

ARES CAPITAL CORP  
Form 10-Q  
May 06, 2014  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended March 31, 2014**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period      to**

**Commission File No. 814-00663**

**ARES CAPITAL CORPORATION**

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(Exact name of Registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**33-1089684**  
(I.R.S. Employer  
Identification Number)

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

(Address of principal executive office) (Zip Code)

**(212) 750-7300**

(Registrant's telephone number, including area code)

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**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <b>Class</b>                    | <b>Outstanding at May 5, 2014</b> |
|---------------------------------|-----------------------------------|
| Common stock, \$0.001 par value | 298,269,678                       |

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(in thousands, except per share data)

|  | March 31, 2014<br>(unaudited) | As of | December 31, 2013 |
|--|-------------------------------|-------|-------------------|
| <b>ASSETS</b>  |                               |       |                   |
| Investments at fair value  |                               |       |                   |
| Non-controlled/non-affiliate investments   | \$ 5,198,593                  | \$    | 5,136,612         |
| Non-controlled affiliate company investments   | 275,016                       |       | 260,484           |
| Controlled affiliate company investments   | 2,325,987                     |       | 2,235,801         |
| Total investments at fair value (amortized cost of \$7,711,474 and \$7,537,403 respectively)   | 7,799,596                     |       | 7,632,897         |
| Cash and cash equivalents  | 146,639                       |       | 149,629           |
| Interest receivable  | 141,248                       |       | 123,981           |
| Receivable for open trades   | 6,920                         |       | 128,566           |
| Other assets   | 105,120                       |       | 106,431           |
| Total assets   | \$ 8,199,523                  | \$    | 8,141,504         |
| <b>LIABILITIES</b>   |                               |       |                   |
| Debt   | \$ 3,058,693                  | \$    | 2,986,275         |
| Management and incentive fees payable  | 122,849                       |       | 139,208           |
| Accounts payable and other liabilities   | 77,263                        |       | 68,649            |
| Interest and facility fees payable   | 41,383                        |       | 42,828            |
| Payable for open trades  | 769                           |       | 100               |
| Total liabilities  | 3,300,957                     |       | 3,237,060         |
| Commitments and contingencies (Note 7)   |                               |       |                   |
| <b>STOCKHOLDERS EQUITY</b>   |                               |       |                   |
| Common stock, par value \$0.001 per share, 500,000 common shares authorized 298,270 and 297,971 common shares issued and outstanding, respectively | 298                           |       | 298               |
| Capital in excess of par value   | 4,987,734                     |       | 4,982,477         |
| Accumulated overdistributed net investment income  | (24,576)                      |       | (8,785)           |
| Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets                               | (152,995)                     |       | (165,040)         |
| Net unrealized gain on investments and foreign currency transactions   | 88,105                        |       | 95,494            |
| Total stockholders equity  | 4,898,566                     |       | 4,904,444         |
| Total liabilities and stockholders equity  | \$ 8,199,523                  | \$    | 8,141,504         |
| <b>NET ASSETS PER SHARE</b>  | \$ 16.42                      | \$    | 16.46             |

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS**

(in thousands, except per share data)

|   | For the three months ended    |                               |
|---|-------------------------------|-------------------------------|
|   | March 31, 2014<br>(unaudited) | March 31, 2013<br>(unaudited) |
| <b>INVESTMENT INCOME:</b>   |                               |                               |
| From non-controlled/non-affiliate company investments:  |                               |                               |
| Interest income from investments  | \$ 99,781                     | \$ 85,122                     |
| Capital structuring service fees  | 14,323                        | 4,104                         |
| Dividend income   | 7,976                         | 4,024                         |
| Management and other fees   |                               | 314                           |
| Other income  | 7,048                         | 6,195                         |
| Total investment income from non-controlled/non-affiliate company investments                       | 129,128                       | 99,759                        |
| From non-controlled affiliate company investments:  |                               |                               |
| Interest income from investments  | 2,900                         | 6,016                         |
| Capital structuring service fees  | 650                           |                               |
| Dividend income   | 2,672                         | 603                           |
| Other income  | 327                           | 91                            |
| Total investment income from non-controlled affiliate company investments                           | 6,549                         | 6,710                         |
| From controlled affiliate company investments:  |                               |                               |
| Interest income from investments  | 70,843                        | 53,039                        |
| Capital structuring service fees  | 5,925                         | 1,887                         |
| Dividend income   | 20,078                        | 27,462                        |
| Management and other fees   | 5,952                         | 4,184                         |
| Other income  | 1,244                         | 2,014                         |
| Total investment income from controlled affiliate company investments                               | 104,042                       | 88,586                        |
| Total investment income   | 239,719                       | 195,055                       |
| <b>EXPENSES:</b>  |                               |                               |
| Interest and credit facility fees   | 52,493                        | 39,347                        |
| Base management fees  | 30,084                        | 23,218                        |
| Incentive fees  | 29,253                        | 20,085                        |
| Administrative fees   | 3,743                         | 2,592                         |
| Other general and administrative  | 6,430                         | 6,912                         |
| Total expenses  | 122,003                       | 92,154                        |
| <b>NET INVESTMENT INCOME BEFORE INCOME TAXES</b>  | <b>117,716</b>                | <b>102,901</b>                |
| Income tax expense, including excise tax  | 5,380                         | 3,804                         |
| <b>NET INVESTMENT INCOME</b>  | <b>112,336</b>                | <b>99,097</b>                 |
| <b>NET REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS:</b> |                               |                               |
| Net realized gains (losses):  |                               |                               |
| Non-controlled/non-affiliate company investments  | 10,148                        | 10,651                        |
| Non-controlled affiliate company investments  | 38                            | 17                            |

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|   |            |           |
|---|------------|-----------|
| Controlled affiliate company investments  | 1,768      | 1,010     |
| Foreign currency transactions   | 163        |           |
| Net realized gains  | 12,117     | 11,678    |
| Net unrealized gains (losses):  |            |           |
| Non-controlled/non-affiliate company investments  | (14,879)   | 5,949     |
| Non-controlled affiliate company investments  | 14,919     | (1,353)   |
| Controlled affiliate company investments  | (7,414)    | (35,029)  |
| Foreign currency transactions   | (15)       |           |
| Net unrealized losses   | (7,389)    | (30,433)  |
| Net realized and unrealized gains (losses) on investments and foreign currency transactions |            |           |
|   | 4,728      | (18,755)  |
| REALIZED LOSSES ON EXTINGUISHMENT OF DEBT   |            |           |
|   | (72)       |           |
| NET INCREASE IN STOCKHOLDERS EQUITY RESULTING FROM OPERATIONS                               | \$ 116,992 | \$ 80,342 |
| BASIC AND DILUTED EARNINGS PER COMMON SHARE (see Note 10)                                   | \$ 0.39    | \$ 0.32   |
| WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING   |            |           |
| BASIC AND DILUTED (see Note 10)   | 297,972    | 248,658   |

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS**

As of March 31, 2014

(dollar amounts in thousands)

(unaudited)

| <b>Investment Funds and Vehicles</b>            |   |  |            |       |          |
|---|---|--|------------|-------|----------|
| Covestia Capital Partners, LP (9)               | Investment partnership                      | Limited partnership interest (47.00% interest) | 6/17/2008  | 487   | 838(2)   |
| HCI Equity, LLC (7)(8)(9)                       | Investment company                          | Member interest (100.00% interest)             | 4/1/2010   | 112   | 411      |
| Partnership Capital Growth Fund I, L.P. (9)     | Investment partnership                      | Limited partnership interest (25.00% interest) | 6/16/2006  | 1,403 | 3,631(2) |
| Piper Jaffray Merchant Banking Fund I, L.P. (9) | Investment partnership                      | Limited partnership interest (2.00% interest)  | 8/16/2012  | 828   | 767(2)   |
|   |   | Membership interest (87.50% interest)          | 10/30/2009 |       |          |
| VSC Investors LLC (9)                           | Investment company                          | Membership interest (1.95% interest)           | 1/24/2008  | 695   | 1,267(2) |
| <b>Healthcare-Services</b>                      |   |  |            |       |          |
|   |   | Common stock (3 shares)                        | 12/13/2013 | 3     | 27       |
| ATI Physical Therapy Holdings, LLC              | Outpatient rehabilitation services provider | Class C common stock (51,005 shares)           | 12/13/2013 | 53    | 55       |



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|                         |  |  |                            |           |        |               |
|-------------------------|--|--|----------------------------|-----------|--------|---------------|
|                         |  | Preferred units<br>(8,218,160 units)   |                            | 4/12/2013 | 822    | 820(2)        |
|                         |  |  |                            |           | 5,260  | 5,257         |
| CCS Group Holdings, LLC | Correctional facility<br>healthcare operator | Class A units<br>(601,937 units)   |                            | 8/19/2010 | 602    | 1,423(2)      |
|                         |  | Class A common<br>stock (9,679 shares)   |                            | 6/15/2007 | 2,543  | 4,449(2)      |
|                         |  |  |                            |           | 2,687  | 5,304         |
|                         |  | First lien senior<br>secured loan<br>(\$13,676 par due<br>8/2020)                | 5.25% (Libor +<br>4.25%/Q) | 8/16/2013 | 13,676 | 13,676(2)(25) |
|                         |  |  |                            |           | 71,999 | 73,694        |
|                         |  | Warrants to<br>purchase up to<br>454,546 units of<br>Series C preferred<br>stock |                            | 3/21/2014 |        | (2)           |

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As of March 31, 2014

(dollar amounts in thousands)

(unaudited)

|   |  |   |                             |            |         |                   |
|---|--|---|-----------------------------|------------|---------|-------------------|
| Genocea Biosciences, Inc.                                     | Vaccine discovery technology company                 | First lien senior secured loan (\$10,000 par due 4/2017)  | 8.00%                       | 9/30/2013  | 9,818   | 10,000(2)         |
|   |  |   |                             |            | 9,818   | 10,654            |
|   |  | First lien senior secured loan (\$280 par due 6/2017)     | 7.00% (Base Rate + 3.75%/Q) | 12/13/2013 | 288     | 280(25)           |
| Global Healthcare Exchange, LLC and GHX Ultimate Parent Corp. | On-demand supply chain automation solutions provider | First lien senior secured loan (\$125,000 par due 3/2020) | 10.00% (Libor + 9.00%/Q)    | 3/11/2014  | 123,835 | 125,000(2)(25)    |
|   |  | Class B common stock (938 shares)                         |                             | 3/11/2014  | 25      | 25(2)             |
| INC Research, Inc.  | Pharmaceutical and biotechnology consulting services | Common stock (1,410,000 shares)                           |                             | 9/27/2010  | 1,512   | 1,846(2)          |
| LM Acquisition Holdings, LLC (8)                              | Developer and manufacturer of medical equipment      | Class A units (426 units)                                 |                             | 9/27/2013  | 1,000   | 1,024(2)          |
| Monte Nido Holdings, LLC                                      | Outpatient eating disorder treatment provider        | First lien senior secured loan (\$44,750 par due 12/2019) | 7.75% (Libor + 6.75%/Q)     | 12/20/2013 | 44,750  | 44,750(2)(19)(25) |
|   |  | First lien senior secured loan (\$35,004 par due 4/2017)  | 8.50% (Libor + 7.00%/M)     | 4/12/2011  | 35,004  | 35,004(2)(25)     |

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|   |  |   |                         |            |        |                   |
|---|--|---|-------------------------|------------|--------|-------------------|
|   |  | First lien senior secured loan (\$9,771 par due 4/2017)   | 8.50% (Libor + 7.00%/M) | 4/12/2011  | 9,771  | 9,771(4)(25)      |
| Napa Management Services Corporation                                  | Anesthesia management services provider                | First lien senior secured loan (\$66,734 par due 2/2019)  | 6.00% (Libor + 5.00%/Q) | 4/15/2011  | 66,734 | 66,734(2)(22)(25) |
|   |  | Common units (5,345 units)                                |                         | 4/15/2011  | 5,623  | 8,717(2)          |
| National Healing Corporation and National Healing Holding Corp.       | Wound care service and equipment provider              | Second lien senior secured loan (\$10,000 par due 2/2020) | 9.25% (Libor + 8.00%/Q) | 12/13/2013 | 10,285 | 10,200(25)        |
|   |  |   |                         |            | 11,581 | 11,662            |
|   |  | First lien senior secured loan (\$36,027 par due 12/2017) | 8.75% (Libor + 7.50%/Q) | 12/18/2012 | 36,027 | 36,027(2)(17)(25) |
|   |  |   |                         |            | 41,344 | 42,559            |
| OmniSYS Acquisition Corporation, OmniSYS, LLC, and OSYS Holdings, LLC | Provider of technology-enabled solutions to pharmacies | First lien senior secured loan (\$20,869 par due 11/2018) | 8.50% (Libor + 7.50%/Q) | 11/21/2013 | 20,869 | 20,869(2)(25)     |
|   |  |   |                         |            | 21,869 | 21,900            |

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As of March 31, 2014

(dollar amounts in thousands)

(unaudited)

|   |   |  |                         |            |         |               |
|---|---|--|-------------------------|------------|---------|---------------|
| PerfectServe, Inc.                      | Communications software platform provider for hospitals and physician practices | First lien senior secured loan (\$3,500 par due 4/2017)    | 10.00%                  | 12/26/2013 | 3,467   | 3,500(2)      |
|   |   |  |                         |            | 3,467   | 3,570         |
|   |   | Second lien senior secured loan (\$21,316 par due 10/2018) | 8.25% (Libor + 7.00%/M) | 4/19/2012  | 21,316  | 21,316(2)(25) |
|   |   | Common stock (16,667 shares)                               |                         | 3/12/2008  | 167     | 892(2)        |
| Physiotherapy Associates Holdings, Inc. | Outpatient rehabilitation physical therapy provider                             | Class A common stock (100,000 shares)                      |                         | 12/13/2013 | 3,090   | 3,090         |
| RCHP, Inc.                              | Operator of general acute care hospitals  | First lien senior secured loan (\$4,875 par due 11/2018)   | 7.00% (Libor + 5.75%/Q) | 11/4/2011  | 4,875   | 4,875(2)(25)  |
|   |   | First lien senior secured loan (\$9,975 par due 11/2018)   | 7.00% (Libor + 5.75%/Q) | 11/4/2011  | 9,975   | 9,975(4)(25)  |
|   |   |  |                         |            | 160,194 | 161,065       |
| Respicardia, Inc.                       | Developer of implantable therapies to improve cardiovascular health             | First lien senior secured loan (\$3,200 par due 7/2015)    | 11.00%                  | 6/28/2012  | 3,191   | 3,200(2)      |

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|                                |                                    |  |                             |            |        |               |
|--------------------------------|------------------------------------|--|-----------------------------|------------|--------|---------------|
|                                |                                    |  |                             |            | 3,229  | 3,229         |
| Sorbent Therapeutics, Inc.     | Orally-administered drug developer | First lien senior secured loan (\$6,370 par due 9/2016)                            | 10.25%                      | 4/23/2013  | 6,370  | 6,370(2)      |
|                                |                                    |  |                             |            | 6,370  | 6,395         |
|                                |                                    | First lien senior secured loan (\$5,726 par due 10/2017)                           | 10.00%                      | 9/28/2012  | 5,603  | 5,726(2)      |
|                                |                                    | Warrants to purchase up to 54,672 shares of Series D-4 convertible preferred stock |                             | 9/28/2012  |        | (2)           |
| U.S. Anesthesia Partners, Inc. | Anesthesiology service provider    | First lien senior secured loan (\$29,925 par due 12/2019)                          | 7.25% (Base Rate + 4.00%/Q) | 12/31/2013 | 29,925 | 29,925(2)(25) |
|                                |                                    | First lien senior secured loan (\$8 par due 1/2019)                                | 6.75% (Base Rate + 3.50%/Q) | 1/31/2013  | 8      | 8(3)(25)      |

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(dollar amounts in thousands)

(unaudited)

|                          |  |   |                         |            |        |                   |
|--------------------------|--|---|-------------------------|------------|--------|-------------------|
|                          |  | First lien senior secured loan (\$12,958 par due 1/2019)              | 5.75% (Libor + 4.50%/Q) | 1/31/2013  | 12,958 | 12,958(4)(25)     |
|                          |  |   |                         |            | 22,423 | 22,423            |
| <b>Business Services</b> |  |   |                         |            |        |                   |
| Access CIG, LLC          | Records and information management services provider     | First lien senior secured loan (\$988 par due 10/2017)                | 7.00% (Libor + 5.75%/M) | 10/5/2012  | 988    | 988(2)(25)        |
|                          |  | Warrants to purchase up to 517,386 shares of Series C preferred stock |                         | 3/13/2014  |        | 76(2)             |
| BluePay Processing, Inc. | Technology-enabled payment processing solutions provider | First lien senior secured loan (\$5,970 par due 8/2019)               | 5.00% (Libor + 4.00%/Q) | 8/30/2013  | 5,970  | 5,970(2)(25)      |
|                          |  |   |                         |            | 5,985  | 5,985             |
|                          |  | First lien senior secured loan (\$44,671 par due 12/2017)             | 5.75% (Libor + 4.75%/Q) | 12/24/2012 | 44,671 | 44,671(3)(18)(25) |
|                          |  | Class B membership units (2,500,000 units)                            |                         | 12/24/2012 | 2,500  | 4,634(2)          |

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|  |   |   |                         |            |        |               |
|--|---|---|-------------------------|------------|--------|---------------|
| CIBT Investment Holdings, LLC                      | Expedited travel document processing services                                     | Class A shares (2,500 shares)                             |                         | 12/15/2011 | 2,500  | 3,758(2)      |
|  |   | First lien senior secured loan (\$53,846 par due 12/2014) |                         | 4/1/2010   | 52,041 | 41,500(2)(24) |
|  |   | Common stock (37,024 shares)                              |                         | 4/1/2010   |        |               |
| Command Alkon, Inc.                                | Software solutions provider to the ready-mix concrete industry                    | Second lien senior secured loan (\$10,000 par due 3/2018) | 8.75% (Libor + 7.50%/Q) | 9/28/2012  | 10,000 | 10,000(2)(25) |
|  |   |   |                         |            | 36,500 | 36,500        |
| First Insight, Inc.                                | SaaS company providing merchandising and pricing solutions to companies worldwide | First lien senior secured loan (\$3,500 par due 4/2017)   | 9.50%                   | 3/20/2014  | 3,396  | 3,465(2)      |
|  |   |   |                         |            | 3,396  | 3,472         |
|  |   | Class A membership units (1,560,000 units)                |                         | 12/13/2013 | 1,607  | 432           |
| HCPPro, Inc. and HCP Acquisition Holdings, LLC (7) | Healthcare compliance advisory services   | Senior subordinated loan (\$9,100 par due 8/2014)         |                         | 3/5/2013   | 2,691  | (2)(24)       |

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As of March 31, 2014

(dollar amounts in thousands)

(unaudited)

|                         |  |   |        |            |         |                |
|-------------------------|--|---|--------|------------|---------|----------------|
|                         |  |   |        |            | 15,484  |                |
|                         |  | First lien senior secured loan (\$733 par due 1/2016)                   | 11.00% | 10/15/2012 | 733     | 733(2)         |
|                         |  |   |        |            | 2,121   | 2,127          |
| IronPlanet, Inc.        | Online auction platform provider for used heavy equipment                    | First lien senior secured revolving loan (\$5,000 par due 9/2015)       | 8.00%  | 9/24/2013  | 5,000   | 5,000(2)       |
|                         |  | Warrant to purchase to up to 133,333 shares of Series C preferred stock |        | 9/24/2013  | 214     | 242(2)         |
| Itel Laboratories, Inc. | Data services provider for building materials to property insurance industry | Preferred units (1,798,391 units)                                       |        | 6/29/2012  | 1,000   | 1,143(2)       |
|                         |  | Class A common stock (2,970 shares)                                     |        | 8/22/2013  | 2,970   | 3,924(2)       |
|                         |  |   |        |            | 186,175 | 187,139        |
|                         |  | Common stock (15,000 shares)  |        | 12/13/2013 | 1,982   | 2,097          |
|                         |  |   |        | 12/13/2013 | 43,357  | 43,242(21)(25) |



