	$ 227	$ 484

(1) The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a $1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, $89; 3 years, $206; 5 years, $321; and 10 years, $609. However, cash payment of the capital incentive fee would be deferred if during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness) was less than 8.0% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

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

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

RECENT DEVELOPMENTS

As of September 30, 2006, the year to date net realized capital gains on our investments were approximately $26 million, for which we currently estimate we will owe taxes of approximately $4.4 million. Gross originations during the quarter ended September 30, 2006 were $273.7 million. During the same quarter, we realized certain investments, bringing net investments for the quarter to $154.5 million. In addition, during the quarter ended September 30, 2006, we made commitments in excess of our final investments and syndicated a portion of these commitments to third parties. As a result of this activity, during the same quarter, we generated in excess of $1.1 million of structuring fee income.

During the quarter ended December 31, 2006, we originated approximately $364.5 million of new investments across 12 portfolio companies (8 new borrowers and 4 existing borrowers). Of the $364.5 million of new investments during the quarter, approximately 42%, 19%, 26% and 13% were made in first lien senior secured debt, second lien senior secured debt, senior subordinated debt and equity/other securities, respectively. Of these investments, 54% were floating rate. During the same period approximately $149.2 million of investments were repaid or sold of which 66%, 33% and 1% were first lien senior secured debt, senior subordinated debt and equity securities, respectively.

As of February 1, 2007, in addition to the $69.1 million of additional investments that we have made since December 31, 2006, we have outstanding commitments to fund an aggregate of approximately $250 million of investments. We expect to syndicate a portion of these commitments to third parties. In addition, as of February 1, 2007, we have a pipeline of approximately $345 million. 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, the execution and delivery of satisfactory documentation and the receipt of any necessary consents. We cannot assure you that we will make any of these investments. As of February 1, 2007, we have had no significant repayments or sales since December 31, 2006.

On December 29, 2006, we paid a quarterly dividend of $0.40 per share and an additional dividend of $0.10 per share to stockholders of record as of the close of business on December 15, 2006.

We expect to file a $600 million shelf registration statement with the SEC in the near future that would permit us to, after it is declared effective by the SEC, raise capital through the sale of equity securities from time to time. See "Risk Factors Sale of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock" in the accompanying prospectus.

SELECTED FINANCIAL AND OTHER DATA

The following selected financial and other data for the period from June 23, 2004 (inception) through December 31, 2004 and the year ended December 31, 2005, are derived from our consolidated financial statements that have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included within the accompanying prospectus. The selected financial and other data for the nine months ended September 30, 2006 and 2005 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results at and for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. The data should be read in conjunction with our unaudited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus supplement and our audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the accompanying prospectus.

ARES CAPITAL CORPORATION AND SUBSIDIARY
SELECTED FINANCIAL DATA
Nine Months Ended September 30, 2006 and 2005
Year Ended December 31, 2005 and
Period June 23, 2004 (inception) Through December 31, 2004

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Year Ended December 31, 2005	For the Period June 23, 2004 (inception) Through December 31, 2004
Total Investment Income	$ 82,512,850	$ 26,960,196	$ 41,850,477	$ 4,380,848
Net Realized and Unrealized Gain on Investments	10,364,410	10,445,811	14,727,276	475,393
Total Expenses	(39,272,954)	(11,417,954)	(14,726,677)	(1,665,753)
Net Increase in Stockholders' Equity Resulting from Operations	$ 48,676,835	$ 25,988,053	$ 41,851,076	$ 3,190,488
Per Share Data:				
Net Increase in Stockholder's Equity Resulting from Operations:				
Basic:	$ 1.19	$ 1.33	$ 1.78	$ 0.29
Diluted:	$ 1.19	$ 1.33	$ 1.78	$ 0.29
Cash Dividend Declared:	$ 1.14	$ 0.96	$ 1.30	$ 0.30
Total Assets	$ 1,122,556,065	$ 444,927,588	$ 613,645,144	$ 220,455,614
Total Debt	$ 366,000,000	$ 82,000,000	$ 18,000,000	$ 55,500,000
Total Stockholders' Equity	$ 739,268,870	$ 353,109,493	$ 569,612,199	$ 159,708,305
Other Data:				
Number of Portfolio Companies at Period End	56	30	38	20
Principal Amount of Investments Purchased(1)	$ 738,828,000	$ 333,160,000	$ 504,299,000	$ 234,102,000
Principal Amount of Investments Sold and Repayments(2)	$ 280,838,000	$ 93,672,000	$ 108,415,000	$ 52,272,000
Total Return Based on Market Value(3)	15.49%	(11.27)%	(10.60)%	31.53%
Total Return Based on Net Asset Value(4)	7.89%	8.97%	12.04%	(1.80)%
Weighted Average Yield of Income Producing Equity Securities and Debt(5):	12.27%	11.28%	11.25%	12.36%

(1) The information presented for the period June 23, 2004 (inception) through December 31, 2004 includes $140.8 million of the assets purchased from Royal Bank of Canada and excludes $9.7 million of publicly traded fixed income securities.

(2) The information presented for the period June 23, 2004 (inception) through December 31, 2004 excludes $9.7 million of publicly traded fixed income securities.

(3)

Total return based on market value for the nine months ended September 30, 2006 equals the increase of the ending market value at September 30, 2006 or $17.42 per share over the ending market value at December 31, 2005 of $16.07, plus the declared dividend of $0.40 per share for holders of record on September 15, 2006, the declared dividend of $0.38 per share for holders of record on June 15, 2006 and the declared dividend of $0.36 per share for holders of record on March 24, 2006, divided by the market value at December 31, 2005. Total return based on market value for the nine months ended September 30, 2005 equals the decrease of the ending market value at September 30, 2005 or $16.28 per share over the ending market value at December 31, 2004 of $19.43, plus the declared dividend of $0.34 per share for holders of record on September 16, 2005, the declared dividend of $0.32 per share for holders of record on June 30, 2005 and the declared dividend of $0.30 per share for holders of record on March 7, 2005, divided by the market value at December 31, 2004. Total return based on market value for the year ended December 31, 2005 equals the decrease of the ending market value at December 31, 2005 of $16.07 per share over the ending market value at December 31, 2004 of $19.43 per share plus the declared dividends of $1.30 per share for the year ended December 31, 2005. Total return based on market value for the period June 23, 2004 (inception) through December 31, 2004 equals the increase of the ending market value at December 31, 2004 of $19.43 per share over the offering price of $15.00 per share plus the declared dividend of $0.30 per share (includes return of capital of $0.01 per share) for holders of record on December 27, 2004, divided by the offering price. Total return based on market value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4)

Total return based on net asset value for the nine months ended September 30, 2006 equals the change in net asset value during the period plus the declared dividend of $0.40 per share for holders of record on September 15, 2006, the declared dividend of $0.38 per share for holders of record on June 15, 2006 and the declared dividend of $0.36 per share for holders of record on March 24, 2006, divided by the beginning net asset value during the period. The calculation was adjusted for shares issued in connection with the dividend reinvestment plan and the issuance of common stock in connection with an add-on offering. Total return based on net asset value for the nine months ended September 30, 2005 equals the change in net asset value during the period plus the declared dividend of $0.34 per share for holders of record on September 16, 2005, the declared dividend of $0.32 per share for holders of record on June 30, 2005 and the declared dividend of $0.30 per share for holders of record on March 7, 2005, divided by the beginning net asset value during the period. The calculation was adjusted for shares issued in connection with the dividend reinvestment plan, the issuance of common stock in connection with an add-on offering and the reimbursement of underwriting costs paid by the Investment Adviser. Total return based on net asset value for the year ended December 31, 2005 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.30 per share for the year ended December 31, 2005, divided by the beginning net asset value. Total return based on net asset value for the period June 23, 2004 (inception) through December 31, 2004 equals the change in net asset value during the period plus the declared dividend of $0.30 per share (includes return of capital of $0.01 per share) for holders of record on December 27, 2004, divided by the beginning net asset value. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5)

Weighted average yield on income producing equity securities and debt is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount on accruing debt divided by (b) total income producing equity securities and debt at fair value.

SELECTED QUARTERLY DATA (Unaudited)

	2006			2005				2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4(1)
Total investment income	$ 31,831,794	$ 30,489,751	$ 20,191,305	$ 14,890,281	$ 11,607,989	$ 9,601,615	$ 5,750,592	$ 4,380,848
Net investment income before net realized and unrealized gain on investments and incentive compensation	$ 21,792,136	$ 16,233,294	$ 14,614,419	$ 11,071,081	$ 8,887,631	$ 7,567,053	$ 3,800,113	$ 3,009,749
Incentive compensation	$ 4,464,141	$ 6,940,399	$ 2,922,884	$ (510,478)	$ 2,643,353	$ 1,798,919	$ 270,284	$ 95,471
Net investment income before net realized and unrealized gain on investments	$ 17,327,995	$ 9,292,895	$ 11,691,535	$ 11,581,559	$ 6,244,278	$ 5,768,134	$ 3,529,829	$ 2,914,278
Net realized and unrealized gain on investments	$ 813,127	$ 7,399,785	$ 2,151,498	$ 4,281,465	$ 3,637,612	$ 1,834,122	$ 4,974,077	$ 475,393
Net increase in stockholders' equity resulting from operations	$ 18,141,122	$ 16,692,680	$ 13,843,033	$ 15,863,024	$ 9,881,890	$ 7,602,256	$ 8,503,906	$ 3,389,671
Basic and diluted earnings per common share	$ 0.39	$ 0.44	$ 0.36	$ 0.45	$ 0.42	$ 0.33	$ 0.69	$ 0.34
Net asset value per share as of the end of the quarter	$ 15.06	$ 15.10	$ 15.03	$ 15.03	$ 15.08	$ 14.97	$ 14.96	$ 14.43

(1) The Company was initially funded on June 23, 2004 (inception) but had no significant operations until the fourth quarter of 2004. The sole activity for the second and third quarters of 2004 was the incurrence of $199,183 in organizational expenses.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 1,165,000 shares of our common stock in this offering will be approximately $22.7 million (or approximately $26.1 million if the underwriter fully exercises its overallotment option), in each case assuming a public offering price of $20.09 per share, after deducting the underwriting discount of approximately $470,000 (or approximately $540,000 if the underwriter fully exercises its overallotment option) payable by us and estimated offering expenses of approximately $240,000 payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of common stock we will sell in the offering, both of which will be determined at pricing.

We expect to use approximately all of the net proceeds of this offering to repay outstanding indebtedness under our Revolving Credit Facility. We expect such repayment will occur within 5 business days after the closing of this offering. The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six months) plus 1.00%, generally. As of February 1, 2007, the one, two, three and six month LIBOR were 5.32%, 5.35%, 5.36% and 5.40, respectively. The Revolving Credit Facility expires on December 28, 2010. We intend to use any remaining net proceeds for general corporate purposes.

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "ARCC." We completed our initial public offering in October 2004 at the price of $15.00 per share. Prior to such date there was no public market for our common stock. Our common stock continues to trade in excess of net asset value. There can be no assurance, however, that our shares will continue to trade at a premium to our net asset value.

The following table sets forth the range of high and low closing prices of our common stock as reported on The NASDAQ Global Select Market and the dividends declared by us for each fiscal quarter since our initial public offering. The stock quotations are interdealer quotations and do not include markups, markdowns or commissions and may not necessarily represent actual transactions.

	NAV(1)	Price Range High	Price Range Low	Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Dividend Per Share(2)
Fiscal 2004						
Fourth quarter	$ 14.43	$ 19.75	$ 15.00	136.9%	104.1%	$ 0.30
Fiscal 2005						
First quarter	$ 14.96	$ 18.74	$ 15.57	125.3%	104.0%	$ 0.30
Second quarter	$ 14.97	$ 18.14	$ 15.96	121.2%	106.6%	$ 0.32
Third quarter	$ 15.08	$ 19.25	$ 16.18	127.7%	107.3%	$ 0.34
Fourth quarter	$ 15.03	$ 16.73	$ 15.08	111.3%	100.3%	$ 0.34
Fiscal 2006						
First quarter	$ 15.03	$ 17.97	$ 16.23	119.6%	108.0%	$ 0.36
Second quarter	$ 15.10	$ 17.50	$ 16.36	115.9%	108.3%	$ 0.38
Third quarter	$ 15.06	$ 17.51	$ 15.67	116.3%	104.1%	$ 0.40
Fourth quarter	$ *	$ 19.31	$ 17.39	*	*	$ 0.50(3)
Fiscal 2007						
First quarter (through February 1, 2007)	*	$ 20.09	$ 19.13	*	*	(4)

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of each period.

(2) Represents the dividend declared in the specified quarter.

(3) Includes an additional cash dividend of $0.10 per share.

(4) The dividend has not yet been declared for this quarter.

* Net asset value has not yet been calculated for this period.

On February 1, 2007, the last reported sales price of our common stock on The NASDAQ Global Select Market was $20.09 per share.

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 Financial and Other Data and our financial statements and notes thereto appearing elsewhere in this prospectus supplement.

OVERVIEW

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland that is regulated as a business development company under the 1940 Act. We were founded on April 16, 2004, were initially funded on June 23, 2004 and on October 8, 2004 completed our initial public offering (the "IPO").

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and long-term mezzanine debt, which in some cases may include an equity component, and, to a lesser extent, in equity investments in private U.S. middle market companies.

We are externally managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, an independent Los Angeles based firm that manages investment funds. Ares Technical Administration LLC, an affiliate of Ares Management LLC, provides the administrative services necessary for us to operate.

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 of private U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less.

We have elected to be treated as a regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. Pursuant to these elections, we generally will not have to pay corporate-level taxes on any income that we distribute to our stockholders.

PORTFOLIO AND INVESTMENT ACTIVITY

For the three months ended September 30, 2006, we issued 13 new commitments in an aggregate amount of $273.7 million ($204.0 million to new portfolio companies and $69.7 million to existing portfolio companies) where the average commitment amount was approximately $21.1 million and the weighted average commitment terms were approximately 73 months, compared to six new commitments in an aggregate amount of $180.1 million ($166.6 million to new portfolio companies and $13.5 million to existing portfolio companies) where the average commitment amount was approximately $30.0 million and the weighted average commitment terms were approximately 67 months for the three months ended September 30, 2005. During the three months ended September 30, 2006, we funded $260.1 million of such commitments ($196.6 million to new portfolio companies and $63.5 million to existing portfolio companies) compared to $166.1 million of commitments ($152.6 million to new portfolio companies and $13.5 million to existing portfolio companies) for the three months ended September 30, 2005. Also during the three months ended September 30, 2006, we had $119.2 million in exits and repayments of commitments resulting in net commitments of $154.5 million for the period. For the three months ended September 30, 2005, we had $45.2 million in exits and repayments of commitments resulting in net commitments of $120.9 million for the period. We have remaining contractual obligations for $13.6 million with respect to commitments funded as of September 30, 2006. The weighted average yield of new income producing equity securities and debt funded in connection with investments purchased during the three months ended September 30, 2006 and September 30, 2005 was approximately 11.81% and 10.55%, respectively (computed as (a) annual stated interest rate yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt divided by (b) total income producing equity securities and debt at fair value).

For the nine months ended September 30, 2006, we issued 42 new commitments in an aggregate amount of $745.6 million ($591.6 million to new portfolio companies and $154.0 million to existing portfolio companies) where the average commitment amount was approximately $17.8 million and the weighted average commitment terms were approximately 68 months, compared to 20 new commitments in an aggregate amount of $352.3 million ($329.6 million to new portfolio companies and $22.7 million to existing portfolio companies) where the average commitment amount was approximately $17.6 million and the weighted average commitment terms were approximately 76 months for the nine months ended September 30, 2005. During the nine months ended September 30, 2006, we funded $698.2 million of such commitments ($543.2 million to new portfolio companies and $155.0 million to existing portfolio companies) compared to $333.2 million of commitments ($310.5 million to new portfolio companies and $22.7 million to existing portfolio companies) for the nine months ended September 30, 2005. Also during the nine months ended September 30, 2006, we had $256.7 million in exits and repayments of commitments resulting in net commitments of $488.9 million for the period. For the nine months ended September 30, 2005, we had $91.9 million in exits and repayments of commitments resulting in net commitments of $260.4 million for the period. The weighted average yield of new income producing equity securities and debt funded in connection with investments purchased during the nine months ended September 30, 2006 and September 30, 2005 was approximately 12.04% and 10.29%, respectively (computed as (a) annual stated interest rate yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt divided by (b) total income producing equity securities and debt at fair value).

For the three months ended September 30, 2006, the Company purchased (A) $192.0 million aggregate principal amount of senior term debt, (B) $76.1 million aggregate principal amount of senior subordinated debt and (C) $20.2 million of investments in equity securities. For the three months ended September 30, 2005, the Company purchased (1) $78.8 million aggregate principal amount of senior term debt, (2) $32.5 million aggregate principal amount of senior subordinated debt, and (3) $54.8 million of investments in equity securities.

For the nine months ended September 30, 2006, the Company purchased (A) $495.8 million aggregate principal amount of senior term debt, (B) $179.7 million aggregate principal amount of senior subordinated debt and (C) $63.3 million of investments in equity securities. For the nine months ended September 30, 2005, the Company purchased (1) $196.9 million aggregate principal amount of senior term debt, (2) $58.0 million aggregate principal amount of senior subordinated debt, (3) $60.3 million of investments in equity securities, and (4) $18.0 million aggregate principal amount of collateralized debt obligations and senior notes.

During the three months ended September 30, 2006, (A) $83.0 million aggregate principal amount of senior term debt and (B) $15.1 million aggregate principal amount of senior subordinated debt was redeemed. Additionally, (i) $19.0 million aggregate principal amount of senior term debt, (ii) $17.0 million aggregate principal amount of senior subordinated debt and (iii) $590,000 of investments in equity securities were sold. As of September 30, 2006, the Company held investments in 56 portfolio companies as compared to 38 portfolio companies as of December 31, 2005. During the three months ended September 30, 2005, (1) $1.1 million aggregate principal amount of senior term debt and (2) $19.9 million aggregate principal amount of senior subordinated debt was redeemed. Additionally, (a) $14.0 million aggregate principal amount of senior notes, (b) $10.0 million aggregate principal amount of senior term debt and (c) $200,000 of investments in equity securities were sold.

During the nine months ended September 30, 2006, (A) $132.2 million aggregate principal amount of senior term debt, (B) $33.0 million aggregate principal amount of senior subordinated debt and (C) $9.0 million collateralized debt obligations were redeemed. Additionally, (i) $25.1 million aggregate principal amount of senior term debt, (ii) $17.0 million aggregate principal amount of senior subordinated debt and (iii) $64.0 million of investments in equity securities were sold. During the nine months ended September 30, 2005, (1) $35.7 million aggregate principal amount of senior term debt and (2) $27.2 million aggregate principal amount of senior subordinated debt was redeemed. Additionally, (a) $14.0 million aggregate principal amount of senior notes, (b) $13.0 million aggregate principal amount of senior term debt and (c) $3.5 million of investments in equity securities were sold.