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|  |  |  |                         |            |              |
|--|--|--|-------------------------|------------|--------------|
| MSC.Software Corporation and Maximus Holdings, LLC | Provider of software simulation tools and related services               | First lien senior secured loan (\$42,187 par due 11/2017)            | 8.50% (Libor + 7.25%/Q) |            |              |
|  |  |  |                         | 43,781     | 44,748       |
|  |  | Common units (1,725,280 units)                                       |                         | 4/1/2010   |              |
| MVL Group, Inc. (7)                                | Marketing research provider  | Senior subordinated loan (\$33,576 par due 7/2012)                   |                         | 4/1/2010   | 30,266       |
|  |  |  |                         |            | 2,485(2)(24) |
|  |  | Common stock (560,716 shares)  |                         | 4/1/2010   | (2)          |
| NComputing, Inc.                                   | Desktop virtualization hardware and software technology service provider | Warrant to purchase up to 462,726 shares of Series C preferred stock |                         | 3/20/2013  | 45(2)        |
|  |  |  |                         | 11/20/2007 | 5,592        |
|  |  | First lien senior secured loan (\$7,375 par due 5/2019)              |                         |            | (2)(24)      |
|  |  |  |                         | 12,608     | 2,145        |
| Powersport Auctioneer Holdings, LLC                | Powersport vehicle auction operator                                      | Common units (1,972 units)   |                         | 3/2/2012   | 1,000        |
|  |  |  |                         |            | 955(2)       |

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|  | services to the food processing industry  |  |                         |            |        |               |
| Rainstor, Inc.                                   | Database solution provider designed to manage Big Data for large enterprises at the lowest total cost | First lien senior secured loan (\$2,500 par due 4/2016)                | 11.25%                  | 3/28/2013  | 2,446  | 2,500(2)      |
|  |   |  |                         |            | 2,534  | 2,570         |
| Summit Business Media Parent Holding Company LLC | Business media consulting services  | Limited liability company membership interest (45.98% interest)        |                         | 5/20/2011  |        | 1,620(2)      |
|  |   | Warrant to purchase up to 2,509,770 shares of Series D preferred stock |                         | 10/31/2012 | 605    | 1,189(2)      |
| Tripwire, Inc.                                   | IT security software provider   | First lien senior secured loan (\$84,950 par due 5/2018)               | 7.00% (Libor + 5.75%/Q) | 5/23/2011  | 84,950 | 84,950(2)(25) |
|  |   | First lien senior secured loan (\$9,975 par due 5/2018)                | 7.00% (Libor + 5.75%/Q) | 5/23/2011  | 9,975  | 9,975(4)(25)  |
|  |   | Class A common stock (2,970 shares)                                    |                         | 5/23/2011  | 2,970  | 8,348(2)      |
| Velocity Holdings Corp.                          | Hosted enterprise resource planning application management services provider                          | Common units (1,713,546 units)   |                         | 12/13/2013 | 4,503  | 4,597         |

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|   |   |  |                             |            |         |                |        |
|---|---|--|-----------------------------|------------|---------|----------------|--------|
| VSS-Tranzact Holdings, LLC (6)                            | Management consulting services  | Common membership interest (5.98% interest)                          |                             | 10/26/2007 | 10,204  | 8,677          |        |
| X Plus Two Solutions, Inc. and X Plus One Solutions, Inc. | Provider of open and integrated software for digital marketing optimization | First lien senior secured revolving loan (\$8,600 par due 9/2014)    | 8.50%                       | 4/1/2013   | 8,600   | 8,600(2)       |        |
|   |   | First lien senior secured loan (\$2,000 par due 10/2017)             | 10.00%                      | 3/28/2014  | 1,781   | 1,820(2)       |        |
|   |   | Warrant to purchase up to 999,167 shares of Series C preferred stock |                             | 4/1/2013   | 284     | 306(2)         |        |
|   |   |  |                             |            | 752,169 | 689,543        | 14.07% |
| Capital Investments and Ventures Corp.                    | SCUBA diver training and certification provider                             | First lien senior secured loan (\$24,080 par due 8/2018)             | 7.00% (Libor + 5.75%/Q)     | 8/9/2012   | 24,080  | 24,080(3)(25)  |        |
|   |   |  |                             |            | 32,645  | 32,645         |        |
|   |   | First lien senior secured loan (\$714 par due 12/2014)               | 7.50% (Base Rate + 4.25%/S) | 12/10/2010 | 714     | 714(2)(15)(25) |        |

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|   |  | Second lien senior secured loan (\$35,798 par due 12/2015)         | 15.23% (Libor + 10.00% Cash, 5.00% PIK/Q) | 12/10/2010 | 35,798 | 34,008(2)     |
|   |  | Warrants to purchase up to 654,618 shares                          |   | 12/10/2010 |        | (2)           |
| Competitor Group, Inc. and Calera XVI, LLC                                  | Endurance sports media and event operator                                      | First lien senior secured revolving loan (\$2,850 par due 11/2018) | 10.00% (Base Rate + 6.75%/Q)              | 11/30/2012 | 2,850  | 2,565(2)(25)  |
|   |  | First lien senior secured loan (\$24,300 par due 11/2018)          | 10.00% (Libor + 7.75% Cash, 1.00% PIK /Q) | 11/30/2012 | 24,300 | 21,870(2)(25) |
|   |  | Membership units (2,500,000 units)                                 |   | 11/30/2012 | 2,513  | 371(2)        |
| Crown Health Care Laundry Services, LLC and Crown Laundry Holdings, LLC (6) | Provider of outsourced healthcare linen management solutions                   | First lien senior secured revolving loan                           |   | 3/13/2014  |        | (2)(27)       |
|   |  | Class A preferred units (2,475,000 units)                          |   | 3/13/2014  | 2,475  | 2,475(2)      |
|   |  |  |   |            | 27,250 | 27,250        |
|   |  | First lien senior secured loan (\$7,135 par due 6/2018)            | 8.00% (Base Rate + 4.75%/Q)               | 10/31/2013 | 7,135  | 7,135(2)(25)  |
| ISS #2, LLC   | Provider of repairs, refurbishments and services to the broader industrial end | First lien senior secured loan (\$14,913 par due 6/2018)           | 6.50% (Libor + 5.50%/Q)                   | 6/5/2013   | 14,913 | 14,913(2)(25) |

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| user markets     |  |  |                         |           |         |                |
|------------------|--|--|-------------------------|-----------|---------|----------------|
|                  |  |  |                         |           | 59,575  | 59,575         |
|                  |  | First lien senior secured loan (\$48,973 par due 9/2018)   | 8.50% (Libor + 7.25%/Q) | 9/27/2012 | 48,973  | 48,973(3)(25)  |
|                  |  |  |                         |           | 80,962  | 81,557         |
|                  |  | First lien senior secured loan (\$7,698 par due 3/2017)    | 5.75% (Libor + 4.75%/Q) | 3/30/2012 | 7,698   | 7,698(2)(25)   |
|                  |  | First lien senior secured loan (\$8,797 par due 3/2017)    | 5.75% (Libor + 4.75%/Q) | 3/30/2012 | 8,797   | 8,797(4)(25)   |
| Spin HoldCo Inc. | Laundry service and equipment provider | Second lien senior secured loan (\$140,000 par due 5/2020) | 8.00% (Libor + 7.00%/Q) | 5/14/2013 | 140,000 | 140,000(2)(25) |

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|  |  | Series A preferred units (13,292,377 units)               | 8.00% PIK               | 12/22/2010 | 4,614   | 14,576(2)     |
| Wash Multifamily Laundry Systems, LLC  | Laundry service and equipment provider                       | Second lien senior secured loan (\$78,000 par due 2/2020) | 7.75% (Libor + 6.75%/S) | 6/26/2012  | 78,000  | 78,000(2)(25) |
| <b>Education</b>   |  |   |                         |            |         |               |
|  |  | First lien senior secured loan (\$54,161 par due 3/2019)  | 5.50% (Libor + 4.50%/Q) | 3/18/2011  | 54,161  | 54,161(3)(25) |
|  |  |   |                         |            | 63,641  | 63,641        |
| ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation (6) | Developer, manufacturer and retailer of educational products | Preferred stock (99,492 shares)                           | 12.00% PIK              | 8/1/2011   | 10,633  | 10,633(2)     |
|  |  |   |                         |            | 10,633  | 11,760        |
|  |  | First lien senior secured loan (\$1 par due 8/2016)       | 9.50% (Libor + 8.50%/Q) | 8/25/2011  | 1       | 1(2)(25)      |
|  |  | Series A preferred units (124,890 units)                  |                         | 8/25/2011  | 124,890 | 124,890(2)    |
|  |  |   |                         |            | 148,426 | 150,657       |

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|                 |   |   |                         |            |        |                   |
|-----------------|---|---|-------------------------|------------|--------|-------------------|
|                 |   | First lien senior secured loan (\$40,035 par due 6/2015)        |                         | 4/24/2013  | 38,809 | 34,029(3)(24)     |
|                 |   | Series C preferred stock (2,512,586 shares)                     |                         | 6/7/2010   | 689    | (2)               |
|                 |   |   |                         |            | 59,029 | 46,770            |
|                 |   | First lien senior secured loan (\$82,989 par due 12/2016)       | 8.50% (Libor + 7.50%/Q) | 10/4/2011  | 82,930 | 82,989(2)(14)(25) |
|                 |   | First lien senior secured loan (\$7,962 par due 12/2016)        | 5.25% (Libor + 4.25%/Q) | 10/4/2011  | 7,947  | 7,962(3)(25)      |
|                 |   | Common stock (5,000 shares)                                     |                         | 10/4/2011  | 5,000  | 4,720(2)          |
| PIH Corporation | Franchisor of education-based early childhood centers | First lien senior secured revolving loan (\$621 par due 6/2016) | 7.25% (Libor + 6.25%/M) | 12/13/2013 | 621    | 621(25)           |
|                 |   |   |                         |            | 39,702 | 39,458            |

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|                                  |  | Common membership interest (26.27% interest)                          |                          | 9/21/2007  | 15,800 | 29,307(2)     |
|                                  |  |   |                          |            | 18,000 | 31,243        |
|                                  |  | First lien senior secured loan (\$634 par due 5/2019)                 | 5.50% (Libor + 4.25%/Q)  | 5/29/2013  | 634    | 634(2)(25)    |
|                                  |  |   |                          |            | 27,020 | 27,020        |
| <b>Energy</b>                    |  |   |                          |            |        |               |
|                                  |  | First lien senior secured loan (\$3,000 par due 7/2017)               | 9.62%                    | 12/16/2013 | 2,737  | 2,910(2)      |
|                                  |  | Warrants to purchase up to 59,524 units of Series B preferred stock   |                          | 12/16/2013 | 146    | 128(2)        |
| Bicent (California) Holdings LLC | Gas turbine power generation facilities operator       | Senior subordinated loan (\$50,000 par due 2/2021)                    | 8.25% (Libor + 7.25%/Q)  | 2/6/2014   | 50,000 | 50,000(2)(25) |
| Centinela Funding, LLC           | Solar power generation facility developer and operator | Senior subordinated loan (\$56,000 par due 11/2020)                   | 10.00% (Libor + 8.75%/Q) | 11/14/2012 | 56,000 | 56,000(2)(25) |
|                                  |  | Warrant to purchase up to 32,051 shares of Series C-2 preferred stock |                          | 7/25/2013  |        | 39(2)(8)      |



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|                                   |  |   |                         |            |         |               |
|-----------------------------------|--|---|-------------------------|------------|---------|---------------|
| La Paloma Generating Company, LLC | Natural gas fired, combined cycle plant operator | Second lien senior secured loan (\$10,000 par due 2/2020)           | 9.25% (Libor + 8.25%/Q) | 2/20/2014  | 9,605   | 9,750(2)(25)  |
| Panda Temple Power II, LLC        | Gas turbine power generation facilities operator | First lien senior secured loan (\$20,000 par due 4/2019)            | 7.25% (Libor + 6.00%/Q) | 4/3/2013   | 19,827  | 20,000(2)(25) |
| Sunrun Solar Owner Holdco X, LLC  | Residential solar energy provider                | First lien senior secured loan (\$59,423 par due 6/2019)            | 9.50% (Libor + 8.25%/Q) | 6/7/2013   | 59,423  | 59,423(2)(25) |
|                                   |  |   |                         |            | 416,502 | 418,848       |
|                                   |  |   |                         |            |         | 8.55%         |
| AllBridgE Financial, LLC (7)      | Asset management services                        | Equity interests  |                         | 4/1/2010   | 5,077   | 10,115        |
| Ciena Capital LLC (7)             | Real estate and small business loan servicer     | First lien senior secured revolving loan (\$14,000 par due 12/2014) | 6.00%                   | 11/29/2010 | 14,000  | 14,000(2)     |
|                                   |  | Equity interests  |                         | 11/29/2010 | 53,374  | 12,969(2)     |
| Commercial Credit Group, Inc.     | Commercial equipment finance and leasing company | Senior subordinated loan (\$28,000 par due 5/2018)                  | 12.75%                  | 5/10/2012  | 28,000  | 28,000(2)     |
| Gordian Acquisition Corp.         | Financial services firm                          | Common stock (526 shares)   |                         | 11/30/2012 |         | (2)           |

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| Imperial Capital Group LLC                                      | Investment services  | Class A common units (23,130 units)                                |                           | 5/10/2007  | 11,248  | 15,252(2)     |
|   |  | 2007 Class B common units (945 units)                              |                           | 5/10/2007  |         | (2)           |
| Ivy Hill Asset Management, L.P. (7)(9)                          | Asset management services                                      | Member interest (100.00% interest)                                 |                           | 6/15/2009  | 170,961 | 264,941       |
| <b>Consumer Products-Non-durable</b>                            |  |  |                           |            |         |               |
|   |  | First lien senior secured revolving loan (\$5,050 par due 12/2014) | 6.25% (Libor + 5.00%/M)   | 4/1/2010   | 5,050   | 5,050(2)(25)  |
|   |  |  |                           |            | 31,321  | 30,645        |
|   |  | Common stock (455 shares)  |                           | 10/31/2011 | 455     | 992(2)        |
| Insight Pharmaceuticals Corporation (6)                         | OTC drug products manufacturer                                 | Second lien senior secured loan (\$19,310 par due 8/2017)          | 13.25% (Libor + 11.75%/Q) | 8/26/2011  | 19,172  | 19,310(2)(25) |
|   |  | Class B common stock (155,000 shares)                              |                           | 8/26/2011  | 6,035   | 10,713(2)     |
| Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp. | Developer and marketer of over-the-counter healthcare products | Warrants to purchase up to 1,654,678 shares of common stock        |                           | 7/27/2011  |         | 334(2)        |

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|                        |  |   |                              |           |        |               |
|------------------------|--|---|------------------------------|-----------|--------|---------------|
|                        |  |   |                              |           |        | 1,501         |
|                        |  |   |                              |           |        |               |
|                        |  | First lien senior secured loan (\$81 par due 4/2018)      | 9.25% (Base Rate + 6.00%/Q)  | 4/2/2012  | 81     | 81(3)(25)     |
|                        |  |   |                              |           |        |               |
|                        |  | First lien senior secured loan (\$23 par due 4/2018)      | 9.25% (Base Rate + 6.00%/Q)  | 4/2/2012  | 23     | 23(4)(25)     |
|                        |  |   |                              |           |        |               |
| PG-ACP Co-Invest, LLC  | Supplier of medical uniforms, specialized medical footwear and accessories | Class A membership units (1,000,000 units)                |                              | 8/29/2012 | 1,000  | 1,570(2)      |
|                        |  |   |                              |           |        |               |
|                        |  | First lien senior secured loan (\$7,871 par due 3/2020)   | 10.00% (Base Rate + 6.75%/Q) | 3/14/2014 | 7,871  | 7,871(2)(25)  |
|                        |  |   |                              |           |        |               |
|                        |  | Class A preferred units (50,000 units)                    |                              | 3/14/2014 | 5,000  | 5,000(2)      |
|                        |  |   |                              |           |        |               |
| The Step2 Company, LLC | Toy manufacturer   | Second lien senior secured loan (\$25,600 par due 4/2015) | 10.00%                       | 4/1/2010  | 25,181 | 25,600(2)     |
|                        |  |   |                              |           |        |               |
|                        |  | Second lien senior secured loan (\$33,290 par due 4/2015) |                              | 4/1/2010  | 30,802 | 14,238(2)(24) |
|                        |  |   |                              |           |        |               |
|                        |  | Warrants to purchase up to                                |                              | 4/1/2010  |        |               |

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| 3,157,895 units                      |                                |   |                          |            |        |                   |
| The Thymes, LLC (7)                  | Cosmetic products manufacturer | Preferred units (6,283 units)                                   | 8.00% PIK                | 6/21/2007  | 3,935  | 3,519             |
|                                      |                                |   |                          |            | 3,935  | 11,374            |
|                                      |                                | Senior subordinated loan (\$80,000 par due 2/2017)              | 11.50%                   | 4/18/2012  | 77,576 | 80,000(2)         |
|                                      |                                |   |                          |            | 87,111 | 91,194            |
| <b>Restaurants and Food Services</b> |                                |   |                          |            |        |                   |
|                                      |                                | First lien senior secured loan (\$10,919 par due 12/2018)       | 9.25% (Libor + 8.25%/Q)  | 11/27/2006 | 10,922 | 10,919(3)(20)(25) |
|                                      |                                |   |                          | 12/18/2013 | 24     | (2)               |
| Benihana, Inc.                       | Restaurant owner and operator  | First lien senior secured loan (\$4,900 par due 2/2018)         | 6.75% (Libor + 5.50%/Q)  | 8/21/2012  | 4,900  | 4,900(4)(25)      |
|                                      |                                | First lien senior secured loan (\$43,367 par due 7/2018)        | 10.00% (Libor + 8.50%/M) | 10/3/2013  | 43,367 | 43,367(2)(25)     |
| Hojiej Branded Foods, Inc.           | Airport restaurant operator    | First lien senior secured revolving loan (\$450 par due 2/2017) | 9.00% (Libor + 8.00%/Q)  | 2/15/2012  | 450    | 450(2)(25)(28)    |

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|   |                             |   |                          |            |        |               |
|---|-----------------------------|---|--------------------------|------------|--------|---------------|
|   |                             | Warrants to purchase up to 7.5% of membership interest    |                          | 2/15/2012  |        | 344(2)        |
|   |                             |   |                          |            | 28,193 | 33,259        |
|   |                             | First lien senior secured loan (\$32,698 par due 9/2014)  | 10.00% (Libor + 8.50%/Q) | 4/1/2010   | 32,698 | 32,698(2)(25) |
|   |                             | Preferred units (10,000 units)                            |                          | 10/28/2010 |        | (2)           |
|   |                             | Class B common units (1,122,452 units)                    |                          | 4/1/2010   |        | (2)           |
| OTG Management, LLC   | Airport restaurant operator | First lien senior secured loan (\$6,250 par due 12/2017)  | 8.75% (Libor + 7.25%/Q)  | 1/2/2014   | 6,250  | 6,250(2)(25)  |
|   |                             | First lien senior secured loan (\$11,325 par due 12/2017) | 8.75% (Libor + 7.25%/Q)  | 12/11/2012 | 11,325 | 11,325(2)(25) |
|   |                             | Warrants to purchase up to 7.73% of common units          |                          | 6/19/2008  | 100    | 4,229(2)      |
| Performance Food Group, Inc. and Wellspring Distribution Corp | Food service distributor    | Second lien senior secured loan (\$39,525 par due         | 6.25% (Libor + 5.25%/Q)  | 5/14/2013  | 39,351 | 39,675(2)(25) |

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| 11/2019)   |  |  |                            |            |        |               |
| 45,654 46,296  |  |  |                            |            |        |               |
|  |  | Common stock<br>(22,401 shares)  |                            | 12/13/2013 | 687    | 870           |
| Restaurant Holding Company,<br>LLC                       | Fast food restaurant<br>operator   | First lien senior<br>secured loan<br>(\$37,500 par due<br>2/2019)            | 8.75% (Libor +<br>7.75%/M) | 3/13/2014  | 37,130 | 37,500(2)(25) |
|  |  | Warrants to purchase<br>up to 257,429 shares<br>of common stock              |                            | 4/1/2010   |        | (2)           |
| 293,112 309,410 6.31%                                    |  |  |                            |            |        |               |
| Cambrios Technologies<br>Corporation                     | Nanotechnology-based<br>solutions for<br>electronic devices and<br>computers | First lien senior<br>secured loan (\$2,576<br>par due 8/2015)                | 12.00%                     | 8/7/2012   | 2,576  | 2,576(2)      |
| 2,576 2,582  |  |  |                            |            |        |               |
|  |  | First lien senior<br>secured loan<br>(\$23,583 par due<br>7/2019)            | 5.50% (Libor +<br>4.50%/M) | 7/1/2013   | 23,583 | 23,583(2)(25) |
| Harvey Tool Company, LLC<br>and Harvey Tool Holding, LLC | Cutting tool provider<br>to the metalworking<br>industry                     | First lien senior<br>secured revolving<br>facility (\$198 par due<br>3/2019) | 5.75% (Libor +<br>4.75%/Q) | 3/28/2014  | 198    | 198(2)(25)    |
|  |  |  |                            | 3/28/2014  | 750    | 750(2)        |