The Investment Adviser employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, we grade all loans on a scale of 1 to 4 no less frequently than quarterly. This system is intended to reflect the performance of the borrower's business, the collateral coverage of the loans and other factors considered relevant. Under this system, loans with a grade of 4 involve the least amount of risk in our portfolio. The borrower is performing above expectations and the trends and risk factors are generally favorable. Loans graded 3 involve a level of risk that is similar to the risk at the time of origination. The borrower is performing as expected and the risk factors are neutral to favorable. All new loans are initially graded 3. Loans graded 2 involve a borrower performing below expectations and indicates that the loan's risk has increased materially since origination. The borrower is generally out of compliance with debt covenants, however, loan payments are generally not more than 120 days past due. For loans graded 2, we increase procedures to monitor the borrower. A loan grade of 1 indicates that the borrower is performing materially below expectations and that the loan risk has substantially increased since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Loans graded 1 are not anticipated to be repaid in full. We believe that as of September 30, 2006, the weighted average investment grade of the debt in our portfolio was 3.0. The weighted average investment grade of the debt in our portfolio as of December 31, 2005 was 3.1. Following is a distribution of the grades of our portfolio companies as of September 30, 2006 and December 31, 2005:

	September 30, 2006		December 31, 2005	
	Fair Value	**Number of Companies**	**Fair Value**	**Number of Companies**
Grade 1	$ 1,000,000	1	$	
Grade 2	33,595,521	2	29,789,133	2
Grade 3	943,842,629	49	463,428,666	32
Grade 4	54,549,138	4	92,750,576	4
	$ 1,032,987,288	56	$ 585,968,375	38

As of September 30, 2006, the weighted average yield of the debt and income producing equity securities in our portfolio was approximately 12.27% (computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt, divided by (b) total income producing equity securities and debt at fair value). As of September 30, 2006, the weighted average yield on our entire portfolio was 11.36%. The weighted average yield on our senior term debt, senior subordinated debt and income producing equity securities was 11.55%, 14.06% and 10.54%, respectively. Of the senior term debt, the weighted average yield attributable to first lien senior term debt and second lien senior term debt was 11.32% and 11.91%, respectively.

As of December 31, 2005, the weighted average yield of the debt and income producing equity securities in our portfolio was approximately 11.25% (computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt, divided by (b) total income producing equity securities and debt at fair value). As of December 31, 2005, the weighted average yield on our entire portfolio was 10.88%. The weighted average yield on our senior term debt, senior subordinated debt and income producing equity securities was 10.56%, 14.71% and 8.82%, respectively. Of the senior term debt, the weighted average yield attributable to first lien senior term debt and second lien senior term debt was 9.38% and 11.49%, respectively.

RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2006 and September 30, 2005

Operating results for the three and nine months ended September 30, 2006 and September 30, 2005 are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Total Investment Income	$ 31,831,794	$ 11,607,989	$ 82,512,850	$ 26,960,196
Total Expenses	14,756,843	5,363,711	39,272,954	11,417,954
Net Investment Income Before Income Taxes	17,074,951	6,244,278	43,239,896	15,542,242
Income Tax Expense, Including Excise Tax	(253,044)		4,927,471	
Net Investment Income	17,327,995	6,244,278	38,312,425	15,542,242
Net Realized Gain	1,611,935	3,188,703	26,102,809	10,343,115
Net Unrealized Gain	(798,808)	448,909	(15,738,399)	102,696
Net Increase in Stockholders' Equity Resulting From Operations	$ 18,141,122	$ 9,881,890	$ 48,676,835	$ 25,988,053

Investment Income

For the three months ended September 30, 2006, total investment income increased $20.2 million, or 174%, over the three months ended September 30, 2005. For the three months ended September 30, 2006, total investment income consisted of $26.5 million in interest income from investments, $121,000 in dividend income, $4.1 million in capital structuring service fees, $179,000 in other income and $939,000 in interest income from cash and cash equivalents. Interest income from investments increased $17.0 million, or 177%, to $26.5 million for the three months ended September 30, 2006 from $9.6 million for the comparable period in 2005. The increase in interest income from investments was primarily due to the increase in the size of the portfolio. The average investments, at fair value, for the quarter increased from $361.4 million for the three months ended September 30, 2005 to $926.8 million in the comparable period in 2006. Capital structuring service fees increased $2.4 million, or 146%, to $4.1 million for the three months ended September 30, 2006 from $1.7 million for the comparable period in 2005. The increase in capital structuring service fees was primarily due to the increased number of originations. The number of commitments increased from six during the three months ended September 30, 2005 to 13 during the comparable period in 2006.

For the nine months ended September 30, 2006, total investment income increased $55.6 million, or 206%, over the nine months ended September 30, 2005. For the nine months ended September 30, 2006, total investment income consisted of $67.5 million in interest income from investments, $11.7 million in capital structuring service fees, $633,000 in other income and $1.4 million in interest income from cash and cash equivalents. Interest income from investments increased $46.0 million, or 214%, to $67.5 million for the nine months ended September 30, 2006 from $21.5 million for the comparable period in 2005. The increase in interest income from investments was primarily due to the increase in the size of the portfolio. The average investments, at fair value, for the period increased from $273.7 million in the nine months ended September 30, 2005 to $794.2 million in the comparable period in 2006. Capital structuring service fees increased $8.2 million, or 238%, to $11.7 million for the nine months ended September 30, 2006 from $3.5 million for the comparable period in 2005. The increase in capital structuring service fees was primarily due to the increased number of originations. The number of commitments increased from 20 during the nine months ended September 30, 2005 to 42 during the comparable period in 2006.

Expenses

For the three months ended September 30, 2006, total expenses increased $9.4 million, or 175%, over the three months ended September 30, 2005. Base management fees increased $2.3 million, or 165%, to $3.7 million for the three months ended September 30, 2006 from $1.4 million for the comparable period in 2005, primarily due to the increase in the size of the portfolio. Incentive fees related to pre-incentive fee net investment income increased $2.6 million, or 145%, to $4.4 million for the three months ended September 30, 2006 from $1.8 million for the comparable period in 2005, primarily due to the increase in the size of the portfolio and the related increase in net investment income. Incentive fees related to realized gains decreased $760,000, or 88%, to $106,000 for the three months ended September 30, 2006 from $866,000 for the comparable period in 2005, primarily due to lower net realized gains and higher gross unrealized depreciation recognized during the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. Net realized gains decreased from $3.2 million during the three months ended September 30, 2005 to $1.6 million during the three months ended September 30, 2006. Gross unrealized depreciation increased from $120,000 during the three months ended September 30, 2005 to $2.3 million during the three months ended September 30, 2006. Interest expense and credit facility fees increased $4.1 million, or 1,318%, to $4.4 million for the three months ended September 30, 2006 from $310,000 for the comparable period in 2005, primarily due to the significant increase in the borrowings outstanding. The average outstanding borrowings during the three months ended September 30, 2005 was $7.9 million compared to average outstanding borrowings of $291.1 million in the comparable period in 2006. Amortization of debt issuance costs increased $413,000, or 487%, to $498,000 for the three months ended September 30, 2006 from $85,000 for the comparable period in 2005, primarily due to the additional debt issuance costs capitalized during the end of 2005 as a result of entering into a senior secured revolving credit facility ("the Revolving Credit Facility") and increasing the borrowing capacity of our revolving credit facility ("the CP Funding Facility") entered into through our wholly owned subsidiary, Ares Capital CP Funding LLC, and also the additional debt issuance costs capitalized during the three months ended September 30, 2006 related to the Debt Securitization (as defined below).

For the nine months ended September 30, 2006, total expenses increased $27.9 million, or 244%, over the nine months ended September 30, 2005. Base management fees increased $6.1 million, or 189%, to $9.3 million for the nine months ended September 30, 2006 from $3.2 million for the comparable period in 2005, primarily due to the increase in the size of the portfolio. Incentive fees related to pre-incentive fee net investment income increased $8.7 million, or 329%, to $11.4 million for the nine months ended September 30, 2006 from $2.6 million for the comparable period in 2005, primarily due to the increase in the size of the portfolio and the related increase in net investment income. Incentive fees related to realized gains increased $898,000, or 44%, to $3.0 million for the nine months ended September 30, 2006 from $2.1 million for the comparable period in 2005, primarily due to higher net realized gains recognized during the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. Interest expense and credit facility fees increased $9.3 million, or 1,247%, to $10.1 million for the nine months ended September 30, 2006 from $749,000 for the comparable period in 2005, primarily due to the significant increase in the borrowings outstanding. The average outstanding borrowings during the nine months ended September 30, 2005 were $21.6 million compared to average outstanding borrowings of $211.9 million in the comparable period in 2006. Amortization of debt issuance costs increased $1.1 million, or 509%, to $1.3 million for the nine months ended September 30, 2006 from $216,000 for the comparable period in 2005, primarily due to the additional debt issuance costs capitalized during the end of 2005 as a result of entering into the Revolving Credit Facility and increasing the borrowing capacity of the CP Funding Facility, and also the additional debt issuance costs capitalized during the three months ended September 30, 2006 related to the Debt Securitization.

Income Tax Expense, Including Excise Tax

The Company has qualified and elected and intends to continue to qualify and elect for the tax treatment applicable to regulated investment companies under Subchapter M of the Internal Revenue Code of 1986 (the "Code"), as amended, and, among other things, has made and intends to continue to make the requisite distributions to its stockholders which will relieve the Company from Federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and nine months ended September 30, 2006, a benefit or provision of approximately $(253,000) and $571,000, respectively, was recorded for Federal excise tax.

Our wholly owned subsidiaries ARCC Cervantes Corporation ("ACC") and ARCC Cervantes LLC ("ACLLC") are subject to Federal and state income taxes. For the three months ended September 30, 2006, we recorded no tax provision for these subsidiaries. For the nine months ended September 30, 2006, we recorded a tax provision of approximately $4.4 million for these subsidiaries.

Net Unrealized Gain/Loss on Investments

For the three months ended September 30, 2006, the Company's investments had a decrease in net unrealized gain/loss of $798,000 which was comprised of $1.8 million in unrealized appreciation, $2.3 million in unrealized depreciation and $373,000 relating to the reversal of prior period unrealized net depreciation. The most significant changes in net unrealized depreciation were unrealized depreciation of $2.3 million for the investment in Berkline/Benchcraft Holdings LLC ("Berkline"), offset by the unrealized appreciation in Universal Trailer Corporation ("Universal") of $1.5 million.

For the three months ended September 30, 2005, the Company's investments had an increase in net unrealized gain/loss of $449,000 which was comprised of $100,000 in unrealized appreciation, $120,000 in unrealized depreciation and $469,000 relating to the reversal of prior period unrealized depreciation. The reversal of the prior period unrealized depreciation was primarily due to the reversal of the depreciation of $1.2 million for the investment in Esselte, Inc. ("Esselte") offset by the reversal of the appreciation of $739,000 for the investment in Mechanical Dynamics and Analysis, Inc. ("MDA"), which were both realized during the period.

For the nine months ended September 30, 2006, the Company's investments had a decrease in net unrealized gain/loss of $15.7 million, which was comprised of $6.8 million in unrealized appreciation, $8.4 million in unrealized depreciation and $14.2 million relating to the reversal of prior period unrealized appreciation/depreciation. The reversal of the prior period unrealized appreciation was primarily related to the reversal of the appreciation of $13.3 million for the investment in CICQ, LP ("CICQ"), which was realized during the period. The most significant changes in unrealized appreciation for the period were the unrealized appreciation of $4.0 million for CICQ, $1.5 million for Universal and $1.0 million for Varel Holdings, Inc. The most significant changes in unrealized depreciation for the period were unrealized depreciation of $6.0 million for Berkline and $2.4 million for Making Memories Wholesale, Inc.

For the nine months ended September 30, 2005, the Company's investments had an increase in net unrealized appreciation of $103,000, which was comprised of $5.7 million in unrealized appreciation, $1.3 million in unrealized depreciation and $4.3 million relating to the reversal of prior period appreciation. The most significant changes in unrealized appreciation and depreciation were unrealized appreciation of $4.8 million for Reef Holdings, Inc. ("Reef"), unrealized appreciation of $739,000 for MDA and unrealized depreciation of $934,000 for Esselte. The reversal of the prior period appreciation was primarily due to the reversal of the appreciation of $4.8 million for the investment in Reef.

Net Realized Gains/Losses

During the three months ended September 30, 2006, the Company had $136.5 million of sales and repayments resulting in $1.6 million of net realized gains. Net realized gains were comprised of $1.6 million of gross realized gains and no gross realized losses. The most significant realized gains during the three months ended September 30, 2006 were as a result of the repayments of the investments in OnCURE Medical Corp. ("OnCURE"), Singer Sewing Company ("Singer"), WCA Waste Systems, Inc. and Extensity of $452,000, $443,000, $250,000 and $200,000, respectively. During the three months ended September 30, 2005, the Company had $48.4 million of sales and repayments resulting in $3.2 million of net realized gains. Net realized gains were comprised of $3.3 million of gross realized gains and $78,000 of gross realized losses. The most significant realized gains during the period were as a result of the sales of the investments in Esselte and MDA of $2.4 million and $654,000, respectively.

During the nine months ended September 30, 2006, the Company had $306.9 million of sales and repayments resulting in $26.1 million of net realized gains. Net realized gains were comprised of $26.1 million of gross realized gains and $50,000 of gross realized losses. The most significant realized gains during the period were as a result of the sales of the investments in CICQ and United Site Services, Inc. of $18.6 million and $4.7 million, respectively, and the repayments of the investments in MINCS-Glace Bay, Ltd., OnCURE and Singer of $483,000, $452,000 and $443,000, respectively. During the nine months ended September 30, 2005, the Company had $104.1 million of sales and repayments resulting in $10.3 million of net realized gains. Net realized gains were comprised of $10.5 million of gross realized gains and $144,000 of gross realized losses. The most significant realized gains during the period were as a result of the sales of the investments in Reef, Billing Concepts, Inc., Esselte and MDA of $4.8 million, $1.9 million, $2.4 million and $654,000, respectively.

Net Increase in Stockholders' Equity Resulting From Operations

Net increase in stockholders' equity resulting from operations for the three and nine months ended September 30, 2006 was approximately $18.1 million and $48.7 million, respectively. Based on the weighted average shares outstanding during the three and nine months ended September 30, 2006, our net increase in stockholders' equity resulting from operations per common share was $0.39 and $1.19, respectively.

Net increase in stockholders' equity resulting from operations for the three and nine months ended September 30, 2005 was approximately $9.9 million and $26.0 million, respectively. Based on the weighted average shares outstanding during the three and nine months ended September 30, 2005, our net increase in stockholders' equity resulting from operations per common share was $0.42 and $1.33, respectively.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources were generated primarily from the remaining net proceeds of its initial public offering and subsequent add-on public offerings, the Debt Securitization (as defined below), advances from the CP Funding Facility and the Revolving Credit Facility, as well as cash flows from operations. We received approximately $156.4 million in proceeds net of underwriting and offering costs (net of $2.5 million in underwriting costs originally paid by the Investment Adviser and subsequently reimbursed by the Company in 2006) from our October 8, 2004 initial public offering, approximately $183.9 million in proceeds net of underwriting and offering costs from our March 23, 2005 add-on public offering, $213.5 million in proceeds net of underwriting and offering costs from our October 18, 2005 add-on public offering and $162.0 million in proceeds net of underwriting and offering costs from our July 18, 2006 add-on public offering. As of September 30, 2006, total market capitalization for the Company was $855.2 million compared to $609.2 million as of December 31, 2005.

On July 7, 2006, through our newly formed, wholly owned Delaware subsidiary, ARCC CLO 2006 LLC ("ARCC CLO"), we completed a $400.0 million debt securitization (the "Debt Securitization") where approximately $314.0 million principal amount of asset-backed notes (including $50.0 million revolving notes that were not drawn down as of September 30, 2006) (the "CLO Notes") were issued to third parties and secured by a pool of middle market loans that have been purchased or originated by the Company. We retained approximately $86.0 million of certain BBB and non-rated securities in the debt securitization. The blended pricing of the CLO Notes, excluding fees, is approximately 3-month LIBOR plus 34 basis points. The Debt Securitization is an on-balance-sheet financing for the Company. As of September 30, 2006, there were $264.0 million in outstanding notes. The CLO Notes mature on December 20, 2019.

A portion of the proceeds from our public offerings and the Debt Securitization were used to repay outstanding indebtedness under the CP Funding Facility and the Revolving Credit Facility. The remaining unused portion of the proceeds from our public offerings was used to fund investments in portfolio companies in accordance with our investment objectives and strategies.

The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of September 30, 2006 were 6.44% and 10.4 years, respectively. As of September 30, 2006 and December 31, 2005, the fair value of investments and cash and cash equivalents, and the outstanding borrowings under the Debt Securitization, CP Funding Facility and the Revolving Credit Facility were as follows:

	September 30, 2006	December 31, 2005
Cash and cash equivalents	$ 67,610,129	$ 16,613,334
Senior term debt	659,218,764	338,467,061
Senior notes	10,000,000	10,000,000
Senior subordinated debt	278,590,942	130,042,698
Collateralized debt obligations	7,343,166	17,386,561
Equity securities	77,834,416	90,072,055
Total	$ 1,100,597,417	$ 602,581,709
Outstanding borrowings	$ 366,000,000	$ 18,000,000

The available amount for borrowing under the CP Funding Facility is $350.0 million (see Note 7 to the consolidated financial statements for more detail of the CP Funding Facility arrangement). As of September 30, 2006, there was $15.0 million outstanding under the CP Funding Facility. The CP Funding Facility expires on October 31, 2007 unless extended prior to such date with the consent of the lenders. The available amount for borrowing under the Revolving Credit Facility is $250 million (see Note 7 to the consolidated financial statements for more detail of the Revolving Credit Facility arrangement). As of September 30, 2006, there was $87.0 million outstanding under the Revolving Credit Facility. The Revolving Credit Facility expires on December 28, 2010.

For the nine months ended September 30, 2006, average total assets was $856.3 million. The ratio of total debt outstanding to stockholders' equity as of September 30, 2006 was 0.50:1.00 compared to 0.03:1.00 as of December 31, 2005.

OFF BALANCE SHEET ARRANGEMENTS

As of September 30, 2006, the Company had committed to make a total of approximately $90.6 million of investments in various revolving senior secured loans. As of September 30, 2006, $50.2 million was unfunded. Included within the $90.6 million commitment in revolving secured loans is a commitment to issue up to $3.8 million in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, the Company would be required to make payments to third-party beneficiaries if the portfolio companies were to default on their related payment obligations. As of September 30, 2006, the Company had $2.7 million in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability. Of these letters of credit, $2.2 million expire on September 30, 2007 and $500,000 expire on July 31, 2007. These letters of credit may be extended under substantially similar terms for additional one-year terms at the Company's option until the revolving line of credit, under which the letters of credit were issued, matures on September 30, 2011.

As of September 30, 2006, the Company was subject to a subscription agreement to fund up to $10.0 million of equity commitments in a private equity investment partnership. As of September 30, 2006, $202,000 was funded to this partnership.

As of December 31, 2005, the Company had committed to make a total of approximately $43.0 million of investments in various revolving senior secured loans. As of December 31, 2005, $28.8 million was unfunded. Included within the $43.0 million commitment in revolving secured loans is a commitment to issue up to $3.2 million in standby letters of credit through a financial intermediary on behalf of a portfolio company. Under these arrangements, the Company would be required to make payments to third-party beneficiaries if the portfolio company was to default on its related payment obligations. As of December 31, 2005, the Company had $2.2 million in standby letters of credit issued and outstanding on behalf of the portfolio company, of which no amounts were recorded as a liability.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

As of September 30, 2006, approximately 38% of the investments at fair value in our portfolio were at fixed rates while approximately 54% were at variable rates. In addition, the Debt Securitization, the CP Funding Facility and the Revolving Credit Facility all feature variable rates.

To illustrate the potential impact of changes in interest rates, we have performed the following analysis based on our September 30, 2006 balance sheet and assuming no changes in our investment and borrowing structure. Under this analysis, a 100 basis point increase in the various base rates would result in an increase in interest income of approximately $6,704,465 and an increase in interest expense of $3,660,000 over the next 12 months. A 100 basis point decrease in the various base rates would result in a decrease in interest income of approximately $6,704,465 and a decrease in interest expense of $3,660,000 over the next 12 months.

On January 7, 2005, we entered into a costless collar agreement in order to manage the exposure to changing interest rates related to the Company's fixed rate investments. The costless collar agreement was for a notional amount of $20 million, has a cap of 6.5%, a floor of 2.72% and matures in 2008. The costless collar agreement allows us to receive an interest payment when the 3-month LIBOR exceeds 6.5% and obligates us to pay an interest payment when the 3-month LIBOR is less than 2.72%. The costless collar resets quarterly based on the 3-month LIBOR. As of September 30, 2006, the 3-month LIBOR was 5.37%. As of September 30, 2006, these derivatives had no fair value.