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| Class A membership units (750 units)                                     |  |  |                              |            |         |               |
|--|--|--|------------------------------|------------|---------|---------------|
| Mac Lean-Fogg Company  | Provider of intelligent transportation systems products in the traffic and rail industries | Senior subordinated loan (\$100,621 par due 10/2023)             | 9.50% Cash, 1.50% PIK        | 10/31/2013 | 100,621 | 100,621(2)    |
|  |  | First lien senior secured loan (\$10,000 par due 3/2019)         | 9.38% (Libor + 8.13%/Q)      | 6/15/2011  | 10,000  | 10,000(4)(25) |
| NetShape Technologies, Inc.  | Metal precision engineered components  | First lien senior secured revolving loan (\$784 par due 12/2014) | 7.50% (Libor + 6.50%/Q)      | 4/1/2010   | 784     | 784(2)(25)    |
|  |  | Second lien senior secured loan (\$32,000 par due 6/2019)        | 12.25% (Base Rate + 9.00%/Q) | 7/13/2012  | 32,000  | 32,640(2)(25) |
| Protective Industries, Inc. dba Caplugs                                  | Plastic protection products  | First lien senior secured loan (\$995 par due 10/2019)           | 6.75% (Libor + 5.75%/M)      | 11/30/2012 | 995     | 995(2)(25)    |
|  |  |  |                              |            | 2,293   | 6,596         |
| SSH Environmental Industries, Inc. and SSH Non-Destructive Testing, Inc. | Magnetic sensors and supporting sensor products  | First lien senior secured loan (\$10,568 par due 12/2016)        | 9.00% (Libor + 7.50%/Q)      | 3/23/2012  | 10,436  | 10,568(2)(25) |

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|  |   |   |                             |            | 275,883 | 279,964       | 5.72% |
| ICSH, Inc.   | Industrial container manufacturer, reconditioner and servicer                           | First lien senior secured revolving loan                  |                             | 8/31/2011  |         | (2)(27)       |       |
|  |   | First lien senior secured loan (\$61,358 par due 8/2016)  | 7.00% (Libor + 6.00%/Q)     | 8/31/2011  | 61,358  | 61,358(3)(25) |       |
|  |   |   |                             |            | 103,744 | 103,708       |       |
|  |   | Common stock (50,000 shares)                              |                             | 12/14/2012 | 5,000   | 7,650(2)      |       |
| Pregis Corporation, Pregis Intellipack Corp., and Pregis Innovative Packaging Inc. | Provider of a broad range of highly-customized, tailored protective packaging solutions | First lien senior secured loan (\$970 par due 3/2017)     | 7.75% (Libor + 6.25%/M)     | 4/25/2012  | 970     | 970(2)(25)    |       |
|  |   |   |                             |            | 975     | 975           |       |
| <b>Automotive Services</b>   |   |   |                             |            |         |               |       |
|  |   | First lien senior secured loan (\$20 par due 3/2017)      | 7.25% (Base Rate + 4.00%/Q) | 12/16/2011 | 20      | 20(2)(25)     |       |
|  |   | Common stock (25,000 units)                               |                             | 12/16/2011 | 25      | 1,376(2)      |       |
| Eckler Industries, Inc.  | Restoration parts and accessories provider for classic                                  | First lien senior secured revolving loan (\$4,200 par due | 8.25% (Base Rate + 5.00%/Q) | 7/12/2012  | 4,200   | 4,200(2)(25)  |       |



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|                                |                                 |  |                         |            |        |                   |
|--------------------------------|---------------------------------|--|-------------------------|------------|--------|-------------------|
| automobiles                    |                                 | 7/2017)  |                         |            |        |                   |
|                                |                                 | First lien senior secured loan (\$7,826 par due 7/2017)              | 7.25% (Libor + 6.00%/S) | 7/12/2012  | 7,826  | 7,826(2)(25)      |
|                                |                                 | Series A preferred stock (1,800 shares)                              |                         | 7/12/2012  | 1,800  | 1,870(2)          |
|                                |                                 |  |                         |            | 44,770 | 44,640            |
|                                |                                 | First lien senior secured loan (\$5,000 par due 6/2017)              | 10.83%                  | 12/28/2012 | 4,862  | 5,000(2)          |
|                                |                                 | Warrant to purchase up to 321,888 shares of Series C Preferred Stock |                         | 12/28/2012 |        | 43(2)             |
| Service King Paint & Body, LLC | Collision repair site operators | First lien senior secured loan (\$13,968 par due 8/2017)             | 4.00% (Libor + 3.00%/Q) | 8/20/2012  | 13,968 | 13,968(2)(25)     |
|                                |                                 | First lien senior secured loan (\$10,000 par due 8/2017)             | 6.00% (Libor + 5.00%/Q) | 8/20/2012  | 10,000 | 10,000(3)(16)(25) |

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|                                    |   |   |                             |            |         |               |       |
|------------------------------------|---|---|-----------------------------|------------|---------|---------------|-------|
|                                    |   | loan (\$9,593 par due 8/2017)                                     |                             | 8/20/2012  | 5,000   | 7,140(2)      |       |
|                                    |   |   |                             |            | 157,594 | 159,734       |       |
| <b>Retail</b>                      |   |   |                             |            |         |               |       |
|                                    |   | First lien senior secured loan (\$40,000 par due 5/2018)          | 8.50%                       | 5/28/2010  | 40,000  | 40,000(3)(12) |       |
|                                    |   |   |                             |            | 84,461  | 85,020        |       |
|                                    |   | First lien senior secured loan (\$9,975 par due 9/2018)           | 7.25% (Libor + 6.25%/Q)     | 9/23/2013  | 9,975   | 9,975(4)(25)  |       |
|                                    |   |   |                             |            | 24,905  | 26,110        |       |
|                                    |   |   |                             |            | 124,141 | 125,905       | 2.57% |
| Argotec, LLC                       | Thermoplastic polyurethane films                | First lien senior secured revolving loan (\$1,000 par due 5/2018) | 7.00% (Base Rate + 3.75%/M) | 5/31/2013  | 1,000   | 1,000(2)(25)  |       |
|                                    |   | First lien senior secured loan (\$5,714 par due 5/2019)           | 5.75% (Libor + 4.75%/M)     | 5/31/2013  | 5,714   | 5,714(2)(25)  |       |
| Emerald Performance Materials, LLC | Polymers and performance materials manufacturer | First lien senior secured loan (\$17,685 par due 5/2018)          | 6.75% (Libor + 5.50%/Q)     | 12/13/2013 | 18,180  | 17,773(25)    |       |

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|   |  |  |                         |           |         |               |
|---|--|--|-------------------------|-----------|---------|---------------|
|   |  | First lien senior secured loan (\$21,500 par due 8/2019) | 7.00% (Libor + 6.00%/M) | 8/19/2013 | 21,500  | 21,070(2)(25) |
|   |  |  |                         |           |         |               |
|   |  | First lien senior secured loan (\$20,000 par due 8/2019) | 7.00% (Libor + 6.00%/M) | 8/19/2013 | 20,000  | 19,600(4)(25) |
|   |  |  |                         |           |         |               |
|   |  |  |                         |           | 108,724 | 106,642       |
|   |  |  |                         |           |         | 2.18%         |
| Cadence Aerospace, LLC (fka PRV Aerospace, LLC) | Aerospace precision components manufacturer                            | First lien senior secured loan (\$4,447 par due 5/2018)  | 6.50% (Libor + 5.25%/Q) | 5/15/2012 | 4,415   | 4,447(4)(25)  |
|   |  |  |                         |           |         |               |
|   |  |  |                         |           | 84,072  | 81,714        |
|   |  |  |                         |           |         |               |
| Wyle Laboratories, Inc. and Wyle Holdings, Inc. | Provider of specialized engineering, scientific and technical services | Senior preferred stock (775 shares)                      | 8.00% PIK               | 1/17/2008 | 113     | 112(2)        |
|   |  |  |                         |           |         |               |
|   |  |  |                         |           | 2,404   | 2,073         |
| <b>Commercial Real Estate</b>                   |  |  |                         |           |         |               |
| <b>Finance</b>                                  |  |  |                         |           |         |               |

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|   |                                   |   |                         |            |        |               |       |
|---|-----------------------------------|---|-------------------------|------------|--------|---------------|-------|
|   |                                   | Senior subordinated loan (\$26,520 par due 11/2019)               | 7.00% Cash, 1.00% PIK   | 4/1/2010   | 26,520 | 26,520(2)     |       |
|   |                                   | Option (25,000 units)   |                         | 4/1/2010   | 25     | 25            |       |
| American Commercial Coatings, Inc.                                | Real estate property              | Commercial mortgage loan (\$2,178 par due 12/2025)                | 8.75% (Libor + 7.25%/Q) | 4/1/2010   | 636    | 1,350(25)     |       |
| Commons R-3, LLC  | Real estate developer             | Real estate equity interests                                      |                         | 4/1/2010   |        |               |       |
|   |                                   | Senior subordinated loan (\$2,092 par due 6/2017)                 |                         | 4/1/2010   |        | (2)(24)       |       |
|   |                                   |   |                         |            | 58,987 | 69,403        | 1.42% |
| Batanga, Inc.   | Independent digital media company | First lien senior secured revolving loan (\$3,750 par due 4/2014) | 8.50%                   | 10/31/2012 | 3,750  | 3,750(2)(23)  |       |
|   |                                   | First lien senior secured loan (\$4,500 par due 9/2017)           | 9.60%                   | 10/31/2012 | 4,500  | 4,500(2)(23)  |       |
| Earthcolor Group, LLC   | Printing management services      | Limited liability company interests (9.30%)                       |                         | 5/18/2012  |        |               |       |
| The Teaching Company, LLC and The Teaching Company Holdings, Inc. | Education publications provider   | First lien senior secured loan (\$20,778 par due                  | 9.00% (Libor + 7.50%/Q) | 3/16/2011  | 20,778 | 20,363(2)(25) |       |

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|  |                                   | 3/2017)   |                                   |           |        |               |
|--|-----------------------------------|---|-----------------------------------|-----------|--------|---------------|
|  |                                   | Preferred stock<br>(10,663 shares)                                  |                                   | 9/29/2006 | 1,066  | 2,918(2)      |
|  |                                   |   |                                   |           | 31,497 | 32,745        |
| <b>Oil and Gas</b>                                       |                                   |   |                                   |           |        |               |
|  |                                   | Warrants to purchase<br>up to 210,453 shares<br>of preferred stock  |                                   | 4/1/2010  | 2,805  | 638(2)        |
| UL Holding Co., LLC and<br>Universal Lubricants, LLC (6) | Petroleum product<br>manufacturer | Second lien senior<br>secured loan<br>(\$48,337 par due<br>12/2014) |                                   | 4/30/2012 | 44,861 | 34,957(2)(24) |
|  |                                   | Second lien senior<br>secured loan (\$5,056<br>par due 12/2014)     |                                   | 4/30/2012 | 4,668  | 3,657(2)(24)  |
|  |                                   | Class B-5 common<br>units (599,200 units)                           |                                   | 6/17/2011 | 5,472  | (2)           |
|  |                                   | Class C common<br>units (758,546 units)                             |                                   | 4/25/2008 |        | (2)           |
|  |                                   |   |                                   |           | 64,661 | 42,935        |
|  |                                   |   |                                   |           |        | 0.88%         |
| PODS Funding Corp. II                                    | Storage and<br>warehousing        | First lien senior<br>secured loan (\$4,103<br>par due 12/2018)      | 8.25% (Base<br>Rate +<br>5.00%/Q) | 3/12/2014 | 4,103  | 4,103(25)     |

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|  |  |  |                         |            |        |                   |       |
|--|--|--|-------------------------|------------|--------|-------------------|-------|
|  |  | loan (\$35,763 par due 12/2018)                          |                         |            |        |                   |       |
|  |  |  |                         |            | 39,866 | 39,866            | 0.81% |
| Athletic Club Holdings, Inc.   | Premier health club operator                                     | First lien senior secured loan (\$34,000 par due 3/2019) | 7.25% (Libor + 6.00%/M) | 10/11/2007 | 34,000 | 34,000(2)(13)(25) |       |
|  |  | Limited partnership interest (2,218,235 shares)          |                         | 7/31/2012  | 2,218  | 1,583(2)(8)       |       |
|  |  |  |                         |            | 40,370 | 38,547            | 0.79% |
| American Broadband Communications, LLC, American Broadband Holding Company, and Cameron Holdings of NC, Inc. | Broadband communication services                                 | Warrants to purchase up to 378 shares                    |                         | 11/7/2007  |        | 6,402             |       |
|  |  |  |                         |            |        | 9,790             |       |
| Quantance, Inc.  | Designer of semiconductor products to the mobile wireless market | First lien senior secured loan (\$3,500 par due 9/2016)  | 10.25%                  | 8/23/2013  | 3,410  | 3,500(2)          |       |
|  |  |  |                         |            | 3,484  | 3,574             |       |

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|   |   |  |            |        |          |       |
|---|---|--|------------|--------|----------|-------|
| Wilcon Holdings LLC   | Communications infrastructure provider (data center/fiber market) | Class A common stock (2,000,000 shares)                        | 12/13/2013 | 1,829  | 1,561    |       |
| <b>Environmental Services</b>                                     |   |  |            |        |          |       |
|   |   | Warrant to purchase 322,422 shares of Series D preferred stock | 3/28/2013  |        | 6(2)     |       |
| RE Community Holdings II, Inc. and Pegasus Community Energy, LLC. | Operator of municipal recycling facilities                        | Preferred stock (1,000 shares)                                 | 3/1/2011   | 8,839  | (2)      |       |
|   |   |  |            | 22,517 | 30,294   | 0.62% |
| Apple & Eve, LLC and US Juice Partners, LLC (6)                   | Juice manufacturer  | Senior units (50,000 units)                                    | 10/5/2007  | 5,000  | 5,817    |       |
|   |   | Preferred stock (6,258 shares)                                 | 9/1/2006   | 2,567  | 2,448(2) |       |
| Distant Lands Trading Co.   | Coffee manufacturer   | Class A common stock (1,294 shares)                            | 4/1/2010   | 980    | (2)      |       |
|   |   |  |            | 980    |          |       |
| <b>Wholesale Distribution</b>                                     |   |  |            |        |          |       |
|   |   |  |            | 2,500  | 3,254    | 0.07% |

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(1) Other than the Company's investments listed in footnote 7 below (subject to the limitations set forth therein), the Company does not Control any of its portfolio companies, for the purposes of the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act). In general, under the Investment Company Act, the Company would Control a portfolio company if the Company owned more than 25% of its outstanding voting securities (i.e., securities with the right to elect directors) and/or had the power to exercise control over the management or policies of such portfolio company. All of the Company's portfolio company investments, which as of March 31, 2014 represented 159% of the Company's net assets or 95% of the Company's total assets, are subject to legal restrictions on sales.

(2) These assets are pledged as collateral for the Revolving Credit Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company's obligations under the Revolving Credit Facility (see Note 5 to the consolidated financial statements).

(3) These assets are owned by the Company's consolidated subsidiary Ares Capital CP Funding LLC (Ares Capital CP), are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).

(4) These assets are owned by the Company's consolidated subsidiary Ares Capital JB Funding LLC (ACJB), are pledged as collateral for the SMBC Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than ACJB's obligations under the SMBC Funding Facility (see Note 5 to the consolidated financial statements).

(5) Investments without an interest rate are non-income producing.

(6) As defined in the Investment Company Act, the Company is deemed to be an Affiliated Person of a portfolio company because it owns 5% or more of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the three months ended March 31, 2014 in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to Control) are as follows:

| Company   | Purchases<br>(cost) | Redemptions<br>(cost) | Sales<br>(cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>income | Other<br>income | Net realized<br>gains (losses) | Net unrealized<br>gains (losses) |
|---|---------------------|-----------------------|-----------------|--------------------|--|--------------------|-----------------|--------------------------------|----------------------------------|
| Apple & Eve, LLC and US Juice Partners, LLC                             | \$                  | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                             | \$ 613                           |
| Campus Management Corp. and Campus Management Acquisition Corp          | \$                  | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                             | \$ 3,536                         |
| Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.           | \$                  | \$                    | 768             | 5,000              | 1,108                                  | \$                 | 83              | 131                            | \$ 1,226                         |
| Crown Health Care Laundry Services, LLC and Crown Laundry Holdings, LLC | \$ 27,250           | \$                    | \$              | \$ 107             | \$ 590                                 | \$                 | \$ 9            | \$                             | \$                               |
|   | \$ 144              | \$                    | \$              | \$                 | \$                                     | \$                 | \$ 8            | \$                             | \$ 504                           |



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|   |           |          |          |       |          |        |    |       |            |
|---|-----------|----------|----------|-------|----------|--------|----|-------|------------|
| CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC |           |          |          |       |          |        |    |       |            |
| The Dwyer Group   | \$ 14,418 | \$ 1,583 | \$ 1,038 | \$ 60 | \$ 2,186 | \$ 179 |    |       | \$ (2,028) |
| ELC Acquisition Corp. and ELC Holdings Corporation                            | \$        | \$       | \$       | \$    | \$ 347   | \$     | \$ | \$    | \$ (218)   |
| Insight Pharmaceuticals Corporation   | \$        | \$       | \$ 647   | \$    | \$       | \$     | \$ | \$    | \$ 6,948   |
| Investor Group Services, LLC  | \$        | \$       | \$       | \$    | \$ 56    | \$     | \$ | \$    | \$ (3)     |
| Multi-Ad Services, Inc.   | \$        | \$       | \$       | \$    | \$       | \$     | \$ | \$    | \$ 424     |
| Pillar Processing LLC and PHL Holding Co.                                     | \$        | \$ 1,004 | \$       | \$    | \$       | \$     | \$ | \$    | \$ (172)   |
| Soteria Imaging Services, LLC   | \$        | \$       | \$       | \$    | \$       | \$     | \$ | \$ 38 | \$         |
| VSS-Tranzact Holdings, LLC  | \$        | \$       | \$       | \$    | \$       | \$     | \$ | \$    | \$ 3,440   |
| UL Holding Co., LLC   | \$        | \$       | \$       | \$    | \$       | \$     | \$ | \$    | \$ 649     |

(7) As defined in the Investment Company Act, the Company is deemed to be both an Affiliated Person and Control this portfolio company because it owns more than 25% of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the three months ended March 31, 2014 in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are as follows:

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| Company                                   | Purchases | Redemptions<br>(cost) | Sales<br>(cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>income | Other<br>income | Net realized<br>gains (losses) | Net unrealized<br>gains (losses) |
|---|-----------|-----------------------|-----------------|--------------------|--|--------------------|-----------------|--------------------------------|----------------------------------|
| 10th Street, LLC and New 10th Street, LLC | \$ 24,895 | \$                    | \$              | \$ 868             | \$ 455                                 | \$                 | \$              | \$                             | \$ (158)                         |
| AllBridge Financial, LLC                  | \$        | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                             | \$ 396                           |
| Callidus Capital Corporation              | \$        | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                             | \$ 17                            |
| Ciena Capital LLC                         | \$        | \$                    | \$              | \$ 990             | \$                                     | \$                 | \$              | \$                             | \$ 2,043                         |
| Citipostal, Inc.                          | \$        | \$ 2,691              | \$              | \$ 49              | \$                                     | \$                 | \$ 6            | \$                             | \$ 1,690                         |
| HCI Equity, LLC                           | \$        | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                             | \$ 78                            |
| Hot Light Brands, Inc.                    | \$        | \$ 90                 | \$              | \$                 | \$                                     | \$                 | \$              | \$ 144                         | \$ (163)                         |
| Ivy Hill Asset Management, L.P.           | \$        | \$                    | \$              | \$                 | \$                                     | \$ 20,000          | \$              | \$                             | \$ (15,412)                      |
| Orion Foods, LLC                          | \$ 400    | \$ 27,530             | \$              | \$ 1,236           | \$                                     | \$                 | \$ 205          | \$ 1,624                       | \$ 1,633                         |
| Senior Secured Loan Fund LLC*             | \$ 87,508 | \$ 17,933             | \$              | \$ 67,700          | \$ 5,470                               | \$                 | \$ 6,985        | \$                             | \$ 1,044                         |
| Startec Equity, LLC                       | \$        | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                             | \$ 191                           |
| The Thymes, LLC                           | \$        | \$ 840                | \$              | \$                 | \$                                     | \$ 78              | \$              | \$                             | \$ 1,227                         |

\* Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), the Company co-invests through the Senior Secured Loan Fund LLC d/b/a the Senior Secured Loan Program (the "SSLP"). The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise) because, among other things, these voting securities do not afford the Company the right to elect directors of the SSLP or any other special rights (see Note 4 to the consolidated financial statements).