While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Portfolio Valuation

Investments for which market quotations are readily available are valued at such market quotations. Debt and equity securities that are not publicly traded or whose market price is not readily available are valued at fair value as determined in good faith by our board of directors based on the input of our management and audit committee. In addition, the board of directors currently receives input from independent valuation firms that have been engaged at the direction of the board to value each portfolio security at least once during a trailing 12 month period. The valuation process is conducted at the end of each fiscal quarter, with approximately a quarter of our portfolio companies subject to valuation by the independent valuation firm each quarter. The types of factors that the board may take into account in fair value pricing of our investments include, as relevant, 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, comparison to publicly traded securities and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our private equity 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 under a valuation policy and a consistently applied valuation process. 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 differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material.

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 valuations currently assigned.

CAPITALIZATION

The following table sets forth (1) our actual capitalization at September 30, 2006 and (2) our capitalization as adjusted to reflect the effects of the sale of our common stock in this offering (assuming no exercise of the underwriter's overallotment option) at the public offering price of $20.09 per share, after deducting the underwriting discount and offering expenses payable by us. The adjusted information below is illustrative only and our capitalization following the completion of the offering is subject to adjustment based on the actual public offering price of our common stock and the actual number of shares we sell in the offering, both of which will be determined at pricing. You should read this table together with "Use of Proceeds" and our balance sheet included elsewhere in this prospectus supplement.

	As of September 30, 2006	
	Actual	**As Adjusted(2)**
Cash and cash equivalents	$ 67,610,129	$ 68,424,580
Debt		
Debt	$ 366,000,000	343,307,364(1)
Stockholders' Equity		
Common stock, par value $.001 per share, 100,000,000 common shares authorized, 49,091,195 and 50,304,357 common shares issued and outstanding, respectively(3)	$ 49,092	$ 50,304,357
Capital in excess of par value	727,920,560	751,426,435
Accumulated net realized gain on sale of investments	22,421,107	22,421,107
Net unrealized (depreciation) appreciation on investments	(11,121,889)	(11,121,889)
Total stockholders' equity	$ 739,268,870	$ 762,775,957
Total capitalization	$ 1,105,268,870	$ 1,106,083,321

(1) Net proceeds from the sale of our common stock in this offering are expected to be used to pay down outstanding indebtedness under the Revolving Credit Facility. As of February 1, 2007, our total outstanding borrowings were approximately $522 million.

(2) Includes the effect of our transfer agent notifying us on December 13, 2006 that the total number of outstanding shares on September 30, 2006 was 49,139,357 shares instead of the 49,091,195 shares previously reported to us as outstanding by the tranfer agent. The difference in shares resulted from the issuance of additional shares under our Dividend Reinvestment Plan on September 29, 2006, resulting in a reimbursement of $814,452 that the Company had previously advanced to the transfer agent to pay such dividends in cash.

(3) Does not include 167,170 shares issued under our Dividend Reinvestment Plan on December 29, 2006, 2,730,000 shares issued in an equity offering on December 19, 2006, and 409,500 shares issued in connection with the underwriter's exercise in full of its over-allotment option granted in connection with the December 2006 equity offering on January 8, 2007.

UNDERWRITING

We intend to offer the shares through Merrill Lynch, Pierce, Fenner & Smith Incorporated. Subject to the terms and conditions described in a purchase agreement among us and the underwriter, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase from us, shares of our common stock.

The underwriter has agreed that it must purchase all of the shares sold under the purchase agreement if it purchases any of them. However, the underwriter is not required to take or pay for the shares covered by the underwriter's overallotment option described below.

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

The underwriter is offering the shares, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriter of officer's certificates and legal opinions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriter has advised us that it proposes initially to offer the shares to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $ per share. After the public offering, the public offering price may be changed.

The following table shows the per share and total underwriting discount we will pay to the underwriter assuming both no exercise and full exercise of the underwriter's overallotment option to purchase up to an additional 174,750 shares, based upon the public offering price set forth on the cover page of this prospectus supplement.

	No exercise	Full exercise
Per share	$	$
Total	$	$

The maximum commission or discount to be received by any member of the National Association of Securities Dealers, Inc. ("NASD") in connection with this and any other offering of securities registered by the Company pursuant to Rule 415 will not exceed 8%.

We estimate that the total expenses of the offering payable by us, not including the underwriting discount, will be approximately $244,117.

Overallotment Option

We have granted an option to the underwriter to purchase up to 174,750 additional shares at the public offering price less the underwriting discount. The underwriter may exercise this option for 30 days from the date of this prospectus supplement solely to cover any overallotments.

No Sales of Similar Securities

We 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 consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Our executive officers and directors and Ares Capital Management have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus

supplement without first obtaining the written consent of the underwriter. Specifically, we and these other individuals and entities have agreed 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,
- lend or 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 lockup 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.

Quotation on The NASDAQ Global Select Market

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "ARCC."

Price Stabilization and Short Positions

Until the distribution of the shares is completed, SEC rules may limit the underwriter from bidding for and purchasing our common stock. However, the underwriter may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriter creates a short position in the common stock in connection with the offering, i.e., if it sells more shares than are listed on the cover of this prospectus supplement, the underwriter may reduce that short position by purchasing shares in the open market. The underwriter may also elect to reduce any short position by exercising all or part of the overallotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

Neither we nor the underwriter makes any representation or prediction or magnitude of any effect that the transaction described above may have the price of the common stock. In addition, neither we nor the underwriter makes any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Delivery

The underwriter 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 underwriter, and the underwriter may distribute such prospectuses electronically. The underwriter intends to allocate a limited number of shares for sale to its online brokerage customers.

Other Relationships

The underwriter and its affiliates have provided in the past to Ares and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking or other services to Ares, Ares Capital or our portfolio companies for which it has received or will be entitled to receive separate fees. In particular, the underwriter or its affiliates may execute transactions with Ares Capital or on behalf of Ares Capital, Ares or any of our portfolio companies. In addition, the underwriter or its 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.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated are limited partners of Ares Corporate Opportunities Fund, L.P.

The underwriter or its 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 the portfolio companies.

We may purchase securities of third parties from the underwriter or its 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 underwriter and its 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 underwriter and its affiliates in the ordinary course of their business and not in connection with the offering of the common stock. In addition, after the offering period for the sale of our common stock, the underwriter or its 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 stockholders.

Merrill Lynch, Pierce, Fenner & Smith Incorporated was an underwriter of our October 2004 initial public offering and our March 2005, October 2005, July 2006 and December 2006 common stock offerings, for which it received customary fees. Merrill Lynch Capital Corporation is a syndication agent and lender under the Revolving Credit Facility.

Affiliates of the underwriter will receive part of the proceeds of the offering by reason of the repayment of amounts outstanding under the Revolving Credit Facility. Because more than 10% of the net proceeds of the offering may be paid to members or affiliates of members of the NASD participating in the offering, the offering will be conducted in accordance with NASD Conduct Rule 2710(h).

The principal business address of the underwriter is 4 World Financial Center, New York, New York 10080.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus supplement will be passed upon for Ares Capital by Proskauer Rose LLP, New York, New York, Sutherland Asbill & Brennan LLP, Washington, D.C., and Venable LLP, Baltimore, Maryland. Proskauer Rose LLP has from time to time represented the underwriter, Ares and Ares Capital Management on unrelated matters. Certain legal matters in connection with the offering will be passed upon for the underwriter by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York.

ARES CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of	
	September 30, 2006	**December 31, 2005**
	(unaudited)	
ASSETS		
Investments at fair value (amortized cost of $1,044,109,177 and $581,351,865, respectively):		
Non-control/Non-affiliate investments	$ 859,503,669	$ 515,184,991
Affiliate investments	173,483,619	70,783,384
Total investments at fair value	1,032,987,288	585,968,375
Cash and cash equivalents	67,610,129	16,613,334
Receivable for open trades	1,676,990	1,581,752
Interest receivable	10,931,480	5,828,098
Other assets	9,350,178	3,653,585
Total assets	$ 1,122,556,065	$ 613,645,144
LIABILITIES		
Debt	$ 366,000,000	$ 18,000,000
Reimbursed underwriting costs payable to the Investment Adviser		2,475,000
Dividend payable		12,889,225
Payable for open trades		5,500,000
Accounts payable and accrued expenses	2,234,296	1,222,678
Management and incentive fees payable	10,981,600	3,478,034
Interest and facility fees payable	4,071,299	313,930
Interest payable to the Investment Adviser		154,078
Total liabilities	383,287,195	44,032,945
Commitments and contingencies (Note 6)		
STOCKHOLDERS' EQUITY		
Common stock, par value $.001 per share, 100,000,000 common shares authorized, 49,091,195 and 37,909,484 common shares issued and outstanding, respectively	49,092	37,910
Capital in excess of par value	727,920,560	559,192,554
Accumulated net realized gain on sale of investments	22,421,107	5,765,225
Net unrealized (depreciation) appreciation on investments	(11,121,889)	4,616,510
Total stockholders' equity	739,268,870	569,612,199
Total liabilities and stockholders' equity	$ 1,122,556,065	$ 613,645,144
NET ASSETS PER SHARE	$ 15.06	$ 15.03

	As of	

See accompanying notes to consolidated financial statements.

ARES CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of September 30, 2006 (unaudited)

Company(1)	Industry	Investment	Interest(15)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Healthcare Services								
American Renal Associates, Inc.	Dialysis provider	Senior secured loan ($3,049,180 par due 12/2010)	9.57% (Libor+ 4.00%/S)	12/14/05	$ 3,049,180	$ 3,049,180	$ 1.00(3)	
		Senior secured loan ($196,721 par due 12/2010)	10.75% (Base Rate + 2.50%/D)	12/14/05	196,721	196,721	1.00(3)	
		Senior secured loan ($5,836,066 par due 12/2011)	10.07% (Libor + 4.50%/S)	12/14/05	5,836,066	5,836,066	1.00(3)	
		Senior secured loan ($36,066 par due 12/2011)	11.25% (Base Rate + 3.00%/D)	12/14/05	36,066	36,066	1.00(3)	
		Senior secured loan ($393,741 par due 12/2011)	12.57% (Libor + 7.00%/Q)	12/14/05	393,741	393,741	1.00	
		Senior secured loan ($261,997 par due 12/2011)	12.57 (Libor + 7.00%/Q)	12/14/05	261,997	261,997	1.00(3)	
		Senior secured loan ($3,937,406 par due 12/2011)	14.25% (Base Rate + 6.00%/D)	12/14/05	3,937,406	3,937,406	1.00	
		Senior secured loan ($2,619,971 par due 12/2011)	14.25% (Base Rate + 6.00%/D)	12/14/05	2,619,971	2,619,971	1.00(3)	
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan ($19,000,000 par due 11/2013)	11.37% (Libor +6.00%/Q)	12/1/05	19,000,000	19,000,000	1.00	
		Junior secured loan ($12,000,000 par due 11/2013)	11.37% (Libor + 6.00%/Q)	12/1/05	12,000,000	12,000,000	1.00(3)	
DSI Renal, Inc.	Dialysis provider	Senior subordinated note ($60,637,680 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	60,637,680	60,637,680	1.00(4)	
		Senior subordinated note ($5,025,000 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	5,025,000	5,025,000	1.00(4)(3)	
		Senior secured loan ($3,200,000 par due 3/2013)	8.50% (Libor + 3.00%/Q)	4/4/06	3,200,000	3,200,000	1.00	
		Senior secured loan ($960,000 par due 3/2013)	8.44% (Libor + 3.00%/Q)	4/4/06	960,000	960,000	1.00	
		Senior secured loan ($1,600,000 par due 3/2013)	8.38% (Libor + 3.00%/M)	4/4/06	1,600,000	1,600,000	1.00	
		Senior secured loan ($1,440,000 par due 3/2013)	10.75% (Base Rate + 2.50%/D)	4/4/06	1,440,000	1,440,000	1.00	
OnCURE Medical Corp.	Radiation oncology care	Senior subordinated note ($23,230,012 par due 8/2012)	11.00% cash, 1.50% PIK	8/16/06	23,230,012	23,230,012	1.00(4)	
	provider	Senior secured loan ($3,489,063 par due 8/2011)	8.94% (Libor + 3.50%/S)	8/23/06	3,489,063	3,489,063	1.00	
		Senior secured loan ($10,938 par due 8/2011)	8.94% (Libor + 3.50%/Q)	8/23/06	10,938	10,938	1.00	
		Common stock (857,143 shares)		8/16/06	3,000,000	3,000,000	3.50(5)	
PHNS, Inc.	Information technology and business process outsourcing	Senior subordinated loan ($16,000,000 par due 11/2011)	13.50% cash, 2.50% PIK	10/29/04	15,804,452	16,320,000	1.02(4)	
Triad Laboratory Alliance, LLC	Laboratory services	Senior subordinated note ($14,762,865 par due 12/2012)	12.00% cash, 1.75% PIK	12/21/05	14,762,865	14,762,865	1.00(4)	
		Senior secured loan ($6,947,500 par due 12/2011)	8.62% (Libor + 3.25%/Q)	12/21/05	6,947,500	6,947,500	1.00	
		Senior secured loan ($2,977,500 par due 12/2011)	8.62% (Libor + 3.25%/Q)	12/21/05	2,977,500	2,977,500	1.00(3)	
					190,416,158	190,931,706		25.83%
Printing, Publishing and Broadcasting								

Company(1)	Industry	Investment	Interest(15)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Canon Communications LLC	Print publications services	Junior secured loan ($7,525,000 par due 11/2011)	12.37% (Libor + 6.75%/S)	5/25/05	7,525,000	7,525,000	1.00	
		Junior secured loan ($4,250,000 par due 11/2011)	12.37% (Libor + 6.75%/S)	5/25/05	4,250,000	4,250,000	1.00(2)	
		Junior secured loan ($12,000,000 par due 11/2011)	12.37% (Libor + 6.75%/S)	5/25/05	12,000,000	12,000,000	1.00(3)	

Daily Candy, Inc.(11)	Internet publication	Senior secured loan ($19,200,000 par due 5/2009)	10.62% (Libor + 5.00%/S)	5/25/06	19,494,406	19,200,000	0.98	
	provider	Senior secured loan ($4,800,000 par due 5/2009)	10.62% (Libor + 5.00%/S)	5/25/06	4,873,601	4,800,000	0.98(3)	
		Senior secured loan ($700,000 par due 5/2009)	10.37% (Libor + 5.00%/Q)	5/25/06	700,000	700,000	1.00	
		Senior secured loan ($175,000 par due 5/2009)	10.37% (Libor + 5.00%/Q)	5/25/06	175,000	175,000	1.00(3)	
		Common stock (1,250,000 shares)		5/25/06	2,375,000	2,375,000	1.90(5)	
		Warrants to purchase (1,381,578 shares)		5/25/06	2,624,998	2,624,998	1.90(5)	
National Print Group, Inc.	Printing management	Senior secured revolving loan ($1,338,451 par due 3/2012)	10.75% (Base Rate + 2.50%/D)	3/2/06	1,338,451	1,338,451	1.00	
	services	Senior secured loan ($11,047,826 par due 3/2012)	8.87% (Libor + 3.50%/Q)	3/2/06	11,047,826	11,047,826	1.00(3)	
		Senior secured loan ($182,609 par due 3/2012)	10.75% (Base Rate + 2.50%/D)	3/2/06	182,609	182,609	1.00(3)	
		Senior secured loan ($2,319,367 par due 3/2012)	12.32% (Libor + 7.00%/S)	3/2/06	2,319,368	2,319,368	1.00	
		Senior secured loan ($419,763 par due 8/2012)	12.32% (Libor + 7.00%/S)	3/2/06	419,763	419,763	1.00(3)	
		Senior secured loan ($1,932,806 par due 8/2012)	12.49% (Libor + 7.00%/Q)	3/2/06	1,932,806	1,932,806	1.00	
		Senior secured loan ($349,802 par due 8/2012)	12.49% (Libor + 7.00%/Q)	3/2/06	349,802	349,802	1.00(3)	
		Preferred stock (9,344 shares)		3/2/06	2,000,000	2,000,000	214.04(5)	
The Teaching Company, LLC	Education publications	Senior secured revolving loan ($1,000,000 par due 9/2011)	12.25% (Base Rate + 4.00%/D)	9/28/06	1,000,000	1,000,000	1.00	
and The Teaching Company	provider	Senior secured loan ($6,250,000 par due 9/2012)	12.25% (Base Rate + 4.00%/D)	9/28/06	6,250,000	6,250,000	1.00	
Holdings, Inc.		Senior secured loan ($28,000,000 par due 9/2012)	10.50%(16)	9/28/06	28,000,000	28,000,000	1.00	
		Senior secured loan ($12,000,000 par due 9/2012)	10.50%(16)	9/28/06	12,000,000	12,000,000	1.00(3)	
		Preferred stock (29,969 shares)		9/28/06	2,996,921	2,996,921	100.00(5)	
		Common stock (3,079 shares)		9/28/06	3,079	3,079	1.00(5)	
					123,858,630	123,490,623		16.70%
Manufacturing								
Arrow Group Industries, Inc.	Residential and outdoor shed manufacturer	Senior secured loan ($6,000,000 par due 4/2010)	10.37% (Libor + 5.00%/Q)	3/28/05	6,038,785	6,000,000	1.00(3)	
Emerald Performance	Polymers and performance	Senior secured loan ($10,473,684 par due 5/2011)	9.58% (Libor + 4.25%/M)	5/16/06	10,473,684	10,473,684	1.00	
Materials, LLC	materials manufacturer	Senior secured loan ($5,263,158 par due 5/2011)	11.33% (Libor + 6.00%/M)	5/16/06	5,263,158	5,263,158	1.00	
		Senior secured loan ($4,210,526 par due 5/2011)	13.00%	5/16/06	4,210,526	4,210,526	1.00	
Qualitor, Inc.	Automotive aftermarket	Senior secured loan ($1,965,000 par due 12/2011)	9.62% (Libor +4.25%/Q)	12/29/04	1,965,000	1,965,000	1.00(3)	
	components supplier	Junior secured loan ($5,000,000 par due 6/2012)	12.62% (Libor + 7.25%/Q)	12/29/04	5,000,000	5,000,000	1.00(3)	
Professional Paint, Inc.	Paint manufacturer	Junior secured loan ($16,500,000 par due 5/2013)	11.38% (Libor + 5.75%/S)	5/25/06	16,500,000	16,500,000	1.00	
Reflexite Corporation(10)	Developer and manufacturer of	Senior subordinated loan ($10,537,043 par due 12/2011)	11.00% cash, 3.00% PIK	12/30/04	10,537,043	10,537,043	1.00(2)(4)	
	high visibility reflective products	Common Stock (1,729,627 shares)		3/28/06	25,682,891	25,682,891	14.85(5)	
Universal Trailer	Livestock and	Common stock (50,000 shares)		10/8/04	6,424,645	4,154,665	83.09(5)	
Corporation(6)	specialty trailer manufacturer	Warrants to purchase 22,208 shares		10/8/04	1,505,776	1,845,336	83.09(5)	

Varel Holdings, Inc.	Drill bit manufacturer	Senior secured loan ($8,578,759 par due 12/2010)	9.49% (Libor + 4.00%/Q)	5/18/05	8,578,759	8,578,759	1.00(3)