(8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(10) In the first quarter of 2011, the staff of the Securities and Exchange Commission (the "Staff") informally communicated to certain business development companies the Staff's belief that certain entities, which would be classified as an investment company under the Investment Company Act but for the exception from the definition of investment company set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) under the Investment Company Act) (i.e., not eligible to be included in a BDC's 70% qualifying assets basket). Subsequently, in August 2011 the Securities and Exchange Commission issued a concept release (the "Concept Release") which stated that [a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest and requested comment on whether or not a 3a-7 issuer should be considered an eligible portfolio company. The Company provided a comment letter in respect of the Concept Release and continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as eligible portfolio companies entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent discussions with the Staff, the Company has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as non-qualifying assets should the Staff ultimately disagree with the Company's position.

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(11) Variable rate loans to the Company's portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, the Company has provided the interest rate in effect on the date presented.

(12) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 6.00% on \$12 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(13) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$15 million aggregate principal amount of a first out tranche of the portfolio

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company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(14) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.25% on \$58 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(15) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 1.13% on \$17 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(16) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.75% on \$115 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(17) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.13% on \$55 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(18) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$27 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(19) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.75% on \$25 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(20) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 5.00% on \$22 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(21) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 0.75% on \$45 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(22) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$72 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(23) The Company is entitled to receive a fixed fee upon the occurrence of certain events as defined in the credit agreement governing the Company's debt investment in the portfolio company. The fair value of such fee is included in the fair value of the debt investment.

(24) Loan was on non-accrual status as of March 31, 2014.

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(25) Loan includes interest rate floor feature.

(26) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates entitle the holders thereof to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.

(27) As of March 31, 2014, no amounts were funded by the Company under this first lien senior secured revolving loan; however, there were letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.

(28) As of March 31, 2014, in addition to the amounts funded by the Company under this first lien senior secured revolving loan, there were also letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.

(29) As of March 31, 2014, no amounts were funded by the Company under this letter of credit facility; however, there were letters of credit issued and outstanding through a financial intermediary under the letter of credit facility. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS**

As of December 31, 2013

(dollar amounts in thousands)

| Company(1)   | Business Description  | Investment  | Interest(5)(11)             | Acquisition Date | Amortized Cost | Fair Value   | Percentage of Net Assets |
|--|---|---|-----------------------------|------------------|----------------|--------------|--------------------------|
| <b>Investment Funds and Vehicles</b>               |   |   |                             |                  |                |              |                          |
| CIC Flex, LP (9)                                   | Investment partnership                                      | Limited partnership units (0.94 units)                  |                             | 9/7/2007         | \$ 867         | \$ 2,851(2)  |                          |
| Covestia Capital Partners, LP (9)                  | Investment partnership                                      | Limited partnership interest (47.00% interest)          |                             | 6/17/2008        | 826            | 1,177(2)     |                          |
| Dynamic India Fund IV, LLC (9)                     | Investment company  | Member interest (5.44% interest)                        |                             | 4/1/2010         | 4,822          | 3,285        |                          |
| HCI Equity, LLC (7)(8)(9)                          | Investment company  | Member interest (100.00% interest)                      |                             | 4/1/2010         | 112            | 334          |                          |
| Imperial Capital Private Opportunities, LP (9)     | Investment partnership                                      | Limited partnership interest (80.00% interest)          |                             | 5/10/2007        | 3,315          | 10,231(2)    |                          |
| Partnership Capital Growth Fund I, L.P. (9)        | Investment partnership                                      | Limited partnership interest (25.00% interest)          |                             | 6/16/2006        | 1,411          | 3,939(2)     |                          |
| Partnership Capital Growth Investors III, L.P. (9) | Investment partnership                                      | Limited partnership interest (2.50% interest)           |                             | 10/5/2011        | 2,804          | 2,588(2)     |                          |
| Piper Jaffray Merchant Banking Fund I, L.P. (9)    | Investment partnership                                      | Limited partnership interest (2.00% interest)           |                             | 8/16/2012        | 632            | 563(2)       |                          |
| Senior Secured Loan Fund LLC (7)(10)               | Co-investment vehicle                                       | Subordinated certificates (\$1,745,192 par due 12/2024) | 8.24% (Libor + 8.00%/Q)(26) | 10/30/2009       | 1,745,192      | 1,771,369    |                          |
|  |   | Membership interest (87.50% interest)                   |                             | 10/30/2009       |                |              |                          |
|  |   |   |                             |                  | 1,745,192      | 1,771,369    |                          |
| VSC Investors LLC (9)                              | Investment company  | Membership interest (1.95% interest)                    |                             | 1/24/2008        | 745            | 1,211(2)     |                          |
|  |   |   |                             |                  | 1,760,726      | 1,797,548    | 36.65%                   |
| <b>Healthcare-Services</b>                         |   |   |                             |                  |                |              |                          |
| Alegeus Technologies Holdings Corp.                | Benefits administration and transaction processing provider | Preferred stock (2,997 shares)                          |                             | 12/13/2013       | 3,087          | 3,087        |                          |
|  |   | Common stock (3 shares)                                 |                             | 12/13/2013       | 3              | 3            |                          |
|  |   |   |                             |                  | 3,090          | 3,090        |                          |
| ATI Physical Therapy Holdings, LLC                 | Outpatient rehabilitation services provider                 | Class C common stock (51,005 shares)                    |                             | 12/13/2013       | 53             | 53           |                          |
| AxelaCare Holdings, Inc. and AxelaCare Investment  | Provider of home infusion services                          | First lien senior secured loan                          | 5.75% (Libor + 4.50%/Q)     | 4/12/2013        | 4,458          | 4,458(2)(25) |                          |

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|  |  |  |                             |            |        |               |
|--|--|--|-----------------------------|------------|--------|---------------|
| Holdings, L.P.   |  | (\$4,458 par due 4/2019)   |                             |            |        |               |
|  |  | Preferred units (8,218,160 units)  |                             | 4/12/2013  | 822    | 855(2)        |
|  |  | Common units (83,010 units)  |                             | 4/12/2013  | 8      | 9(2)          |
|  |  |  |                             |            | 5,288  | 5,322         |
| California Forensic Medical Group, Incorporated                                  | Correctional facility healthcare operator          | First lien senior secured loan (\$53,640 par due 11/2018)                        | 9.25% (Libor + 8.00%/Q)     | 11/16/2012 | 53,640 | 53,640(3)(25) |
| CCS Group Holdings, LLC  | Correctional facility healthcare operator          | Class A units (601,937 units)  |                             | 8/19/2010  | 602    | 1,546(2)      |
| CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (6) | Healthcare analysis services provider              | Class A common stock (9,679 shares)  |                             | 6/15/2007  | 2,543  | 4,014(2)      |
|  |  | Class C common stock (1,546 shares)  |                             | 6/15/2007  |        | 641(2)        |
|  |  |  |                             |            | 2,543  | 4,655         |
| Dialysis Newco, Inc.   | Dialysis provider                                  | First lien senior secured loan (\$15,509 par due 8/2020)                         | 5.25% (Libor + 4.25%/Q)     | 8/16/2013  | 15,509 | 15,509(2)(25) |
|  |  | Second lien senior secured loan (\$56,500 par due 2/2021)                        | 9.75% (Libor + 8.50%/Q)     | 8/16/2013  | 56,500 | 56,500(2)(25) |
|  |  |  |                             |            | 72,009 | 72,009        |
| Genocea Biosciences, Inc.  | Vaccine discovery technology company               | First lien senior secured loan (\$10,000 par due 4/2017)                         | 8.00%                       | 9/30/2013  | 9,805  | 10,000(2)     |
|  |  | Warrant to purchase up to 689,655 shares of Series C convertible preferred stock |                             | 9/30/2013  |        | (2)           |
|  |  |  |                             |            | 9,805  | 10,000        |
| GI Advo Opco, LLC  | Residential behavioral treatment services provider | First lien senior secured loan (\$15,005 par due 6/2017)                         | 6.00% (Libor + 4.75%/Q)     | 12/13/2013 | 15,448 | 15,455(25)    |
|  |  | First lien senior secured loan (\$13 par due 6/2017)                             | 7.00% (Base Rate + 3.75%/Q) | 12/13/2013 | 13     | 13(25)        |
|  |  |  |                             |            | 15,461 | 15,468        |



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As of December 31, 2013

(dollar amounts in thousands)

| Company(1)   | Business Description   | Investment  | Interest(5)(11)          | Acquisition Date | Amortized Cost | Fair Value        | Percentage of Net Assets |
|--|--|---|--------------------------|------------------|----------------|-------------------|--------------------------|
| INC Research, Inc.   | Pharmaceutical and biotechnology consulting services                   | Common stock (1,410,000 shares)                                   |                          | 9/27/2010        | 1,512          | 1,758(2)          |                          |
| Intermedix Corporation   | Revenue cycle management provider to the emergency healthcare industry | Second lien senior secured loan (\$112,000 par due 6/2019)        | 10.25% (Libor + 9.00%/Q) | 12/27/2012       | 112,000        | 112,000(2)(25)    |                          |
| JHP Group Holdings, Inc.   | Manufacturer of speciality pharmaceutical products                     | Series A preferred stock (1,000,000 shares)                       | 6.00% PIK                | 2/19/2013        | 272            | 2,673(2)          |                          |
| LM Acquisition Holdings, LLC (8)   | Developer and manufacturer of medical equipment                        | Class A units (426 units)   |                          | 9/27/2013        | 1,000          | 1,195(2)          |                          |
| Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC | Healthcare professional provider                                       | First lien senior secured loan (\$134,115 par due 3/2018)         | 9.00% (Libor + 8.00%/Q)  | 9/15/2010        | 134,721        | 135,457(2)(25)    |                          |
|  |  | First lien senior secured loan (\$56,134 par due 3/2018)          | 9.00% (Libor + 8.00%/Q)  | 9/15/2010        | 56,134         | 56,695(3)(25)     |                          |
|  |  | First lien senior secured loan (\$4,668 par due 3/2018)           | 9.00% (Libor + 8.00%/Q)  | 3/6/2012         | 4,668          | 4,715(4)(25)      |                          |
|  |  |   |                          |                  | 195,523        | 196,867           |                          |
| Monte Nido Holdings, LLC   | Outpatient eating disorder treatment provider                          | First lien senior secured loan (\$44,750 par due 12/2019)         | 7.75% (Libor + 6.75%/Q)  | 12/20/2013       | 44,750         | 44,750(2)(19)(25) |                          |
| MW Dental Holding Corp.  | Dental services provider   | First lien senior secured revolving loan (\$4,500 par due 4/2017) | 8.50% (Libor + 7.00%/M)  | 4/12/2011        | 4,500          | 4,500(2)(25)      |                          |
|  |  | First lien senior secured loan (\$12,582 par due 4/2017)          | 8.50% (Libor + 7.00%/M)  | 4/12/2011        | 12,582         | 12,582(2)(25)     |                          |
|  |  | First lien senior secured loan (\$12,460 par due 4/2017)          | 8.50% (Libor + 7.00%/M)  | 4/12/2011        | 12,460         | 12,460(2)(25)     |                          |
|  |  | First lien senior secured loan (\$48,757 par due 4/2017)          | 8.50% (Libor + 7.00%/M)  | 4/12/2011        | 48,757         | 48,757(3)(25)     |                          |
|  |  | First lien senior secured loan (\$9,800 par due 4/2017)           | 8.50% (Libor + 7.00%/M)  | 4/12/2011        | 9,800          | 9,800(4)(25)      |                          |
|  |  |   |                          |                  | 88,099         | 88,099            |                          |
| Napa Management Services Corporation   | Anesthesia management services provider                                | First lien senior secured loan (\$23,496 par due                  | 6.50% (Libor + 5.25%/Q)  | 4/15/2011        | 23,496         | 23,496(2)(25)     |                          |

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|   |   |  |                          |            |        |                   |
|---|---|--|--------------------------|------------|--------|-------------------|
|   |   | 4/2018)  |                          |            |        |                   |
|   |   | First lien senior secured loan (\$33,266 par due 4/2018)       | 6.50% (Libor + 5.25%/Q)  | 4/15/2011  | 33,203 | 33,266(3)(25)     |
|   |   | Common units (5,000 units)                                     |                          | 4/15/2011  | 5,000  | 8,896(2)          |
|   |   |  |                          |            | 61,699 | 65,658            |
| National Healing Corporation and National Healing Holding Corp.       | Wound care service and equipment provider                                       | Second lien senior secured loan (\$10,000 par due 2/2020)      | 9.25% (Libor + 8.00%/S)  | 12/13/2013 | 10,297 | 10,301(25)        |
|   |   | Preferred stock (869,565 shares)                               |                          | 12/13/2013 | 1,296  | 1,296             |
|   |   |  |                          |            | 11,593 | 11,597            |
| Netsmart Technologies, Inc. and NS Holdings, Inc.                     | Healthcare technology provider  | First lien senior secured loan (\$2,833 par due 12/2017)       | 7.25% (Libor + 6.00%/Q)  | 12/18/2012 | 2,833  | 2,833(2)(17)(25)  |
|   |   | First lien senior secured loan (\$36,259 par due 12/2017)      | 7.25% (Libor + 6.00%/Q)  | 12/18/2012 | 36,259 | 36,259(2)(17)(25) |
|   |   | Common stock (2,500,000 shares)                                |                          | 6/21/2010  | 2,500  | 2,710(2)          |
|   |   |  |                          |            | 41,592 | 41,802            |
| New Trident Holdcorp, Inc.  | Outsourced mobile diagnostic healthcare service provider                        | Second lien senior secured loan (\$80,000 par due 7/2020)      | 10.25% (Libor + 9.00%/Q) | 8/6/2013   | 78,465 | 80,000(2)(25)     |
| OmniSYS Acquisition Corporation, OmniSYS, LLC, and OSYS Holdings, LLC | Provider of technology-enabled solutions to pharmacies                          | First lien senior secured loan (\$21,000 par due 11/2018)      | 8.50% (Libor + 7.50%/Q)  | 11/21/2013 | 21,000 | 21,000(2)(25)     |
|   |   | Limited liability company membership interest (1.57% interest) |                          | 11/21/2013 | 1,000  | 1,000(2)          |
|   |   |  |                          |            | 22,000 | 22,000            |
| PerfectServe, Inc.  | Communications software platform provider for hospitals and physician practices | First lien senior secured loan (\$3,500 par due 4/2017)        | 10.00%                   | 12/26/2013 | 3,465  | 3,500             |
|   |   | Warrants to purchase up to                                     |                          | 12/26/2013 |        | 50                |

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As of December 31, 2013

(dollar amounts in thousands)

| Company(1)                                | Business Description   | Investment   | Interest(5)(11)           | Acquisition Date | Amortized Cost | Fair Value    | Percentage of Net Assets |
|---|--|--|---------------------------|------------------|----------------|---------------|--------------------------|
|   |  | 34,113 units of Series C preferred stock                             |                           |                  |                | 3,465         | 3,550                    |
| PG Mergersub, Inc. and PGA Holdings, Inc. | Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system | Second lien senior secured loan (\$2,368 par due 10/2018)            | 8.25% (Libor + 7.00%/Q)   | 4/19/2012        | 2,439          | 2,376(25)     |                          |
|   |  | Second lien senior secured loan (\$21,316 par due 10/2018)           | 8.25% (Libor + 7.00%/Q)   | 4/19/2012        | 21,316         | 21,380(2)(25) |                          |
|   |  | Preferred stock (333 shares)   |                           | 3/12/2008        | 125            | 16(2)         |                          |
|   |  | Common stock (16,667 shares)   |                           | 3/12/2008        | 167            | 825(2)        |                          |
|   |  |  |                           |                  | 24,047         | 24,597        |                          |
| Physiotherapy Associates Holdings, Inc.   | Outpatient rehabilitation physical therapy provider  | Class A common stock (100,000 shares)                                |                           | 12/13/2013       | 3,090          | 3,090         |                          |
| POS I Corp. (fka Vantage Oncology, Inc.)  | Radiation oncology care provider   | Common stock (62,157 shares)   |                           | 2/3/2011         | 4,670          | 1,375(2)      |                          |
| RCHP, Inc.                                | Operator of general acute care hospitals   | First lien senior secured loan (\$14,887 par due 11/2018)            | 7.00% (Libor + 5.75%/Q)   | 11/4/2011        | 14,888         | 14,664(2)(25) |                          |
|   |  | First lien senior secured loan (\$60,518 par due 11/2018)            | 7.00% (Libor + 5.75%/Q)   | 11/4/2011        | 60,496         | 59,611(3)(25) |                          |
|   |  | Second lien senior secured loan (\$85,000 par due 5/2019)            | 11.50% (Libor + 10.00%/Q) | 11/4/2011        | 85,000         | 85,000(2)(25) |                          |
|   |  |  |                           |                  | 160,384        | 159,275       |                          |
| Reed Group, Ltd.                          | Medical disability management services provider  | Equity interests   |                           | 4/1/2010         |                | (2)           |                          |
| Respicardia, Inc.                         | Developer of implantable therapies to improve cardiovascular health  | First lien senior secured loan (\$3,800 par due 7/2015)              | 11.00%                    | 6/28/2012        | 3,787          | 3,800(2)      |                          |
|   |  | Warrants to purchase up to 99,094 shares of Series C preferred stock |                           | 6/26/2012        | 38             | 29(2)         |                          |
|   |  |  |                           |                  | 3,825          | 3,829         |                          |
| Sage Products Holdings III, LLC           | Patient infection control and preventive care solutions provider   | Second lien senior secured loan (\$75,000 par due 6/2020)            | 9.25% (Libor + 8.00%/Q)   | 12/13/2012       | 75,000         | 75,000(2)(25) |                          |

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|                                   |  |  |                             |            |           |               |        |
|-----------------------------------|--|--|-----------------------------|------------|-----------|---------------|--------|
| Sorberent Therapeutics, Inc.      | Orally-administered drug developer         | First lien senior secured loan (\$6,500 par due 9/2016)                            | 10.25%                      | 4/23/2013  | 6,500     | 6,500(2)      |        |
|                                   |  | Warrant to purchase up to 727,272 shares of Series C preferred stock               |                             | 4/23/2013  |           | 25(2)         |        |
|                                   |  |  |                             |            | 6,500     | 6,525         |        |
| Soteria Imaging Services, LLC (6) | Outpatient medical imaging provider        | Preferred member units (1,823,179 units)   |                             | 4/1/2010   |           |               |        |
| SurgiQuest, Inc.                  | Medical device company                     | First lien senior secured loan (\$6,281 par due 10/2017)                           | 10.00%                      | 9/28/2012  | 6,133     | 6,281(2)      |        |
|                                   |  | First lien senior secured loan (\$2,000 par due 10/2017)                           | 10.69%                      | 9/28/2012  | 1,953     | 2,000(2)      |        |
|                                   |  | Warrants to purchase up to 54,672 shares of Series D-4 convertible preferred stock |                             | 9/28/2012  |           | (2)           |        |
|                                   |  |  |                             |            | 8,086     | 8,281         |        |
| U.S. Anesthesia Partners, Inc.    | Anesthesiology service provider            | First lien senior secured loan (\$30,000 par due 12/2019)                          | 6.00% (Libor + 5.00%/Q)     | 12/31/2013 | 30,000    | 30,000(2)(25) |        |
| Young Innovations, Inc.           | Dental supplies and equipment manufacturer | First lien senior secured loan (\$9,697 par due 1/2019)                            | 5.75% (Libor + 4.50%/Q)     | 1/31/2013  | 9,697     | 9,697(3)(25)  |        |
|                                   |  | First lien senior secured loan (\$32 par due 1/2019)                               | 6.75% (Base Rate + 3.50%/Q) | 1/31/2013  | 32        | 32(3)(25)     |        |
|                                   |  | First lien senior secured loan (\$13,304 par due 1/2019)                           | 5.75% (Libor + 4.50%/Q)     | 1/31/2013  | 13,304    | 13,304(4)(25) |        |
|                                   |  | First lien senior secured loan (\$44 par due 1/2019)                               | 6.75% (Base Rate + 3.50%/Q) | 1/31/2013  | 44        | 44(4)(25)     |        |
|                                   |  |  |                             |            | 23,077    | 23,077        |        |
|                                   |  |  |                             |            | 1,163,140 | 1,172,781     | 23.91% |
| <b>Business Services</b>          |  |  |                             |            |           |               |        |
| 2329497 Ontario Inc. (8)          | Provider of outsourced                     | Second lien senior secured   | 10.50% (Libor +             | 12/13/2013 | 43,551    | 43,603(25)    |        |