		Senior secured loan ($3,333,333 par due 12/2011)	13.33% (Libor + 8.00%/M)	5/18/05	3,333,333	3,333,333	1.00(3)	
		Senior secured revolving loan ($500,000 par due 10/2010)	10.50% (Base Rate + 2.25%/D)	5/18/05	500,000	500,000	1.00	
		Preferred stock (33,884 shares)		5/18/05	1,109,363	1,109,363	32.74(5)	
		Common stock (30,451 shares)		5/18/05	3,045	1,011,569	33.22(5)	
					107,126,008	106,165,327		14.36%
Services Other								
Diversified Collection Services, Inc.	Collections services	Senior secured loan ($5,242,026 par due 2/2011)	9.57% (Libor +4.25%/M)	2/2/05	5,242,026	5,242,026	1.00(3)	
		Senior secured loan ($1,742,026 par due 8/2011)	11.37% (Libor + 6.00%/M)	2/2/05	1,742,026	1,742,026	1.00(2)	
		Senior secured loan ($6,757,974 par due 8/2011)	11.37% (Libor + 6.00%/M)	2/2/05	6,757,974	6,757,974	1.00(3)	
		Preferred stock (14,927 shares)		5/18/06	169,123	169,123	11.33(5)	
		Common stock (114,004 shares)		2/2/05	295,270	295,270	2.59(5)	
Event Rentals, Inc.	Party rental services	Senior secured loan ($2,277,902 par due 11/2011)	10.77% (Libor+ 5.25%/S)	11/17/05	2,277,902	2,277,902	1.00(3)	
		Senior secured loan ($5,005,581 par due 11/2011)	10.69% (Libor + 5.25%/S)	11/17/05	5,005,581	5,005,581	1.00(3)	
		Senior secured loan ($1,244,489 par due 11/2011)	10.74% (Libor + 5.25%/S)	11/17/05	1,244,489	1,244,489	1.00	
		Senior secured loan ($2,466,518 par due 11/2011)	10.74% (Libor + 5.25%/S)	11/17/05	2,466,518	2,466,518	1.00(3)	
		Senior secured loan ($15,354 par due 11/2011)	12.50% (Base Rate + 4.25%/D)	11/17/05	15,354	15,354	1.00	
		Senior secured loan ($5,952 par due 11/2011)	12.50% (Base Rate + 4.25%/D)	11/17/05	5,952	5,952	1.00(3)	
		Senior secured loan ($5,742,560 par due 11/2011)	10.77% (Libor + 5.25%/S)	11/17/05	5,742,560	5,742,560	1.00	
		Senior secured loan ($2,226,190 par due 11/2011)	10.77% (Libor + 5.25%/S)	11/17/05	2,226,190	2,226,190	1.00(3)	
GCA Services Group, Inc.	Custodial services	Senior subordinated loan ($33,486,024 par due 1/2010)	12.00% cash, 3.00% PIK	7/25/05	33,486,024	33,486,024	1.00(4)	
NPA Acquisition, LLC	Powersport vehicle auction operator	Senior secured loan ($5,000,000 par due 8/2012)	8.64% (Libor +3.25%/Q)	8/23/06	5,000,000	5,000,000	1.00	
		Junior secured loan ($14,000,000 par due 2/2013)	12.12% (Libor + 6.75%/Q)	8/23/06	14,000,000	14,000,000	1.00	
		Common stock (1,709 shares)		8/23/06	1,000,000	1,000,000	585.14(5)	
					86,676,989	86,676,989		11.72%
Retail								
Savers, Inc and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note ($28,077,778 par due 8/2014)	10.00% cash, 2.00% PIK	8/8/06	28,077,778	28,077,778	1.00(4)	
		Common stock (1,170,182 shares)		8/8/06	4,500,000	4,500,000	3.85(5)	
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured revolving loan ($357,143 par due 9/2012)	12.00% (Base Rate + 3.75%/D)(17)	9/28/06	357,143	357,143	1.00	
		Senior secured loan ($4,800,000 par due 9/2012)	12.00% (Base Rate + 3.75%/D)	9/28/06	4,800,000	4,800,000	1.00(3)	
		Senior secured loan ($28,000,000 par due 9/2013)	13.25% (Base Rate + 5.00%/D)	9/28/06	28,000,000	28,000,000	1.00	
		Senior secured loan ($7,200,000 par due 9/2013)	13.25% (Base Rate + 5.00%/D)	9/28/06	7,200,000	7,200,000	1.00(3)	
		Preferred stock (80 shares)		9/28/06	1,800,000	1,800,000	22,500.00(5)	
		Common stock (800 shares)		9/28/06	200,000	200,000	250.00(5)	
					74,934,921	74,934,921		10.14%
Containers Packaging								
Captive Plastics, Inc.	Plastics container	Junior secured loan ($4,000,000 par due 2/2012)	12.76% (Libor + 7.25%/Q)	12/19/05	4,000,000	4,000,000	1.00	

manufacturer	Junior secured loan ($12,000,000 par due 2/2012)	12.76% (Libor + 7.25%/Q)	12/19/05	12,000,000	12,000,000	1.00(3)

Industrial Container Services, LLC(8)	Industrial container	Senior secured loan ($96,250 par due 9/2011)	13.25% (Base Rate + 5.00%/D)	9/30/05	96,250	96,250	1.00	
	manufacturer, reconditioner	Senior secured loan ($30,227 par due 9/2011)	13.25% (Base Rate + 5.00%/D)	9/30/05	30,227	30,227	1.00(3)	
	and servicer	Senior secured loan ($11,939,547 par due 9/2011)	11.94% (Libor + 6.50%/S)	9/30/05	11,939,547	11,939,547	1.00(3)	
		Senior secured loan ($16,450,281 par due 9/2011)	11.94% (Libor + 6.50%/S)	6/21/06	16,450,281	16,450,281	1.00	
		Senior secured revolving loan ($25,000 par due 9/2011)	11.89% (Libor + 6.50%/Q)	9/30/05	25,000	25,000	1.00	
		Senior secured revolving loan ($9,950,000 par due 9/2011)	11.94% (Libor + 6.50.%/S)	9/30/05	9,950,000	9,950,000	1.00	
		Senior secured revolving loan ($4,130,435 par due 9/2011)	10.02% (Libor + 4.50%/Q)	9/30/05	4,130,435	4,130,435	1.00	
		Senior secured revolving loan ($826,087 par due 9/2011)	9.82% (Libor + 4.50%/D)	9/30/05	826,087	826,087	1.00	
		Senior secured revolving loan ($826,087 par due 9/2011)	9.83% (Libor + 4.50%/D)	9/30/05	826,087	826,087	1.00	
		Senior secured revolving loan ($1,156,522 par due 9/2011)	11.25% (Base Rate + 3.00%/D)	9/30/05	1,156,522	1,156,522	1.00	
		Common stock (1,800,000 shares)		9/29/05	1,800,000	1,800,000	1.00(5)	
LabelCorp Holdings, Inc.	Consumer product labels manufacturer	Senior subordinated notes ($9,250,088 par due 9/2012)	12.00% cash, 3.00% PIK	3/16/06	9,250,088	9,250,088	1.00(4)	
					72,480,524	72,480,524		9.80%
Consumer Products Non-Durable								
Making Memories Wholesale, Inc.(7)	Scrapbooking branded	Senior secured loan ($7,916,667 par due 3/2011)	9.875% (Libor + 4.50%/Q)	5/5/05	7,916,667	7,916,667	1.00(3)	
	products manufacturer	Senior subordinated loan ($10,152,435 par due 5/2012)	12.50% cash, 2.00% PIK	5/5/05	10,152,435	10,152,435	1.00(4)	
		Preferred stock (3,500 shares)		5/5/05	3,758,800	1,320,000	351.25(4)	
Shoes for Crews, LLC	Safety footwear and slip-related	Senior secured loan ($1,370,173 par due 7/2010)	8.87% (Libor +3.25%/S)	10/8/04	1,378,236	1,378,236	1.00(3)	
	mats	Senior secured revolving loan ($3,333,333 par due 7/2010)	10.25% (Base Rate + 2.00%/D)	6/16/06	3,333,333	3,333,333	1.00	
Tumi Holdings, Inc.	Branded luggage	Senior secured loan ($2,500,000 par due 12/2012)	8.11% (Libor + 2.75%/Q)	5/24/05	2,500,000	2,500,000	1.00(3)	
	designer, marketer and	Senior secured loan ($5,000,000 par due 12/2013)	8.62% (Libor + 3.25%/Q)	3/14/05	5,000,000	5,000,000	1.00(3)	
	distributor	Senior subordinated loan ($13,510,171 par due 12/2014)	16.37% (Libor + 6.00% cash, 5.00% PIK/Q)	3/14/05	13,510,171	13,510,171	1.00(2)(4)	
UCG Paper Crafts, Inc.	Scrapbooking materials	Senior secured loan ($1,990,000 par due 2/2013)	8.58% (Libor +3.25%/M)	2/23/06	1,990,000	1,990,000	1.00(3)	
	manufacturer	Junior secured loan ($2,960,063 par due 2/2013)	12.83% (Libor + 7.50%/M)	2/23/06	2,960,063	2,960,063	1.00	
		Junior secured loan ($9,974,937 par due 2/2013)	12.83% (Libor + 7.50%/M)	2/23/06	9,974,937	9,974,937	1.00(3)	

					62,474,642	60,035,842		8.12%
Education								
Equinox SMU partners	Medical school operator	Senior secured revolving loan ($1,550,000 par due 12/2010)	13.25% (Base Rate + 5.00%/Q)	1/26/06	1,550,000	1,550,000	1.00	
LLC and SMU Acquisition		Senior secured revolving loan ($2,032,342 par due 12/2010)	11.06% (Libor + 6.00%/S)	1/26/06	2,032,342	2,032,342	1.00	
Corp.(9)(13)		Senior secured loan ($10,162,500 par due 12/2010)	11.39% (Libor + 6.00%/Q)	1/26/06	10,162,500	10,162,500	1.00(3)	
		Senior secured loan ($1,500,000 par due 12/2010)	11.39% (Libor + 6.00%/Q)	1/26/06	1,500,000	1,500,000	1.00	
		Senior secured loan ($1,500,000 par due 12/2010)	11.39% (Libor + 6.00%/Q)	1/26/06	1,500,000	1,500,000	1.00(3)	
		Limited liability company membership interest (17.39% interest)		1/25/06	4,000,000	4,000,000	(5)	