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As of December 31, 2013

(dollar amounts in thousands)

| Company(1)  | Business Description   | Investment   | Interest(5)(11)         | Acquisition Date | Amortized Cost | Fair Value        | Percentage of Net Assets |
|---|--|--|-------------------------|------------------|----------------|-------------------|--------------------------|
|   | data center infrastructure and related services                        | loan (\$42,333 par due 6/2019)                                     | 9.25%/M)                |                  |                |                   |                          |
| Access CIG, LLC   | Records and information management services provider                   | First lien senior secured loan (\$992 par due 10/2017)             | 7.00% (Libor + 5.75%/M) | 10/5/2012        | 992            | 992(2)(25)        |                          |
| BluePay Processing, Inc.  | Technology-enabled payment processing solutions provider               | First lien senior secured loan (\$6,000 par due 8/2019)            | 5.00% (Libor + 4.00%/Q) | 8/30/2013        | 6,000          | 6,000(2)(25)      |                          |
| Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C. (6) | Payroll and accounting services provider to the entertainment industry | First lien senior secured loan (\$18,107 par due 12/2017)          | 7.25% (Libor + 6.25%/Q) | 12/24/2012       | 18,107         | 18,107(2)(18)(25) |                          |
|   |  | First lien senior secured loan (\$45,267 par due 12/2017)          | 7.25% (Libor + 6.25%/Q) | 12/24/2012       | 45,267         | 45,267(3)(18)(25) |                          |
|   |  | Class A membership units (2,500,000 units)                         |                         | 12/24/2012       | 2,500          | 4,021(2)          |                          |
|   |  | Class B membership units (2,500,000 units)                         |                         | 12/24/2012       | 2,500          | 4,021(2)          |                          |
|   |  |  |                         |                  | 68,374         | 71,416            |                          |
| CIBT Investment Holdings, LLC                                     | Expedited travel document processing services                          | Class A shares (2,500 shares)                                      |                         | 12/15/2011       | 2,500          | 3,658(2)          |                          |
| CitiPostal Inc. (7)   | Document storage and management services                               | First lien senior secured revolving loan (\$3,500 par due 12/2014) | 6.50% (Libor + 4.50%/M) | 4/1/2010         | 3,500          | 3,500(2)(25)      |                          |
|   |  | First lien senior secured loan (\$53,731 par due 12/2014)          |                         | 4/1/2010         | 53,731         | 41,501(2)(24)     |                          |
|   |  | Senior subordinated loan (\$20,193 par due 12/2015)                |                         | 4/1/2010         | 13,038         | (2)(24)           |                          |
|   |  | Common stock (37,024 shares)                                       |                         | 4/1/2010         |                |                   |                          |
|   |  |  |                         |                  | 70,269         | 45,001            |                          |
| Command Alkon, Inc.   | Software solutions provider to the ready-mix concrete industry         | Second lien senior secured loan (\$10,000 par due 3/2018)          | 8.75% (Libor + 7.50%/M) | 9/28/2012        | 10,000         | 10,000(2)(25)     |                          |
|   |  | Second lien senior secured loan (\$34,000 par due 5/2019)          | 8.75% (Libor + 7.50%/Q) | 9/28/2012        | 34,000         | 34,000(2)(25)     |                          |
|   |  |  |                         |                  | 44,000         | 44,000            |                          |
| Coverall North America, Inc.                                      |  |  |                         | 1/17/2013        |                | (2)(29)           |                          |

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|   |  |   |                         |            |        |                |
|---|--|---|-------------------------|------------|--------|----------------|
| eCommerce Industries, Inc.                                  | Commercial janitorial services provider                          | Letter of credit facility   |                         |            |        |                |
|   | Business critical enterprise resource planning software provider | First lien senior secured loan (\$19,936 par due 10/2016)               | 8.00% (Libor + 6.75%/Q) | 12/13/2013 | 19,936 | 20,217(22)(25) |
| GHS Interactive Security, LLC and LG Security Holdings, LLC | Originates residential security alarm contracts                  | First lien senior secured loan (\$2,091 par due 5/2018)                 | 7.50% (Libor + 6.00%/Q) | 12/13/2013 | 2,153  | 2,153(25)      |
|   |  | Class A membership units (1,560,000 units)                              |                         | 12/13/2013 | 1,607  | 1,607          |
|   |  |   |                         |            | 3,760  | 3,760          |
| HCPPro, Inc. and HCP Acquisition Holdings, LLC (7)          | Healthcare compliance advisory services                          | Senior subordinated loan (\$9,004 par due 8/2014)                       |                         | 3/5/2013   | 2,692  | (2)(24)        |
|   |  | Class A units (14,293,110 units)  |                         | 6/26/2008  | 12,793 | (2)            |
|   |  |   |                         |            | 15,485 |                |
| IfByPhone Inc.  | Voice-based marketing automation software provider               | First lien senior secured loan (\$1,533 par due 11/2015)                | 11.00%                  | 10/15/2012 | 1,490  | 1,533(2)       |
|   |  | First lien senior secured loan (\$833 par due 1/2016)                   | 11.00%                  | 10/15/2012 | 833    | 833(2)         |
|   |  | Warrant to purchase up to 124,300 shares of Series C preferred stock    |                         | 10/15/2012 | 88     | 64(2)          |
|   |  |   |                         |            | 2,411  | 2,430          |
| Investor Group Services, LLC (6)                            | Business consulting for private equity and corporate clients     | Limited liability company membership interest (8.5% interest)           |                         | 6/22/2006  |        | 633            |
| IronPlanet, Inc.  | Online auction platform provider for used heavy equipment        | First lien senior secured revolving loan (\$5,000 par due 9/2015)       | 8.00%                   | 9/24/2013  | 5,000  | 5,000(2)       |
|   |  | First lien senior secured loan (\$7,500 par due 7/2017)                 | 9.25%                   | 9/24/2013  | 7,155  | 7,275(2)       |
|   |  | Warrant to purchase to up to 133,333 shares of Series C preferred stock |                         | 9/24/2013  | 214    | 246(2)         |
|   |  |   |                         |            | 12,369 | 12,521         |
| Itel Laboratories, Inc.                                     | Data services provider for building materials to                 | Preferred units (1,798,391 units)                                       |                         | 6/29/2012  | 1,000  | 995(2)         |

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|---|---|--|-------------------------|------------------|----------------|----------------|--------------------------|
|   | property insurance industry   |  |                         |                  |                |                |                          |
| Keynote Systems, Inc. and Hawaii Ultimate Parent Corp., Inc.        | Web and mobile cloud performance testing and monitoring services provider | First lien senior secured loan (\$164,587 par due 2/2020)            | 9.50% (Libor + 8.50%/Q) | 8/22/2013        | 164,587        | 164,587(2)(25) |                          |
|   |   | Class A common stock (2,970 shares)                                  |                         | 8/22/2013        | 2,970          | 3,429(2)       |                          |
|   |   | Class B common stock (1,956,522 shares)                              |                         | 8/22/2013        | 30             | 35(2)          |                          |
|   |   |  |                         |                  | 167,587        | 168,051        |                          |
| Market Track Holdings, LLC  | Business media consulting services company                                | Preferred stock (1,500 shares)                                       |                         | 12/13/2013       | 1,982          | 1,982          |                          |
|   |   | Common stock (15,000 shares)   |                         | 12/13/2013       | 1,982          | 1,982          |                          |
|   |   |  |                         |                  | 3,964          | 3,964          |                          |
| MSC Software Corporation and Maximus Holdings, LLC                  | Provider of software simulation tools and related services                | First lien senior secured loan (\$42,750 par due 11/2017)            | 8.50% (Libor + 7.25%/Q) | 12/13/2013       | 44,015         | 44,033(21)(25) |                          |
|   |   | Warrants to purchase up to 1,050,013 shares of common stock          |                         | 12/13/2013       | 424            | 424            |                          |
|   |   |  |                         |                  | 44,439         | 44,457         |                          |
| Multi-Ad Services, Inc. (6)   | Marketing services and software provider                                  | Preferred units (1,725,280 units)                                    |                         | 4/1/2010         | 788            | 1,754          |                          |
|   |   | Common units (1,725,280 units)                                       |                         | 4/1/2010         |                |                |                          |
|   |   |  |                         |                  | 788            | 1,754          |                          |
| MVL Group, Inc. (7)   | Marketing research provider   | Junior subordinated loan (\$185 par due 7/2012)                      |                         | 4/1/2010         |                | (2)(24)        |                          |
|   |   | Senior subordinated loan (\$33,337 par due 7/2012)                   |                         | 4/1/2010         | 30,265         | 2,485(2)(24)   |                          |
|   |   | Common stock (560,716 shares)  |                         | 4/1/2010         |                | (2)            |                          |
|   |   |  |                         |                  | 30,265         | 2,485          |                          |
| NComputing, Inc.  | Desktop virtualization hardware and software technology service provider  | First lien senior secured loan (\$6,500 par due 7/2016)              | 10.50%                  | 3/20/2013        | 6,500          | 6,695(2)       |                          |
|   |   | Warrant to purchase up to 462,726 shares of Series C preferred stock |                         | 3/20/2013        |                | 56(2)          |                          |
|   |   |  |                         |                  | 6,500          | 6,751          |                          |
| Pillar Processing LLC, PHL Investors, Inc., and PHL Holding Co. (6) | Mortgage services   | First lien senior secured loan (\$4,658 par due 11/2018)             |                         | 7/31/2008        | 3,982          | 3,321(2)(24)   |                          |

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|  |  |  |                         |            |        |              |
|--|--|--|-------------------------|------------|--------|--------------|
|  |  | First lien senior secured loan (\$7,375 par due 5/2019)                |                         | 11/20/2007 | 5,862  | (2)(24)      |
|  |  | Class A common stock (576 shares)                                      |                         | 7/31/2012  | 3,768  | (2)          |
|  |  |  |                         |            | 13,612 | 3,321        |
| Platform Acquisition, Inc.                       | Data center and managed cloud services provider  | Common stock (48,604 shares)   |                         | 12/13/2013 | 7,536  | 7,536        |
| Powersport Auctioneer Holdings, LLC              | Powersport vehicle auction operator  | Common units (1,972 units)   |                         | 3/2/2012   | 1,000  | 879(2)       |
| PSSI Holdings, LLC                               | Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry | First lien senior secured loan (\$1,000 par due 6/2018)                | 6.00% (Libor + 5.00%/Q) | 8/7/2013   | 1,000  | 1,000(2)(25) |
| R2 Acquisition Corp.                             | Marketing services   | Common stock (250,000 shares)  |                         | 5/29/2007  | 250    | 154(2)       |
| Rainstor, Inc.                                   | Database solutions provider  | First lien senior secured loan (\$2,800 par due 4/2016)                | 11.25%                  | 3/28/2013  | 2,735  | 2,800(2)     |
|  |  | Warrant to purchase up to 142,210 shares of Series C preferred stock   |                         | 3/28/2013  | 88     | 70(2)        |
|  |  |  |                         |            | 2,823  | 2,870        |
| Summit Business Media Parent Holding Company LLC | Business media consulting services   | Limited liability company membership interest (45.98% interest)        |                         | 5/20/2011  |        | 1,458(2)     |
| TOA Technologies, Inc.                           | Cloud based, mobile workforce management applications provider   | First lien senior secured loan (\$12,567 par due 11/2016)              | 10.25%                  | 10/31/2012 | 12,124 | 12,567(2)    |
|  |  | Warrant to purchase up to 2,509,770 shares of Series D preferred stock |                         | 10/31/2012 | 605    | 1,201(2)     |



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|---|--|--|-------------------------|------------------|----------------|---------------|--------------------------|
|   |  |  |                         |                  | 12,729         | 13,768        |                          |
| Tripwire, Inc.  | IT security software provider  | First lien senior secured loan (\$74,684 par due 5/2018)             | 7.50% (Libor + 6.25%/Q) | 5/23/2011        | 74,684         | 74,684(2)(25) |                          |
|   |  | First lien senior secured loan (\$10,266 par due 5/2018)             | 7.50% (Libor + 6.25%/Q) | 5/23/2011        | 10,266         | 10,266(2)(25) |                          |
|   |  | First lien senior secured loan (\$49,875 par due 5/2018)             | 7.50% (Libor + 6.25%/Q) | 5/23/2011        | 49,875         | 49,875(3)(25) |                          |
|   |  | First lien senior secured loan (\$9,975 par due 5/2018)              | 7.50% (Libor + 6.25%/Q) | 5/23/2011        | 9,975          | 9,975(4)(25)  |                          |
|   |  | Class B common stock (2,655,638 shares)                              |                         | 5/23/2011        | 30             | 84(2)         |                          |
|   |  | Class A common stock (2,970 shares)                                  |                         | 5/23/2011        | 2,970          | 8,315(2)      |                          |
|   |  |  |                         |                  | 147,800        | 153,199       |                          |
| Venturehouse-Cibernet Investors, LLC  | Financial settlement services for intercarrier wireless roaming              | Equity interest  |                         | 4/1/2010         |                | (2)           |                          |
| VSS-Tranzact Holdings, LLC (6)  | Management consulting services   | Common membership interest (5.98% interest)                          |                         | 10/26/2007       | 10,204         | 5,236         |                          |
| VTE Holdings Corp.  | Hosted enterprise resource planning application management services provider | Common units (1,500,000 units)                                       |                         | 12/13/2013       | 3,862          | 3,862         |                          |
| Worldpay (UK) Limited, Worldpay ECommerce Limited, Ship US Bidco, Inc., Ship Investor & Cy S.C.A. (8) | Payment processing company   | First lien senior secured loan (\$5,341 par due 10/2017)             | 6.00% (Libor + 4.75%/Q) | 12/13/2013       | 5,432          | 5,394(25)     |                          |
|   |  | Common stock (936,693 shares)  |                         | 12/13/2013       | 2,698          | 2,732         |                          |
|   |  |  |                         |                  | 8,129          | 8,126         |                          |
| X Plus Two Solutions, Inc. and X Plus One Solutions, Inc.   | Provider of open and integrated software for digital marketing optimization  | First lien senior secured revolving loan (\$8,600 par due 9/2014)    | 8.50%                   | 4/1/2013         | 8,600          | 8,600(2)      |                          |
|   |  | First lien senior secured loan (\$7,000 par due 3/2017)              | 10.00%                  | 4/1/2013         | 6,645          | 6,860(2)      |                          |
|   |  | Warrant to purchase up to 999,167 shares of Series C preferred stock |                         | 4/1/2013         | 284            | 299(2)        |                          |
|   |  |  |                         |                  | 15,529         | 15,759        |                          |
|   |  |  |                         |                  | 768,665        | 699,856       | 14.27%                   |
| <b>Education</b>  |  |  |                         | 3/18/2011        | 2,250          | 2,250(2)(25)  |                          |

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|  |  |   |   |            |        |                   |
|--|--|---|---|------------|--------|-------------------|
| American Academy Holdings, LLC   | Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals | First lien senior secured revolving loan (\$2,250 par due 3/2019) | 6.00% (Libor + 5.00%/Q)                   |            |        |                   |
|  |  | First lien senior secured loan (\$56,236 par due 3/2019)          | 6.00% (Libor + 5.00%/Q)                   | 3/18/2011  | 56,236 | 56,236(3)(25)     |
|  |  | First lien senior secured loan (\$4,651 par due 3/2019)           | 6.00% (Libor + 5.00%/Q)                   | 3/18/2011  | 4,651  | 4,651(4)(25)      |
|  |  |   |   |            | 63,137 | 63,137            |
| Campus Management Corp. and Campus Management Acquisition Corp. (6)                      | Education software developer   | Preferred stock (485,159 shares)                                  |   | 2/8/2008   | 10,520 | 3,337(2)          |
| Community Education Centers, Inc.  | Offender re-entry and in-prison treatment services provider  | First lien senior secured loan (\$14,286 par due 12/2014)         | 6.25% (Libor + 5.25%/Q)                   | 12/10/2010 | 14,286 | 14,286(2)(15)(25) |
|  |  | Second lien senior secured loan (\$35,283 par due 12/2015)        | 15.24% (Libor + 10.00% Cash, 5.00% PIK/Q) | 12/10/2010 | 35,283 | 34,225(2)         |
|  |  | Second lien senior secured loan (\$10,649 par due 12/2015)        | 15.26% (Libor + 10.00% Cash, 5.00% PIK/Q) | 12/10/2010 | 10,649 | 10,330(2)         |
|  |  | Warrants to purchase up to 654,618 shares                         |   | 12/10/2010 |        | 979(2)            |
|  |  |   |   |            | 60,218 | 59,820            |
| ELC Acquisition Corp., ELC Holdings Corporation, and Excellence Learning Corporation (6) | Developer, manufacturer and retailer of educational products   | Preferred stock (99,492 shares)                                   | 12.00% PIK                                | 8/1/2011   | 10,286 | 10,286(2)         |
|  |  | Common stock (50,800 shares)                                      |   | 8/1/2011   |        | 1,345(2)          |

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|---|---|---|-------------------------|------------------|----------------|------------|--------------------------|
|   |   |   |                         |                  | 10,286         | 11,631     |                          |
| Infilaw Holding, LLC  | Operator of for-profit law schools                    | First lien senior secured revolving loan                        |                         | 8/25/2011        |                |            | (2)(27)                  |
|   |   | First lien senior secured loan (\$1 par due 8/2016)             | 9.50% (Libor + 8.50%/Q) | 8/25/2011        | 1              |            | 1(2)(25)                 |
|   |   | First lien senior secured loan (\$14,362 par due 8/2016)        | 9.50% (Libor + 8.50%/Q) | 8/25/2011        | 14,362         | 14,362(3)  | (25)                     |
|   |   | Series A preferred units (124,890 units)                        | 9.50% (Libor + 8.50%/Q) | 8/25/2011        | 124,890        | 124,890(2) | (25)                     |
|   |   | Series B preferred units (3.91 units)                           |                         | 10/19/2012       | 9,245          | 11,060(2)  |                          |
|   |   |   |                         |                  | 148,498        | 150,313    |                          |
| Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc. | Private school operator                               | First lien senior secured loan (\$39,459 par due 6/2015)        |                         | 4/24/2013        | 39,385         | 35,514(3)  | (24)                     |
|   |   | First lien senior secured loan (\$14,774 par due 6/2015)        |                         | 4/24/2013        | 14,746         | 13,297(4)  | (24)                     |
|   |   | Series B preferred stock (1,750,000 shares)                     |                         | 8/5/2010         | 5,000          |            | (2)                      |
|   |   | Series C preferred stock (2,512,586 shares)                     |                         | 6/7/2010         | 689            |            | (2)                      |
|   |   | Common stock (20 shares)  |                         | 6/7/2010         |                |            | (2)                      |
|   |   |   |                         |                  | 59,820         | 48,811     |                          |
| Lakeland Tours, LLC   | Educational travel provider                           | First lien senior secured revolving loan                        |                         | 10/4/2011        |                |            | (2)(27)                  |
|   |   | First lien senior secured loan (\$83,140 par due 12/2016)       | 8.50% (Libor + 7.50%/Q) | 10/4/2011        | 83,067         | 83,131(2)  | (14)(25)                 |
|   |   | First lien senior secured loan (\$1,585 par due 12/2016)        | 5.25% (Libor + 4.25%/Q) | 10/4/2011        | 1,585          | 1,585(2)   | (25)                     |
|   |   | First lien senior secured loan (\$40,362 par due 12/2016)       | 8.50% (Libor + 7.50%/Q) | 10/4/2011        | 40,277         | 40,362(3)  | (14)(25)                 |
|   |   | First lien senior secured loan (\$8,297 par due 12/2016)        | 5.25% (Libor + 4.25%/Q) | 10/4/2011        | 8,280          | 8,297(3)   | (25)                     |
|   |   | Common stock (5,000 shares)                                     |                         | 10/4/2011        | 5,000          | 5,117(2)   |                          |
|   |   |   |                         |                  | 138,209        | 138,492    |                          |
| PIH Corporation   | Franchisor of education-based early childhood centers | First lien senior secured revolving loan (\$621 par due 6/2016) | 7.25% (Libor + 6.25%/M) | 12/13/2013       | 621            | 621(25)    |                          |
|   |   |   |                         | 12/13/2013       | 39,570         | 39,594(25) |                          |