Lakeland Finance, LLC	Private school operator	Senior secured note ($33,000,000 par due 12/2012)	11.50%	12/13/05	33,000,000	33,000,000	1.00	
					53,744,842	53,744,842		7.27%
Business Services								
Investor Group Services, LLC	Financial services	Senior secured loan ($1,500,000 par due 6/2011)	12.00%	6/22/06	1,500,000	1,500,000	1.00(3)	
		Senior secured loan ($500,000 par due 6/2011)	11.04% (Libor + 5.50%/S)	6/22/06	500,000	500,000	1.00	
		Senior secured loan ($150,000 par due 6/2011)	12.75% (Base Rate + 4.50%/D)	6/22/06	150,000	150,000	1.00	
		Limited liability company membership interest (10.00% interest)		6/22/06			(5)	
Miller Heiman, Inc.	Sales consulting services	Senior secured loan ($3,173,113 par due 6/2010)	8.83% (Libor + 3.50%/M)	6/20/05	3,173,113	3,173,113	1.00(3)	
		Senior secured loan ($4,027,788 par due 6/2012)	9.37% (Libor + 4.00%/Q)	6/20/05	4,027,788	4,027,788	1.00(3)	
MR Processing Holding Corp.	Bankruptcy and foreclosure	Senior subordinated note ($20,202,733 par due 2/2013)	12.00% Cash, 2.00% PIK	3/23/06	20,202,733	20,202,733	1.00(4)	
	processing services	Senior secured loan ($1,990,000 par due 2/2012)	9.02% (Libor + 3.50%/S)	3/28/06	1,990,000	1,990,000	1.00	
		Preferred stock (30,000 shares)		4/11/06	3,000,000	3,000,000	100.00(5)	
Primis Marketing Group, Inc. and	Database marketing	Senior secured loan ($10,024,306 par due 2/2013)	11.00% Cash, 2.50% PIK	8/24/06	10,024,306	10,024,306	1.00(4)	
Primis Holdings,	services	Preferred stock (4,000 shares)		8/24/06	3,600,000	3,600,000	9.00(5)	
LLC(12)		Common stock (4,000,000 shares)		8/24/06	400,000	400,000	0.10(5)	
					48,567,940	48,567,940		6.57%
Restaurants								
ADF Capital, Inc. & ADF Restaurant	Restaurant owner and	Senior secured revolving loan ($1,700,000 par due 6/2013)	13.75% (Base Rate + 5.50%/D)	6/1/06	1,700,000	1,700,000	1.00	
Group, LLC	operator	Senior secured loan ($5,970,000 par due 6/2013)	13.75% (Base Rate + 5.50%/D)	6/1/06	5,970,000	5,970,000	1.00	
		Senior secured loan ($11,940,000 par due 6/2013)	13.75% (Base Rate + 5.50%/D)	6/1/06	11,940,000	11,940,000	1.00(3)	
		Warrants to purchase 0.882353 units		6/1/06	2,410,000	2,410,000	(5)	
Encanto Restaurants, Inc.(13)	Restaurant owner and operator	Junior secured loan ($25,104,514 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/06	25,104,514	25,104,514	1.00(4)	
					47,124,514	47,124,514		6.37%
Environmental Services								
Mactec, Inc.	Engineering and environmental	Common stock (186 shares)		11/3/04			0.00(5)	
Wastequip, Inc.	Waste management	Junior secured loan ($15,000,000 par due	10.82% (Libor + 5.50%/M)	8/4/05	15,000,000	15,000,000	1.00	

		7/2012)						
	equipment manufacturer	Junior secured loan ($12,000,000 par due 7/2012)	10.82% (Libor + 5.50%/M)	8/4/05	12,000,000	12,000,000	1.00(3)	
					27,000,000	27,000,000		3.65%
Aerospace & Defense								
ILC Industries, Inc.	Industrial products	Junior secured loan ($12,000,000 par due 8/2012)	11.50%	6/27/06	12,000,000	12,000,000	1.00(3)	
	provider	Junior secured loan ($3,000,000 par due 8/2012)	11.50%	6/27/06	3,000,000	3,000,000	1.00	
Thermal Solutions LLC and TSI	Thermal management	Senior secured loan ($3,233,750 par due 3/2012)	9.52% (Libor + 4.00%/Q)	3/28/05	3,233,750	3,233,750	1.00(3)	
Group, Inc.	and electronics packaging	Senior secured loan ($1,657,895 par due 3/2011)	9.02% (Libor + 3.50%/Q)	3/28/05	1,657,895	1,657,895	1.00(3)	
	manufacturer	Senior subordinated notes ($3,105,314 par due 9/2012)	11.50% cash, 2.75% PIK	3/28/05	3,114,692	3,105,314	1.00(2)(4)	
		Senior subordinated notes ($2,532,920 par due 3/2013)	11.50% cash, 2.50% PIK	3/21/06	2,532,920	2,532,920	1.00(2)(4)	

		Preferred stock (53,900 shares)		3/28/05	539,000	539,000	10.00(5)	
		Common stock (1,100,000 shares)		3/28/05	11,000	11,000	0.01(5)	
					26,089,257	26,079,879		3.53%
Broadcasting and Cable								
Patriot Media & Communications CNJ, LLC	Cable services	Junior secured loan ($5,000,000 par due 10/2013)	10.50% (Libor +5.00%/S)	10/6/05	5,000,000	5,000,000	1.00(3)	
Pappas Telecasting Incorporated	Television broadcasting	Senior secured loan ($12,106,413 par due 2/2010)	14.29% (Libor + 4.00% cash, 5.00% PIK/Q)	3/1/06	12,106,413	12,106,413	1.00(4)(3)	
		Senior secured loan ($8,413,094 par due 2/2010)	14.29% (Libor + 4.00% cash, 5.00% PIK/Q)	3/1/06	8,413,094	8,413,094	1.00(4)	
		Senior secured loan ($51,612 par due 2/2010)	14.25% (Libor + 4.00% cash, 5.00% PIK/Q)	3/1/06	51,612	51,612	1.00(4)(3)	
		Senior secured loan ($35,867 par due 2/2010)	14.25% (Libor + 4.00% cash, 5.00% PIK/Q)	3/1/06	35,867	35,867	1.00(4)	
					25,606,986	25,606,986		3.46%
Computers and Electronics								
RedPrairie Corporation	Software manufacturer	Junior secured loan ($12,000,000 par due 5/2010)	11.90% (Libor + 6.50%/Q)	2/21/06	12,000,000	12,000,000	1.00(3)	
X-rite, Incorporated	Artwork software manufacturer	Junior secured loan ($10,000,000 par due 7/2013)	10.39% (Libor + 5.00%/Q)	7/6/06	10,000,000	10,000,000	1.00	
					22,000,000	22,000,000		2.98%
Consumer Products Durable								
AWTP, LLC	Water treatment services	Junior secured loan ($1,600,000 par due 12/2012)	12.87% (Libor + 7.50%/Q)	12/21/05	1,600,000	1,600,000	1.00	
		Junior secured loan ($12,000,000 par due 12/2012)	12.87% (Libor + 7.50%/Q)	12/21/05	12,000,000	12,000,000	1.00(3)	
Berkline/Benchcraft Holdings LLC	Furniture manufacturer and distributor	Junior secured loan ($5,000,000 par due 5/2012)	15.51% (Libor + 10.00%/Q)	11/3/04	5,000,000	1,000,000	0.20(2)	
		Preferred stock (2,536 shares)		10/8/04	1,046,343		0.00(5)	
		Warrants to purchase (483,020 shares)		10/8/04	2,752,559		0.00(5)	
					22,398,902	14,600,000		1.97%
Cargo Transport								
The Kenan Advantage Group, Inc.	Fuel transportation provider	Senior subordinated notes ($9,117,466 par due 12/2013)	9.50% cash, 3.50% PIK	12/15/05	9,117,466	9,117,466	1.00(4)	
		Senior secured loan ($2,144,490 par due 12/2011)	8.37% (Libor + 3.00%/Q)	12/15/05	2,144,490	2,144,490	1.00(3)	
		Senior secured loan ($336,765 par due 12/2011)	8.37% (Libor + 3.00%/Q)	12/15/05	336,765	336,765	1.00(3)	
		Preferred stock (10,984 shares)		12/15/05	1,098,400	1,098,400	100.00(5)	
		Common stock (30,575 shares)		12/15/05	30,575	30,575	1.00(5)	
					12,727,696	12,727,696		1.72%
Beverage, Food and Tobacco								
Farley's & Sathers Candy Company, Inc.	Branded candy manufacturer	Junior secured loan ($10,000,000 par due 3/2011)	11.62%(Libor + 6.00%/S)	3/23/06	10,000,000	10,000,000	1.00(3)	

Charter Baking Company, Inc.	Baked goods manufacturer	Preferred stock (6,258 shares)	8/28/06	2,500,000	2,500,000	399.49(5)	
				12,500,000	12,500,000		1.69%

Farming and Agriculture								
The GSI Group, Inc.	Agricultural equipment manufacturer	Senior notes ($10,000,000 par due 5/2013)	12.00%	5/11/05	10,000,000	10,000,000	1.00	
		Common stock (7,500 shares)		5/12/05	750,000	750,000	100.00(5)	
					10,750,000	10,750,000		1.45%
Housing Building Materials								
HB&G Building Products	Synthetic and wood product manufacturer	Senior subordinated loan ($8,619,107 par due 3/2011)	13.00% cash, 2.00% PIK	10/8/04	8,612,509	8,619,107	1.00(2)(4)	
		Common stock (2,743 shares)		10/8/04	752,888	752,888	274.48(5)	
		Warrants to purchase (4,464 shares)		10/8/04	652,503	652,503	146.17(5)	
					10,017,900	10,024,498		1.36%
Financial								
Foxe Basin CLO 2003, Ltd.(13)	Collateralized debt obligation	Preference shares (3,000 shares)		10/8/04	2,621,092	2,621,092	873.70(14)	
Hudson Straits CLO 2004, Ltd.(13)	Collateralized debt obligation	Preference shares (5,750 shares)		10/8/04	4,790,341	4,722,074	821.23(14)	
Partnership Capital Growth Fund I, L.P.	Investment partnership	Limited partnership interest (25% interest)			201,835	201,835	(5)(14)	