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|   |  |  |   |            |  |         |               |        |
|---|--|--|---|------------|--|---------|---------------|--------|
|   |  | First lien senior secured loan (\$39,062 par due 6/2016)           | 7.25% (Libor + 6.25%/M)                   |            |  | 40,191  | 40,215        |        |
| R3 Education, Inc. and EIC Acquisitions Corp. | Medical school operator  | Preferred stock (8,800 shares)                                     |   | 7/30/2008  |  | 2,200   | 1,936(2)      |        |
|   |  | Common membership interest (26.27% interest)                       |   | 9/21/2007  |  | 15,800  | 29,584(2)     |        |
|   |  | Warrants to purchase up to 27,890 shares                           |   | 12/8/2009  |  |         | (2)           |        |
|   |  |  |   |            |  | 18,000  | 31,520        |        |
| RuffaloCODY, LLC                              | Provider of student fundraising and enrollment management services | First lien senior secured loan (\$634 par due 5/2019)              | 6.50% (Base Rate + 3.25%/Q)               | 5/29/2013  |  | 634     | 634(2)(25)    |        |
|   |  | First lien senior secured loan (\$24,996 par due 5/2019)           | 5.50% (Libor + 4.25%/Q)                   | 5/29/2013  |  | 24,996  | 24,996(2)(25) |        |
|   |  |  |   |            |  | 25,630  | 25,630        |        |
|   |  |  |   |            |  | 574,509 | 572,906       | 11.68% |
| <b>Services-Other</b>                         |  |  |   |            |  |         |               |        |
| Capital Investments and Ventures Corp.        | SCUBA diver training and certification provider                    | First lien senior secured loan (\$24,512 par due 8/2018)           | 7.00% (Libor + 5.75%/Q)                   | 8/9/2012   |  | 24,512  | 24,512(3)(25) |        |
|   |  | First lien senior secured loan (\$8,719 par due 8/2018)            | 7.00% (Libor + 5.75%/Q)                   | 8/9/2012   |  | 8,719   | 8,719(4)(25)  |        |
|   |  |  |   |            |  | 33,231  | 33,231        |        |
| Competitor Group, Inc. and Calera XVI, LLC    | Endurance sports media and event operator                          | First lien senior secured revolving loan (\$2,850 par due 11/2018) | 10.00% (Base Rate + 6.75%/Q)              | 11/30/2012 |  | 2,850   | 2,508(2)(25)  |        |
|   |  | First lien senior secured revolving loan (\$900 par due 11/2018)   | 9.00% (Libor + 7.75%/Q)                   | 11/30/2012 |  | 900     | 792(2)(25)    |        |
|   |  | First lien senior secured loan (\$24,380 par due                   | 10.00% (Libor + 7.75% Cash, 1.00% PIK /Q) | 11/30/2012 |  | 24,380  | 21,454(2)(25) |        |

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|-------------------------------|---|--|---|------------------|----------------|----------------|--------------------------|
|                               |   | 11/2018)   |   |                  |                |                |                          |
|                               |   | First lien senior secured loan (\$29,853 par due 11/2018)  | 10.00% (Libor + 7.75% Cash, 1.00% PIK /Q) | 11/30/2012       | 29,853         | 26,271(3)(25)  |                          |
|                               |   | Membership units (2,500,000 units)                         |   | 11/30/2012       | 2,513          | 17(2)(9)       |                          |
|                               |   |  |   |                  | 60,496         | 51,042         |                          |
| Fox Hill Holdings, Inc.       | Third party claims administrator on behalf of insurance carriers                            | First lien senior secured loan (\$7,442 par due 6/2018)    | 6.75% (Libor + 5.75%/Q)                   | 10/31/2013       | 7,442          | 7,442(2)(25)   |                          |
|                               |   | First lien senior secured loan (\$39 par due 6/2018)       | 8.00% (Base Rate + 4.75%/Q)               | 10/31/2013       | 39             | 39(2)(25)      |                          |
|                               |   |  |   |                  | 7,481          | 7,481          |                          |
| ISS #2, LLC                   | Provider of repairs, refurbishments and services to the broader industrial end user markets | First lien senior secured loan (\$14,950 par due 6/2018)   | 6.50% (Libor + 5.50%/Q)                   | 6/5/2013         | 14,950         | 14,950(2)(25)  |                          |
|                               |   | First lien senior secured loan (\$44,775 par due 6/2018)   | 6.50% (Libor + 5.50%/Q)                   | 6/5/2013         | 44,775         | 44,775(3)(25)  |                          |
|                               |   |  |   |                  | 59,725         | 59,725         |                          |
| Massage Envy, LLC             | Franchisor in the massage industry  | First lien senior secured loan (\$29,177 par due 9/2018)   | 8.50% (Libor + 7.25%/Q)                   | 9/27/2012        | 29,177         | 29,177(2)(25)  |                          |
|                               |   | First lien senior secured loan (\$49,291 par due 9/2018)   | 8.50% (Libor + 7.25%/Q)                   | 9/27/2012        | 49,291         | 49,291(3)(25)  |                          |
|                               |   | Common stock (3,000,000 shares)                            |   | 9/27/2012        | 3,000          | 3,532(2)       |                          |
|                               |   |  |   |                  | 81,468         | 82,000         |                          |
| McKenzie Sports Products, LLC | Designer, manufacturer and distributor of taxidermy forms and supplies                      | First lien senior secured loan (\$8,140 par due 3/2017)    | 5.75% (Libor + 4.75%/M)                   | 3/30/2012        | 8,140          | 8,140(2)(25)   |                          |
|                               |   | First lien senior secured loan (\$9,302 par due 3/2017)    | 5.75% (Libor + 4.75%/M)                   | 3/30/2012        | 9,302          | 9,302(4)(25)   |                          |
|                               |   |  |   |                  | 17,442         | 17,442         |                          |
| Spin HoldCo Inc.              | Laundry service and equipment provider  | Second lien senior secured loan (\$140,000 par due 5/2020) | 9.00% (Libor + 7.75%/Q)                   | 5/14/2013        | 140,000        | 140,000(2)(25) |                          |
| The Dwyer Group (6)           | Operator of multiple franchise concepts primarily related to home maintenance or repairs    | Senior subordinated loan (\$25,686 par due 6/2018)         | 12.00% Cash, 1.50% PIK                    | 12/22/2010       | 25,686         | 25,686(2)      |                          |
|                               |   | Series A preferred units (13,292,377)                      | 8.00% PIK                                 | 12/22/2010       | 6,859          | 18,650(2)      |                          |

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|  |   | units)  |                          |            |                  |                         |          |
|--|---|---|--------------------------|------------|------------------|-------------------------|----------|
| Wash Multifamily Laundry Systems, LLC                                    | Laundry service and equipment provider                      | Second lien senior secured loan (\$78,000 par due 2/2020) | 9.75% (Libor + 8.50%/Q)  | 6/26/2012  | 32,545<br>78,000 | 44,336<br>78,000(2)(25) |          |
|  |   |   |                          |            | 510,388          | 513,257                 | 10.47%   |
| <b>Energy</b>  |   |   |                          |            |                  |                         |          |
| Alphabet Energy, Inc.  | Technology developer to convert waste-heat into electricity | First lien senior secured loan (\$3,000 par due 7/2017)   | 9.62%                    | 12/16/2013 | 2,721            | 2,850(2)                |          |
|  |   |   |                          |            | 12/16/2013       | 146                     | 146(2)   |
|  |   |   |                          |            | 2,867            | 2,996                   |          |
| Brush Power, LLC   | Gas turbine power generation facilities operator            | First lien senior secured loan (\$89,892 par due 8/2020)  | 6.25% (Libor + 5.25%/Q)  | 8/1/2013   | 89,892           | 89,892(2)(25)           |          |
| Centinela Funding, LLC   | Solar power generation facility developer and operator      | Senior subordinated loan (\$56,000 par due 11/2020)       | 10.00% (Libor + 8.75%/Q) | 11/14/2012 | 56,000           | 56,000(2)(25)           |          |
| Joule Unlimited Technologies, Inc. and Stichting Joule Global Foundation | Renewable fuel and chemical production developer            | First lien senior secured loan (\$7,500 par due 2/2017)   | 10.00%                   | 7/25/2013  | 7,433            | 7,500(2)                |          |
|  |   |   |                          |            | 7/25/2013        |                         | 34(2)(8) |
|  |   |   |                          |            | 7,433            | 7,534                   |          |
| La Paloma Generating Company, LLC  | Natural gas fired, combined cycle plant operator            | Second lien senior secured loan (\$68,000 par due 8/2018) | 10.25% (Libor + 8.75%/M) | 8/9/2011   | 67,060           | 67,320(2)(25)           |          |
| Panda Sherman Power, LLC   | Gas turbine power generation facilities operator            | First lien senior secured loan (\$32,500 par due 9/2018)  | 9.00% (Libor + 7.50%/Q)  | 9/14/2012  | 32,500           | 32,500(2)(25)           |          |

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|---|--|--|--|------------------|----------------|-------------------|--------------------------|
| Panda Temple Power II, LLC  | Gas turbine power generation facilities operator | First lien senior secured loan (\$20,000 par due 4/2019)         | 7.25% (Libor + 6.00%/Q)                  | 4/3/2013         | 19,820         | 20,000(2)(25)     |                          |
| Panda Temple Power, LLC   | Gas turbine power generation facilities operator | First lien senior secured loan (\$60,000 par due 7/2018)         | 11.50% (Libor + 10.00%/Q)                | 7/17/2012        | 58,402         | 60,000(2)(25)     |                          |
| Sunrun Solar Owner Holdco X, LLC  | Residential solar energy provider                | First lien senior secured loan (\$59,749 par due 6/2019)         | 9.50% (Libor + 8.25%/Q)                  | 6/7/2013         | 59,749         | 59,749(2)(25)     |                          |
| Sunrun Solar Owner Holdco XIII, LLC   | Residential solar energy provider                | First lien senior secured loan (\$19,300 par due 12/2019)        | 9.50% (Libor + 7.25% Cash, 1.00% PIK /Q) | 11/27/2013       | 19,079         | 19,300(2)(25)     |                          |
|   |  |  |  |                  | 412,802        | 415,291           | 8.47%                    |
| <b>Restaurants and Food Services</b>  |  |  |  |                  |                |                   |                          |
| ADF Capital, Inc., ADF Restaurant Group, LLC, and ARG Restaurant Holdings, Inc. | Restaurant owner and operator                    | First lien senior secured loan (\$33,581 par due 12/2018)        | 10.50% (Base Rate + 7.25%/Q)             | 11/27/2006       | 33,581         | 33,581(2)(20)(25) |                          |
|   |  | First lien senior secured loan (\$10,919 par due 12/2018)        | 10.50% (Base Rate + 7.25%/Q)             | 11/27/2006       | 10,922         | 10,919(3)(20)(25) |                          |
|   |  | Promissory note (\$16,558 par due 12/2018)                       | 13.00% PIK                               | 11/27/2006       | 13,273         | 15,997(2)         |                          |
|   |  | Warrants to purchase up to 23,750 units of Series D common stock |  | 12/18/2013       | 24             | (2)               |                          |
|   |  |  |  |                  | 57,800         | 60,497            |                          |
| Benihana, Inc.  | Restaurant owner and operator                    | First lien senior secured loan (\$4,925 par due 2/2018)          | 6.75% (Libor + 5.50%/Q)                  | 8/21/2012        | 4,925          | 4,925(4)(25)      |                          |
| Garden Fresh Restaurant Corp.   | Restaurant owner and operator                    | First lien senior secured revolving loan                         |  | 10/3/2013        |                | (2)(27)           |                          |
|   |  | First lien senior secured loan (\$43,750 par due 7/2018)         | 10.00% (Libor + 8.50%/M)                 | 10/3/2013        | 43,750         | 43,750(2)(25)     |                          |
|   |  |  |  |                  | 43,750         | 43,750            |                          |
| Hojeij Branded Foods, Inc.  | Airport restaurant operator                      | First lien senior secured revolving loan (\$450 par due 2/2017)  | 9.00% (Libor + 8.00%/Q)                  | 2/15/2012        | 450            | 450(2)(25)(28)    |                          |
|   |  | First lien senior secured loan (\$12,500 par due 2/2017)         | 9.00% (Libor + 8.00%/Q)                  | 2/15/2012        | 12,500         | 12,500(2)(25)     |                          |
|   |  | First lien senior secured loan (\$15,000 par due 2/2017)         | 9.00% (Libor + 8.00%/Q)                  | 2/15/2012        | 14,543         | 15,000(2)(25)     |                          |
|   |  | Warrants to purchase up to 7.5% of membership interest           |  | 2/15/2012        |                | 299(2)            |                          |
|   |  | Warrants to purchase up to 324 shares of                         |  | 2/15/2012        | 669            | 4,307(2)          |                          |

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|   |                                   | Class A common stock  |                              |            | 28,162 | 32,556        |
|---|-----------------------------------|---|------------------------------|------------|--------|---------------|
| Orion Foods, LLC (fka Hot Stuff Foods, LLC) (7)               | Convenience food service retailer | First lien senior secured revolving loan (\$9,500 par due 9/2014) | 10.75% (Base Rate + 7.50%/M) | 4/1/2010   | 9,500  | 9,500(2)(25)  |
|   |                                   | First lien senior secured loan (\$33,037 par due 9/2014)          | 10.00% (Libor + 8.50%/Q)     | 4/1/2010   | 33,037 | 33,037(3)(25) |
|   |                                   | Second lien senior secured loan (\$37,552 par due 9/2014)         |                              | 4/1/2010   | 18,423 | 20,205(2)(24) |
|   |                                   | Preferred units (10,000 units)                                    |                              | 10/28/2010 |        | (2)           |
|   |                                   | Class A common units (25,001 units)                               |                              | 4/1/2010   |        | (2)           |
|   |                                   | Class B common units (1,122,452 units)                            |                              | 4/1/2010   |        | (2)           |
|   |                                   |   |                              |            | 60,960 | 62,742        |
| OTG Management, LLC   | Airport restaurant operator       | First lien senior secured loan (\$25,000 par due 12/2017)         | 8.75% (Libor + 7.25%/Q)      | 12/11/2012 | 25,000 | 25,000(2)(25) |
|   |                                   | First lien senior secured loan (\$7,075 par due 12/2017)          | 8.75% (Libor + 7.25%/Q)      | 12/11/2012 | 7,075  | 7,075(2)(25)  |
|   |                                   | Common units (3,000,000 units)                                    |                              | 1/5/2011   | 3,000  | 3,638(2)      |
|   |                                   | Warrants to purchase up to 7.73% of common units                  |                              | 6/19/2008  | 100    | 7,257(2)      |
|   |                                   |   |                              |            | 35,175 | 42,970        |
| Performance Food Group, Inc. and Wellspring Distribution Corp | Food service distributor          | Second lien senior secured loan (\$74,625 par due 11/2019)        | 6.25% (Libor + 5.25%/Q)      | 5/14/2013  | 74,282 | 74,850(2)(25) |



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|----------------------------------|--|---|-------------------------|------------------|----------------|---------------|--------------------------|
|                                  |  | Class A non-voting common stock (1,366,120 shares)                  |                         | 5/3/2008         | 6,303          | 6,529(2)      |                          |
|                                  |  |   |                         |                  | 80,585         | 81,379        |                          |
| PMI Holdings, Inc.               | Restaurant owner and operator                    | Preferred stock (46,025 shares)                                     |                         | 12/13/2013       | 687            | 687           |                          |
|                                  |  | Common stock (22,401 shares)  |                         | 12/13/2013       | 379            | 379           |                          |
|                                  |  |   |                         |                  | 1,066          | 1,066         |                          |
| Restaurant Holding Company, LLC  | Fast food restaurant operator                    | First lien senior secured loan (\$60,125 par due 2/2017)            | 9.00% (Libor + 7.50%/M) | 2/17/2012        | 59,303         | 58,922(3)(25) |                          |
|                                  |  | First lien senior secured loan (\$9,250 par due 2/2017)             | 9.00% (Libor + 7.50%/M) | 2/17/2012        | 9,122          | 9,065(4)(25)  |                          |
|                                  |  |   |                         |                  | 68,425         | 67,987        |                          |
| S.B. Restaurant Company          | Restaurant owner and operator                    | Preferred stock (46,690 shares)                                     |                         | 4/1/2010         |                | (2)           |                          |
|                                  |  | Warrants to purchase up to 257,429 shares of common stock           |                         | 4/1/2010         |                | (2)           |                          |
|                                  |  |   |                         |                  | 380,848        | 397,872       | 8.11%                    |
| <b>Financial Services</b>        |  |   |                         |                  |                |               |                          |
| AllBridge Financial, LLC (7)     | Asset management services                        | Equity interests  |                         | 4/1/2010         | 5,077          | 9,718         |                          |
| Callidus Capital Corporation (7) | Asset management services                        | Common stock (100 shares)   |                         | 4/1/2010         | 3,000          | 1,713         |                          |
| Ciena Capital LLC (7)            | Real estate and small business loan servicer     | First lien senior secured revolving loan (\$14,000 par due 12/2014) | 6.00%                   | 11/29/2010       | 14,000         | 14,000(2)     |                          |
|                                  |  | First lien senior secured loan (\$26,000 par due 12/2016)           | 12.00%                  | 11/29/2010       | 26,000         | 26,000(2)     |                          |
|                                  |  | Equity interests  |                         | 11/29/2010       | 53,374         | 10,926(2)     |                          |
|                                  |  |   |                         |                  | 93,374         | 50,926        |                          |
| Commercial Credit Group, Inc.    | Commercial equipment finance and leasing company | Senior subordinated loan (\$28,000 par due 5/2018)                  | 12.75%                  | 5/10/2012        | 28,000         | 28,000(2)     |                          |
| Cook Inlet Alternative Risk, LLC | Risk management services                         | Senior subordinated loan (\$1,750 par due 9/2015)                   | 9.00%                   | 9/30/2011        | 1,750          | 1,750(2)      |                          |
| Gordian Acquisition Corp.        | Financial services firm                          | Common stock (526 shares)   |                         | 11/30/2012       |                | (2)           |                          |
| Imperial Capital Group LLC       | Investment services                              | 2006 Class B common units (2,526 units)                             |                         | 5/10/2007        | 3              | 5(2)          |                          |
|                                  |  | 2007 Class B common units (315 units)                               |                         | 5/10/2007        |                | 1(2)          |                          |
|                                  |  | Class A common units (7,710 units)                                  |                         | 5/10/2007        | 14,997         | 19,672(2)     |                          |
|                                  |  |   |                         |                  | 15,000         | 19,678        |                          |
|                                  |  |   |                         | 6/15/2009        | 170,961        | 280,353       |                          |

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|   |  |  |                           |            |         |               |       |
|---|--|--|---------------------------|------------|---------|---------------|-------|
| Ivy Hill Asset Management, L.P.<br>(7)(9)                       | Asset management services                                      | Member interest (100.00% interest)                                 |                           |            | 317,162 | 392,138       | 8.00% |
| <b>Consumer Products-Non-durable</b>                            |  |  |                           |            |         |               |       |
| Gilchrist & Soames, Inc.  | Personal care manufacturer                                     | First lien senior secured revolving loan (\$8,700 par due 12/2014) | 6.25% (Libor + 5.00%/M)   | 4/1/2010   | 8,700   | 8,700(2)(25)  |       |
|   |  | First lien senior secured loan (\$22,508 par due 12/2014)          | 13.44% Cash, 2.00% PIK    | 4/1/2010   | 22,504  | 21,833(2)     |       |
|   |  |  |                           |            | 31,204  | 30,533        |       |
| Implus Footcare, LLC  | Provider of footwear and other accessories                     | Preferred stock (455 shares)                                       | 6.00% PIK                 | 10/31/2011 | 5,172   | 5,172(2)      |       |
|   |  | Common stock (455 shares)  |                           | 10/31/2011 | 455     | 170(2)        |       |
|   |  |  |                           |            | 5,627   | 5,342         |       |
| Insight Pharmaceuticals Corporation (6)                         | OTC drug products manufacturer                                 | Second lien senior secured loan (\$19,310 par due 8/2017)          | 13.25% (Libor + 11.75%/Q) | 8/26/2011  | 19,165  | 19,310(2)(25) |       |
|   |  | Class A common stock (155,000 shares)                              |                           | 8/26/2011  | 6,035   | 7,234(2)      |       |
|   |  | Class B common stock (155,000 shares)                              |                           | 8/26/2011  | 6,035   | 7,234(2)      |       |
|   |  |  |                           |            | 31,235  | 33,778        |       |
| Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp. | Developer and marketer of over-the-counter healthcare products | Warrants to purchase up to 1,654,678 shares of common stock        |                           | 7/27/2011  |         | 1,219(2)      |       |
|   |  | Warrants to purchase up to 1,489 shares of preferred stock         |                           | 7/27/2011  |         | 1,144(2)      |       |
|   |  |  |                           |            |         | 2,363         |       |
| Oak Parent, Inc.  | Manufacturer of athletic                                       | First lien senior secured  | 7.50% (Libor + 7.00%/Q)   | 4/2/2012   | 31,184  | 31,294(3)(25) |       |

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|-----------------------------|--|---|-----------------------------|------------------|----------------|---------------|--------------------------|
|                             | apparel  | loan (\$31,295 par due 4/2018)                            |                             |                  |                |               |                          |
|                             |  | First lien senior secured loan (\$86 par due 4/2018)      | 9.25% (Base Rate + 6.00%/S) | 4/2/2012         | 85             | 86(3)(25)     |                          |
|                             |  | First lien senior secured loan (\$8,844 par due 4/2018)   | 7.50% (Libor + 7.00%/Q)     | 4/2/2012         | 8,813          | 8,844(4)(25)  |                          |
|                             |  | First lien senior secured loan (\$24 par due 4/2018)      | 9.25% (Base Rate + 6.00%/S) | 4/2/2012         | 24             | 24(4)(25)     |                          |
|                             |  |   |                             |                  | 40,106         | 40,248        |                          |
| PG-ACP Co-Invest, LLC       | Supplier of medical uniforms, specialized medical footwear and accessories | Class A membership units (1,000,000 units)                |                             | 8/29/2012        | 1,000          | 1,526(2)      |                          |
| The Step2 Company, LLC      | Toy manufacturer   | Second lien senior secured loan (\$25,600 par due 4/2015) | 10.00%                      | 4/1/2010         | 25,089         | 25,088(2)     |                          |
|                             |  | Second lien senior secured loan (\$32,865 par due 4/2015) | 10.00%                      | 4/1/2010         | 30,802         | 26,292(2)     |                          |
|                             |  | Common units (1,116,879 units)                            |                             | 4/1/2010         | 24             |               |                          |
|                             |  | Warrants to purchase up to 3,157,895 units                |                             | 4/1/2010         |                |               |                          |
|                             |  |   |                             |                  | 55,915         | 51,380        |                          |
| The Thymes, LLC (7)         | Cosmetic products manufacturer   | Preferred units (6,283 units)                             | 8.00% PIK                   | 6/21/2007        | 4,696          | 4,221         |                          |
|                             |  | Common units (5,400 units)                                |                             | 6/21/2007        |                | 6,687         |                          |
|                             |  |   |                             |                  | 4,696          | 10,908        |                          |
| Woodstream Corporation      | Pet products manufacturer  | First lien senior secured loan (\$8,465 par due 8/2016)   | 6.00% (Libor + 5.00%/Q)     | 4/18/2012        | 8,465          | 8,465(4)(25)  |                          |
|                             |  | Senior subordinated loan (\$80,000 par due 2/2017)        | 11.50%                      | 4/18/2012        | 77,412         | 80,000(2)     |                          |
|                             |  | Common stock (4,254 shares)                               |                             | 1/22/2010        | 1,222          | 2,685(2)      |                          |
|                             |  |   |                             |                  | 87,099         | 91,150        |                          |
|                             |  |   |                             |                  | 256,882        | 267,228       | 5.45%                    |
| <b>Containers-Packaging</b> |  |   |                             |                  |                |               |                          |
| ICSH, Inc.                  | Industrial container manufacturer, reconditioner and servicer              | First lien senior secured revolving loan                  |                             | 8/31/2011        |                | (2)(27)       |                          |
|                             |  | First lien senior secured loan (\$27,740 par due 8/2016)  | 7.00% (Libor + 6.00%/Q)     | 8/31/2011        | 27,777         | 27,740(2)(25) |                          |
|                             |  | First lien senior secured loan (\$61,518 par due 8/2016)  | 7.00% (Libor + 6.00%/Q)     | 8/31/2011        | 61,518         | 61,518(3)(25) |                          |

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|   |  |   |                             |            |         |                |       |
|---|--|---|-----------------------------|------------|---------|----------------|-------|
|   |  | First lien senior secured loan (\$14,718 par due 8/2016)                            | 7.00% (Libor + 6.00%/Q)     | 8/31/2011  | 14,718  | 14,718(4)(25)  |       |
|   |  |   |                             |            | 104,013 | 103,976        |       |
| Microstar Logistics LLC, Microstar Global Asset Management LLC, and MStar Holding Corporation | Keg management solutions provider                                      | Second lien senior secured loan (\$142,500 par due 12/2018)                         | 8.50% (Libor + 7.50%/Q)     | 12/14/2012 | 142,500 | 142,500(2)(25) |       |
|   |  | Common stock (50,000 shares)  |                             | 12/14/2012 | 5,000   | 7,223(2)       |       |
|   |  |   |                             |            | 147,500 | 149,723        |       |
| Pregis Corporation, Pregis Intellipack Corp., and Pregis Innovative Packaging Inc.            | Provider of highly-customized, tailored protective packaging solutions | First lien senior secured loan (\$975 par due 3/2017)                               | 7.75% (Libor + 6.25%/M)     | 4/25/2012  | 975     | 975(2)(25)     |       |
|   |  | First lien senior secured loan (\$5 par due 3/2017)                                 | 8.50% (Base Rate + 5.25%/Q) | 4/25/2012  | 5       | 5(2)(25)       |       |
|   |  |   |                             |            | 980     | 980            |       |
|   |  |   |                             |            | 252,493 | 254,679        | 5.19% |
| <b>Manufacturing</b>  |  |   |                             |            |         |                |       |
| Cambrios Technologies Corporation   | Nanotechnology-based solutions for electronic devices and computers    | First lien senior secured loan (\$3,030 par due 8/2015)                             | 12.00%                      | 8/7/2012   | 3,030   | 3,030(2)       |       |
|   |  | Warrants to purchase up to 400,000 shares of Series D-4 convertible preferred stock |                             | 8/7/2012   |         | 6(2)           |       |
|   |  |   |                             |            | 3,030   | 3,036          |       |
| Component Hardware Group, Inc.  | Commercial equipment   | First lien senior secured loan (\$23,701 par due 7/2019)                            | 5.50% (Libor + 4.50%/M)     | 7/1/2013   | 23,701  | 23,701(2)(25)  |       |
| Lighting Science Group  | Advanced lighting  | Letter of credit facility   |                             | 9/20/2011  |         | (2)(29)        |       |

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|--|--|--|-----------------------------|------------------|----------------|---------------|--------------------------|
| Corporation  | products   |  |                             |                  |                |               |                          |
| Mac Lean-Fogg Company  | Provider of intelligent transportation systems products in the traffic and rail industries | Senior subordinated loan (\$100,251 par due 10/2023)             | 9.50% Cash, 1.50% PIK       | 10/31/2013       | 100,251        | 100,251(2)    |                          |
| MWI Holdings, Inc.   | Provider of engineered springs, fasteners, and other precision components                  | First lien senior secured loan (\$38,274 par due 3/2019)         | 9.38% (Libor + 8.13%/Q)     | 6/15/2011        | 38,274         | 38,274(2)(25) |                          |
|  |  | First lien senior secured loan (\$10,000 par due 3/2019)         | 9.38% (Libor + 8.13%/Q)     | 6/15/2011        | 10,000         | 10,000(4)(25) |                          |
|  |  |  |                             |                  | 48,274         | 48,274        |                          |
| NetShape Technologies, Inc.  | Metal precision engineered components  | First lien senior secured revolving loan (\$538 par due 12/2014) | 7.50% (Libor + 6.50%/Q)     | 4/1/2010         | 538            | 538(2)(25)    |                          |
| Pelican Products, Inc.   | Flashlights  | First lien senior secured loan (\$2,317 par due 7/2018)          | 6.25% (Libor + 5.00%/Q)     | 7/13/2012        | 2,317          | 2,317(4)(25)  |                          |
|  |  | Second lien senior secured loan (\$32,000 par due 6/2019)        | 11.50% (Libor + 10.00%/Q)   | 7/13/2012        | 32,000         | 32,000(2)(25) |                          |
|  |  |  |                             |                  | 34,317         | 34,317        |                          |
| Protective Industries, Inc. dba Caplugs  | Plastic protection products  | First lien senior secured loan (\$997 par due 10/2019)           | 6.75% (Libor + 5.75%/Q)     | 11/30/2012       | 997            | 997(2)(25)    |                          |
|  |  | Preferred stock (2,379,361 shares)                               |                             | 5/23/2011        | 1,298          | 4,837(2)      |                          |
|  |  |  |                             |                  | 2,295          | 5,834         |                          |
| Saw Mill PCG Partners LLC  | Metal precision engineered components  | Common units (1,000 units)                                       |                             | 1/30/2007        | 1,000          | (2)           |                          |
| SSH Environmental Industries, Inc. and SSH Non-Destructive Testing, Inc. TPTM Merger Corp. | Magnetic sensors and supporting sensor products  | First lien senior secured loan (\$11,140 par due 12/2016)        | 9.00% (Libor + 7.50%/Q)     | 3/23/2012        | 10,990         | 11,140(2)(25) |                          |
|  | Time temperature indicator products  | First lien senior secured revolving loan (\$950 par due 9/2018)  | 6.25% (Libor + 5.25%/Q)     | 9/12/2013        | 950            | 950(2)(25)    |                          |
|  |  | First lien senior secured revolving loan (\$540 par due 9/2018)  | 7.50% (Base Rate + 4.25%/Q) | 9/12/2013        | 540            | 540(2)(25)    |                          |
|  |  | First lien senior secured loan (\$25,935 par due 9/2018)         | 6.25% (Libor + 5.25%/Q)     | 9/12/2013        | 25,935         | 25,935(2)(25) |                          |
|  |  |  |                             |                  | 27,425         | 27,425        |                          |
|  |  |  |                             |                  | 251,821        | 254,516       | 5.19%                    |
| <b>Automotive Services</b>   |  |  |                             |                  |                |               |                          |
| Driven Holdings, LLC   | Automotive aftermarket car care franchisor   | Preferred stock (247,500 units)                                  |                             | 12/16/2011       | 2,475          | 2,852(2)      |                          |

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|                                |  | Common stock<br>(25,000 units)                                       |                             | 12/16/2011 | 25     | 808(2)        |
|--------------------------------|--|--|-----------------------------|------------|--------|---------------|
|                                |  |  |                             |            | 2,500  | 3,660         |
| Eckler Industries, Inc.        | Restoration parts and accessories provider for classic automobiles | First lien senior secured revolving loan (\$2,000 par due 7/2017)    | 8.25% (Base Rate + 5.00%/Q) | 7/12/2012  | 2,000  | 2,000(2)(25)  |
|                                |  | First lien senior secured loan (\$8,172 par due 7/2017)              | 7.25% (Libor + 6.00%/M)     | 7/12/2012  | 8,172  | 8,172(2)(25)  |
|                                |  | First lien senior secured loan (\$30,609 par due 7/2017)             | 7.25% (Libor + 6.00%/M)     | 7/12/2012  | 30,609 | 30,609(3)(25) |
|                                |  | Series A preferred stock (1,800 shares)                              |                             | 7/12/2012  | 1,800  | 2,031(2)      |
|                                |  | Common stock (20,000 shares)   |                             | 7/12/2012  | 200    | 116(2)        |
|                                |  |  |                             |            | 42,781 | 42,928        |
| EcoMotors, Inc.                | Engine developer   | First lien senior secured loan (\$5,000 par due 10/2016)             | 10.83%                      | 12/28/2012 | 4,869  | 5,000(2)      |
|                                |  | First lien senior secured loan (\$5,000 par due 6/2017)              | 10.83%                      | 12/28/2012 | 4,853  | 5,000(2)      |
|                                |  | First lien senior secured loan (\$4,833 par due 7/2016)              | 10.13%                      | 12/28/2012 | 4,724  | 4,833(2)      |
|                                |  | Warrant to purchase up to 321,888 shares of Series C preferred stock |                             | 12/28/2012 |        | 43(2)         |
|                                |  |  |                             |            | 14,446 | 14,876        |
| Service King Paint & Body, LLC | Collision repair site operators                                    | First lien senior secured loan (\$7,617 par due 8/2017)              | 4.00% (Libor + 3.00%/Q)     | 8/20/2012  | 7,617  | 7,617(2)(25)  |

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As of December 31, 2013

(dollar amounts in thousands)

| Company(1)  | Business Description  | Investment   | Interest(5)(11)             | Acquisition Date | Amortized Cost | Fair Value        | Percentage of Net Assets |
|---|---|--|-----------------------------|------------------|----------------|-------------------|--------------------------|
|   |   | First lien senior secured loan (\$46,898 par due 8/2017) | 6.00% (Libor + 5.00%/Q)     | 8/20/2012        | 46,898         | 46,898(2)(16)(25) |                          |
|   |   | First lien senior secured loan (\$6,398 par due 8/2017)  | 4.00% (Libor + 3.00%/Q)     | 8/20/2012        | 6,398          | 6,398(2)(25)      |                          |
|   |   | First lien senior secured loan (\$72,135 par due 8/2017) | 6.00% (Libor + 5.00%/Q)     | 8/20/2012        | 72,135         | 72,135(2)(16)(25) |                          |
|   |   | First lien senior secured loan (\$9,646 par due 8/2017)  | 4.00% (Libor + 3.00%/Q)     | 8/20/2012        | 9,646          | 9,646(4)(25)      |                          |
|   |   | First lien senior secured loan (\$10,000 par due 8/2017) | 6.00% (Libor + 5.00%/Q)     | 8/20/2012        | 10,000         | 10,000(3)(16)(25) |                          |
|   |   | Membership interest                                      |                             | 8/20/2012        | 5,000          | 6,948(2)          |                          |
|   |   |  |                             |                  | 157,694        | 159,642           |                          |
|   |   |  |                             |                  | 217,421        | 221,106           | 4.51%                    |
| <b>Retail</b>                                       |   |  |                             |                  |                |                   |                          |
| Fulton Holdings Corp. (12)                          | Airport restaurant operator   | First lien senior secured loan (\$43,000 par due 5/2018) | 8.50%                       | 5/10/2013        | 43,000         | 43,000(2)(12)     |                          |
|   |   | First lien senior secured loan (\$40,000 par due 5/2018) | 8.50%                       | 5/28/2010        | 40,000         | 40,000(3)(12)     |                          |
|   |   | Common stock (19,672 shares)                             |                             | 5/28/2010        | 1,461          | 2,086(2)          |                          |
|   |   |  |                             |                  | 84,461         | 85,086            |                          |
| Paper Source, Inc. and Pine Holdings, Inc.          | Retailer of fine and artisanal papers, gifts, gift wrap, greeting cards and envelopes | First lien senior secured loan (\$18,952 par due 9/2018) | 7.25% (Libor + 6.25%/Q)     | 9/23/2013        | 18,952         | 18,952(2)(25)     |                          |
|   |   | Class A common stock (36,364 shares)                     |                             | 9/23/2013        | 6,000          | 6,660(2)          |                          |
|   |   |  |                             |                  | 24,952         | 25,612            |                          |
| Things Remembered Inc. and TRM Holdings Corporation | Personalized gifts retailer   | First lien senior secured loan (\$14,813 par due 5/2018) | 8.00% (Libor + 6.50%/Q)     | 5/24/2012        | 14,813         | 14,813(4)(25)     |                          |
|   |   |  |                             |                  | 124,226        | 125,511           | 2.56%                    |
| <b>Aerospace and Defense</b>                        |   |  |                             |                  |                |                   |                          |
| Cadence Aerospace, LLC (fka PRV Aerospace, LLC)     | Aerospace precision components manufacturer   | First lien senior secured loan (\$4,459 par due 5/2018)  | 6.50% (Libor + 5.25%/Q)     | 5/15/2012        | 4,425          | 4,459(4)(25)      |                          |
|   |   | First lien senior secured loan (\$65 par due 5/2018)     | 7.50% (Base Rate + 4.25%/Q) | 5/15/2012        | 65             | 65(4)(25)         |                          |
|   |   |  |                             | 5/10/2012        | 79,657         | 77,267(2)(25)     |                          |

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|   |   |   |                             |            |         |               |       |
|---|---|---|-----------------------------|------------|---------|---------------|-------|
|   |   | Second lien senior secured loan (\$79,657 par due 5/2019)         | 10.50% (Libor + 9.25%/Q)    |            | 84,147  | 81,791        |       |
| ILC Industries, LLC                             | Designer and manufacturer of protective cases and technically advanced lighting systems | First lien senior secured loan (\$19,192 par due 7/2018)          | 8.00% (Libor + 6.50%/Q)     | 7/13/2012  | 18,885  | 19,192(4)(25) |       |
| Wyle Laboratories, Inc. and Wyle Holdings, Inc. | Provider of specialized engineering, scientific and technical services                  | Senior preferred stock (775 shares)                               | 8.00% PIK                   | 1/17/2008  | 111     | 111(2)        |       |
|   |   | Common stock (1,885,195 shares)                                   |                             | 1/17/2008  | 2,291   | 1,722(2)      |       |
|   |   |   |                             |            | 2,402   | 1,833         |       |
|   |   |   |                             |            | 105,434 | 102,816       | 2.10% |
| <b>Chemicals</b>                                |   |   |                             |            |         |               |       |
| Argotec, LLC                                    | Thermoplastic polyurethane films  | First lien senior secured revolving loan (\$625 par due 5/2018)   | 7.00% (Base Rate + 3.75%/M) | 5/31/2013  | 625     | 625(2)(25)    |       |
|   |   | First lien senior secured loan (\$5,788 par due 5/2019)           | 5.75% (Libor + 4.75%/M)     | 5/31/2013  | 5,788   | 5,788(2)(25)  |       |
|   |   | First lien senior secured loan (\$74 par due 5/2019)              | 7.00% (Base Rate + 3.75%/Q) | 5/31/2013  | 74      | 74(2)(25)     |       |
|   |   |   |                             |            | 6,487   | 6,487         |       |
| Emerald Performance Materials, LLC              | Polymers and performance materials manufacturer   | First lien senior secured loan (\$17,730 par due 5/2018)          | 6.75% (Libor + 5.50%/Q)     | 12/13/2013 | 18,256  | 18,262(25)    |       |
| K2 Pure Solutions Nocal, L.P.                   | Chemical producer   | First lien senior secured revolving loan (\$2,256 par due 8/2019) | 8.13% (Libor + 7.13%/M)     | 8/19/2013  | 2,256   | 2,211(2)(25)  |       |
|   |   | First lien senior secured loan (\$41,500 par due 8/2019)          | 7.00% (Libor + 6.00%/M)     | 8/19/2013  | 41,500  | 40,670(2)(25) |       |
|   |   | First lien senior secured   | 7.00% (Libor + 6.00%/M)     | 8/19/2013  | 40,000  | 39,200(3)(25) |       |



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(dollar amounts in thousands)

| Company(1)  | Business Description   | Investment  | Interest(5)(11)         | Acquisition Date | Amortized Cost | Fair Value    | Percentage of Net Assets |
|---|--|---|-------------------------|------------------|----------------|---------------|--------------------------|
|   |  | loan (\$40,000 par due 8/2019)                                    |                         |                  | 83,756         | 82,081        |                          |
|   |  |   |                         |                  | 108,499        | 106,830       | 2.18%                    |
| <b>Transportation</b>   |  |   |                         |                  |                |               |                          |
| Eberle Design, Inc.   | Provider of intelligent transportation systems products in the traffic and rail industries | First lien senior secured loan (\$30,500 par due 8/2018)          | 7.50% (Libor + 6.25%/Q) | 8/26/2013        | 30,359         | 30,500(2)(25) |                          |
| PODS Funding Corp. II   | Storage and warehousing  | First lien senior secured loan (\$35,897 par due 12/2018)         | 7.00% (Libor + 6.00%/Q) | 12/19/2013       | 35,897         | 35,897(25)    |                          |
| United Road Towing, Inc.  | Towing company   | Warrants to purchase up to 607 shares                             |                         | 4/1/2010         |                |               |                          |
|   |  |   |                         |                  | 66,256         | 66,397        | 1.35%                    |
| <b>Printing, Publishing and Media</b>                             |  |   |                         |                  |                |               |                          |
| Batanga, Inc.   | Independent digital media company  | First lien senior secured revolving loan (\$3,000 par due 4/2014) | 8.50%                   | 10/31/2012       | 3,000          | 3,000(2)(23)  |                          |
|   |  | First lien senior secured loan (\$4,936 par due 11/2016)          | 9.60%                   | 10/31/2012       | 4,936          | 5,030(2)(23)  |                          |
|   |  | First lien senior secured loan (\$4,500 par due 9/2017)           | 9.60%                   | 10/31/2012       | 4,500          | 4,500(2)(23)  |                          |
|   |  |   |                         |                  | 12,436         | 12,530        |                          |
| Earthcolor Group, LLC   | Printing management services   | Limited liability company interests (9.30%)                       |                         | 5/18/2012        |                |               |                          |
| Encompass Digital Media, Inc.                                     | Provider of outsourced network origination and transmission services for media companies   | First lien senior secured loan (\$19,651 par due 8/2017)          | 6.75% (Libor + 5.50%/Q) | 12/13/2013       | 20,233         | 20,241(25)    |                          |
| The Teaching Company, LLC and The Teaching Company Holdings, Inc. | Education publications provider  | First lien senior secured loan (\$20,886 par due 3/2017)          | 9.00% (Libor + 7.50%/Q) | 9/29/2006        | 20,886         | 20,469(2)(25) |                          |
|   |  | First lien senior secured loan (\$9,701 par due 3/2017)           | 9.00% (Libor + 7.50%/Q) | 9/29/2006        | 9,701          | 9,507(4)(25)  |                          |
|   |  | Preferred stock (10,663 shares)                                   |                         | 9/29/2006        | 1,066          | 2,282(2)      |                          |
|   |  | Common stock (15,393 shares)                                      |                         | 9/29/2006        | 3              | 5(2)          |                          |
|   |  |   |                         |                  | 31,656         | 32,263        |                          |
|   |  |   |                         |                  | 64,325         | 65,034        | 1.33%                    |
| <b>Commercial Real Estate Finance</b>                             |  |   |                         |                  |                |               |                          |
| 10th Street, LLC (6)  | Real estate holding company  | Senior subordinated loan (\$26,250 par due 11/2014)               | 8.93% Cash, 4.07% PIK   | 4/1/2010         | 26,250         | 26,250(2)     |                          |

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|   |                                      |  |                                     |        |              |       |
|---|--------------------------------------|--|-------------------------------------|--------|--------------|-------|
|   |                                      | Member interest<br>(10.00% interest)                         | 4/1/2010                            | 594    | 7,257        |       |
|   |                                      | Option (25,000 units)  | 4/1/2010                            | 25     | 25           |       |
|   |                                      |  |                                     | 26,869 | 33,532       |       |
| American Commercial Coatings, Inc.                    | Real estate property                 | Commercial mortgage loan (\$2,275 par due 12/2025)           | 8.75% (Libor + 7.50%/Q)<br>4/1/2010 | 664    | 1,500(25)    |       |
| Cleveland East Equity, LLC                            | Hotel operator                       | Real estate equity interests                                 | 4/1/2010                            | 1,026  | 5,305        |       |
| Commons R-3, LLC                                      | Real estate developer                | Real estate equity interests                                 | 4/1/2010                            |        |              |       |
| Crescent Hotels & Resorts, LLC and affiliates (7)     | Hotel operator                       | Senior subordinated loan (\$2,236 par due 9/2011)            | 4/1/2010                            |        | (2)(24)      |       |
|   |                                      | Senior subordinated loan (\$2,092 par due 6/2017)            | 4/1/2010                            |        | (2)(24)      |       |
|   |                                      | Common equity interest                                       | 4/1/2010                            |        |              |       |
| Hot Light Brands, Inc. (7)                            | Real estate holding company          | First lien senior secured loan (\$31,384 par due 2/2011)     | 4/1/2010                            | 90     | 253(2)(24)   |       |
|   |                                      | Common stock (93,500 shares)                                 | 4/1/2010                            |        | (2)          |       |
|   |                                      |  |                                     | 90     | 253          |       |
| NPH, Inc.   | Hotel property                       | Real estate equity interests                                 | 4/1/2010                            | 5,291  | 5,532        |       |
|   |                                      |  |                                     | 33,940 | 46,122       | 0.94% |
| <b>Oil and Gas</b>                                    |                                      |  |                                     |        |              |       |
| Geotrace Technologies, Inc.                           | Reservoir processing and development | Warrants to purchase up to 69,978 shares of common stock     | 4/1/2010                            | 88     | (2)          |       |
|   |                                      | Warrants to purchase up to 210,453 shares of preferred stock | 4/1/2010                            | 2,805  | 638(2)       |       |
|   |                                      |  |                                     | 2,893  | 638          |       |
| UL Holding Co., LLC and Universal Lubricants, LLC (6) | Petroleum product manufacturer       | Second lien senior secured loan (\$10,093 par due 12/2014)   | 4/30/2012                           | 9,519  | 7,260(2)(24) |       |

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(dollar amounts in thousands)

| Company(1)   | Business Description   | Investment   | Interest(5)(11)         | Acquisition Date | Amortized Cost | Fair Value        | Percentage of Net Assets |
|--|--|--|-------------------------|------------------|----------------|-------------------|--------------------------|
|  |  | Second lien senior secured loan (\$42,812 par due 12/2014)           |                         | 4/30/2012        | 40,097         | 30,795(2)(24)     |                          |
|  |  | Second lien senior secured loan (\$4,994 par due 12/2014)            |                         | 4/30/2012        | 4,668          | 3,592(2)(24)      |                          |
|  |  | Class A common units (151,236 units)                                 |                         | 6/17/2011        | 1,512          | (2)               |                          |
|  |  | Class B-5 common units (599,200 units)                               |                         | 4/25/2008        | 5,472          | (2)               |                          |
|  |  | Class B-4 common units (50,000 units)                                |                         | 6/17/2011        | 500            | (2)               |                          |
|  |  | Class C common units (758,546 units)                                 |                         | 4/25/2008        |                | (2)               |                          |
|  |  |  |                         |                  | 61,768         | 41,647            |                          |
|  |  |  |                         |                  | 64,661         | 42,285            | 0.86%                    |
| <b>Health Clubs</b>  |  |  |                         |                  |                |                   |                          |
| Athletic Club Holdings, Inc.   | Premier health club operator                                     | First lien senior secured loan (\$34,000 par due 3/2019)             | 7.25% (Libor + 6.00%/M) | 10/11/2007       | 34,000         | 34,000(2)(13)(25) |                          |
| CFW Co-Invest, L.P. and NCP Curves, L.P.   | Health club franchisor   | Limited partnership interest (4,152,165 shares)                      |                         | 7/31/2012        | 4,152          | 2,913(2)          |                          |
|  |  | Limited partnership interest (2,218,235 shares)                      |                         | 7/31/2012        | 2,218          | 1,556(2)          |                          |
|  |  |  |                         |                  | 6,370          | 4,469             |                          |
|  |  |  |                         |                  | 40,370         | 38,469            | 0.78%                    |
| <b>Telecommunications</b>  |  |  |                         |                  |                |                   |                          |
| American Broadband Communications, LLC, American Broadband Holding Company, and Cameron Holdings of NC, Inc. | Broadband communication services                                 | Warrants to purchase up to 378 shares                                |                         | 11/7/2007        |                | 6,833(2)          |                          |
|  |  | Warrants to purchase up to 200 shares                                |                         | 9/1/2010         |                | 3,615(2)          |                          |
|  |  |  |                         |                  | 0              | 10,448            |                          |
| EUNetworks Group Limited (8)   | Broadband bandwidth infrastructure provider                      | First lien senior secured loan (\$20,567 par due 5/2019)             | 7.50% (Libor + 6.50%/Q) | 12/13/2013       | 21,192         | 21,185(25)        |                          |
| Quantance, Inc.  | Designer of semiconductor products to the mobile wireless market | First lien senior secured loan (\$3,500 par due 9/2016)              | 10.25%                  | 8/23/2013        | 3,402          | 3,465(2)          |                          |
|  |  | Warrant to purchase up to 130,432 shares of Series D preferred stock |                         | 8/23/2013        | 74             | 74(2)             |                          |
|  |  |  |                         |                  | 3,476          | 3,539             |                          |
| Startec Equity, LLC (7)  |  | Member interest  |                         | 4/1/2010         |                |                   |                          |

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|   |   |  |            |            |        |           |
|---|---|--|------------|------------|--------|-----------|
|   | Communication services  |  |            |            |        |           |
| Wilcon Holdings LLC   | Communications infrastructure provider  | Class A common stock (2,000,000 shares)                        |            | 12/13/2013 | 1,829  | 1,829     |
|   |   |  |            |            | 26,497 | 37,001    |
|   |   |  |            |            |        | 0.75%     |
| <b>Environmental Services</b>                                     |   |  |            |            |        |           |
| Genomatica, Inc.  | Developer of a biotechnology platform for the production of chemical products | First lien senior secured loan (\$1,500 par due 10/2016)       | 9.26%      | 3/28/2013  | 1,439  | 1,500(2)  |
|   |   | Warrant to purchase 322,422 shares of Series D preferred stock |            | 3/28/2013  |        | 6(2)      |
|   |   |  |            |            | 1,439  | 1,506     |
| RE Community Holdings II, Inc. and Pegasus Community Energy, LLC. | Operator of municipal recycling facilities                                    | Preferred stock (1,000 shares)                                 |            | 3/1/2011   | 8,839  | 532(2)    |
| Waste Pro USA, Inc  | Waste management services   | Preferred Class A common equity (611,615 shares)               |            | 11/9/2006  | 12,263 | 27,898(2) |
|   |   |  |            |            | 22,541 | 29,936    |
|   |   |  |            |            |        | 0.61%     |
| <b>Food and Beverage</b>  |   |  |            |            |        |           |
| Apple & Eve, LLC and US Juice Partners, LLC (6)                   | Juice manufacturer  | Senior units (50,000 units)                                    |            | 10/5/2007  | 5,000  | 5,205     |
| Charter Baking Company, Inc.                                      | Baked goods manufacturer  | Senior subordinated loan (\$2,750 par due 6/2015)              | 17.50% PIK | 2/6/2008   | 2,750  | 2,750(2)  |
|   |   | Preferred stock (6,258 shares)                                 |            | 9/1/2006   | 2,567  | 2,260(2)  |
|   |   |  |            |            | 5,317  | 5,010     |
| Distant Lands Trading Co.   | Coffee manufacturer   | Class A common stock (1,294 shares)                            |            | 4/1/2010   | 980    | (2)       |
|   |   | Class A-1 common stock (2,157 shares)                          |            | 4/1/2010   |        | (2)       |
|   |   |  |            |            | 980    |           |
|   |   |  |            |            | 11,297 | 10,215    |
|   |   |  |            |            |        | 0.21%     |

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| Company(1)<br>Wholesale Distribution | Business Description  | Investment                   | Interest(5)(11) | Acquisition Date | Amortized Cost | Fair Value   | Percentage of Net Assets |
|--------------------------------------|---|------------------------------|-----------------|------------------|----------------|--------------|--------------------------|
| BECO Holding Company, Inc.           | Wholesale distributor of first response fire protection equipment and related parts | Common stock (25,000 shares) |                 | 7/30/2010        | 2,500          | 3,103(2)     |                          |
|                                      |   |                              |                 |                  | 2,500          | 3,103        | 0.06%                    |
|                                      |   |                              |                 |                  | \$ 7,537,403   | \$ 7,632,897 | 155.63%                  |

(1) Other than the Company's investments listed in footnote 7 below (subject to the limitations set forth therein), the Company does not Control any of its portfolio companies, for the purposes of the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act). In general, under the Investment Company Act, the Company would Control a portfolio company if the Company owned more than 25% of its outstanding voting securities (i.e., securities with the right to elect directors) and/or had the power to exercise control over the management or policies of such portfolio company. All of the Company's portfolio company investments, which as of December 31, 2013 represented 156% of the Company's net assets or 94% of the Company's total assets, are subject to legal restrictions on sales.

(2) These assets are pledged as collateral for the Revolving Credit Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company's obligations under the Revolving Credit Facility (see Note 5 to the consolidated financial statements).

(3) These assets are owned by the Company's consolidated subsidiary Ares Capital CP, are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).

(4) These assets are owned by the Company's consolidated subsidiary Ares Capital JB Funding LLC (ACJB), are pledged as collateral for the SMBC Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than ACJB's obligations under the SMBC Funding Facility (see Note 5 to the consolidated financial statements).

(5) Investments without an interest rate are non income producing.

(6) As defined in the Investment Company Act, the Company is deemed to be an Affiliated Person of a portfolio company because it owns 5% or more of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the year ended December 31, 2013 in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to Control) are as follows:

| Company | Purchases (cost) | Redemptions (cost) | Sales (cost) | Interest income | Capital structuring service fees | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|---------|------------------|--------------------|--------------|-----------------|----------------------------------|-----------------|--------------|-----------------------------|-------------------------------|
|---------|------------------|--------------------|--------------|-----------------|----------------------------------|-----------------|--------------|-----------------------------|-------------------------------|

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|   |    |    |        |           |          |          |          |            |             |
|---|----|----|--------|-----------|----------|----------|----------|------------|-------------|
| 10th Street, LLC  | \$ | \$ | \$     | \$ 3,361  | \$       | \$       | \$       | \$         | \$ 6,781    |
| Apple & Eve, LLC and US Juice Partners, LLC                                   | \$ | \$ | \$     | \$        | \$       | \$       | \$       | \$         | \$ 3,807    |
| Campus Management Corp. and Campus Management Acquisition Corp                | \$ | \$ | \$     | \$        | \$       | \$       | \$       | \$         | \$ (3,252)  |
| Cast & Crew Payroll, LLC and Centerstage Co-Investors, L.L.C.                 | \$ | \$ | 6,626  | \$ 30,000 | \$ 6,177 | \$       | 128      | \$ 154     | \$ 3,042    |
| CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC | \$ | \$ | 16,195 | \$        | \$ 875   | \$ 395   | \$ 1,047 | \$ 10      | \$ 615      |
| The Dwyer Group   | \$ | \$ | \$     | \$ 3,458  | \$       | \$ 522   | \$       | \$         | \$ 4,166    |
| ELC Acquisition Corp. and ELC Holdings Corporation                            | \$ | \$ | 1,682  | \$        | \$       | \$ 6,121 | \$       | \$         | \$ (2,667)  |
| Insight Pharmaceuticals Corporation   | \$ | \$ | \$     | \$ 2,623  | \$       | \$       | \$       | \$         | \$ (2,114)  |
| Investor Group Services, LLC  | \$ | \$ | \$     | \$        | \$       | \$ 176   | \$       | \$ 142     | \$ (78)     |
| Multi-Ad Services, Inc.   | \$ | \$ | \$     | \$        | \$       | \$       | \$       | \$         | \$ (283)    |
| Pillar Processing LLC and PHL Holding Co.                                     | \$ | \$ | 3,527  | \$        | \$       | \$       | \$       | \$ 46      | \$ (707)    |
| Soteria Imaging Services, LLC   | \$ | \$ | 2,049  | \$        | \$       | \$       | \$       | \$ (1,448) | \$ 1,208    |
| VSS-Tranzact Holdings, LLC  | \$ | \$ | \$     | \$        | \$       | \$       | \$       | \$         | \$ 1,584    |
| UL Holding Co., LLC   | \$ | \$ | 295    | \$ 3,037  | \$       | \$       | \$ 49    | \$ 15      | \$ (13,225) |

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(7) As defined in the Investment Company Act, the Company is deemed to be both an Affiliated Person and Control this portfolio company because it owns more than 25% of the portfolio company's outstanding voting securities or it has the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the year ended December 31, 2013 in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control are as follows:

| Company  | Purchases  | Redemptions<br>(cost) | Sales<br>(cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>income | Other<br>income | Net<br>realized<br>gains (losses) | Net<br>unrealized<br>gains (losses) |
|--|------------|-----------------------|-----------------|--------------------|--|--------------------|-----------------|-----------------------------------|-------------------------------------|
| AllBridge Financial, LLC                         | \$         | \$ 598                | \$              | \$                 | \$                                     | \$ 864             | \$              | \$                                | \$ 2,503                            |
| AWTP, LLC  | \$         | \$                    | \$ 10,333       | \$ 1,237           | \$                                     | \$                 | \$ 269          | \$ 8,740                          | \$ (4,580)                          |
| Callidus Capital Corporation                     | \$         | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$                                | \$ (6)                              |
| Ciena Capital LLC                                | \$         | \$ 6,000              | \$              | \$ 4,495           | \$                                     | \$                 | \$              | \$                                | \$ (7,691)                          |
| Citipostal, Inc.                                 | \$ 4,000   | \$ 4,738              | \$              | \$ 5,473           | \$                                     | \$                 | \$ (321)        | \$                                | \$ (13,787)                         |
| Crescent Hotels & Resorts, LLC<br>and affiliates | \$         | \$                    | \$              | \$                 | \$                                     | \$                 | \$              | \$ 194                            | \$                                  |
| HCI Equity, LLC                                  | \$         | \$ 340                | \$              | \$                 | \$                                     | \$                 | \$              | \$                                | \$ 227                              |
| HCP Acquisition Holdings, LLC                    | \$ 6,696   | \$                    | \$ 3,559        | \$                 | \$                                     | \$                 | \$              | \$ (809)                          | \$ (3,137)                          |
| Hot Light Brands, Inc.                           | \$         | \$ 1,573              | \$              | \$                 | \$                                     | \$                 | \$              | \$                                | \$ 698                              |
| Ivy Hill Asset Management, L.P.                  | \$         | \$                    | \$              | \$                 | \$                                     | \$ 72,407          | \$              | \$                                | \$ (13,904)                         |
| MVL Group, Inc.                                  | \$         | \$ 5,176              | \$              | \$ 11              | \$                                     | \$                 | \$              | \$                                | \$ 1,525                            |
| Orion Foods, LLC                                 | \$ 2,700   | \$ 6,712              | \$              | \$ 4,285           | \$                                     | \$                 | \$ 808          | \$                                | \$ 7,669                            |
| Senior Secured Loan Fund LLC*                    | \$ 652,458 | \$ 145,153            | \$              | \$ 224,867         | \$ 43,119                              | \$                 | \$ 23,491       | \$ 7,082                          | \$ 421                              |
| The Thymes, LLC                                  | \$         | \$                    | \$              | \$                 | \$                                     | \$ 410             | \$              | \$                                | \$ 3,460                            |

\* Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), the Company co invests through the Senior Secured Loan Fund LLC d/b/a the Senior Secured Loan Program (the "SSLP"). The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise) because, among other things, these voting securities do not afford the Company the right to elect directors of the SSLP or any other special rights (see Note 4 to the consolidated financial statements).

(8) Non U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(10) In the first quarter of 2011, the staff of the Securities and Exchange Commission (the "Staff") informally communicated to certain business development companies the Staff's belief that certain entities, which would be classified as an investment company under the Investment Company Act but for the exception from the definition of investment company set forth in Rule 3a 7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) under the Investment Company Act) (i.e., not eligible to be included in a BDC's 70% qualifying assets basket). Subsequently, in August 2011 the Securities and Exchange

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Commission issued a concept release (the Concept Release ) which stated that [a]s a general matter, the Commission presently does not believe that Rule 3a 7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest and requested comment on whether or not a 3a 7 issuer should be considered an eligible portfolio company . The Company provided a comment letter in respect of the Concept Release and continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as eligible portfolio companies entities that rely on the 3a 7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent



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discussions with the Staff, the Company has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as non qualifying assets should the Staff ultimately disagree with the Company's position.

(11) Variable rate loans to the Company's portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi annually (S), quarterly (Q), bi monthly (B), monthly (M) or daily (D). For each such loan, the Company has provided the interest rate in effect on the date presented.

(12) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 6.00% on \$12 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(13) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$17 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(14) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.25% on \$60 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(15) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 1.13% on \$18 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(16) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$97 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(17) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.13% on \$55 million aggregate principal amount of a first out tranche of the portfolio company's senior term debt previously syndicated by the Company into first out and last out tranches, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(18) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$27 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(19) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.75% on \$25 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(20) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 5.00% on \$23 million aggregate principal amount of a first out tranche of the portfolio

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company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(21) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 0.75% on \$45 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(22) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.75% on \$36 million aggregate principal amount of a first out tranche of the portfolio company's first lien senior secured loans, whereby the first out tranche will have priority as to the last out tranche with respect to payments of principal, interest and any other amounts due thereunder.

(23) The Company is entitled to receive a fixed fee upon the occurrence of certain events as defined in the credit agreement governing the Company's debt investment in the portfolio company. The fair value of such fee is included in the fair value of the debt investment.

(24) Loan was on non accrual status as of December 31, 2013.

(25) Loan includes interest rate floor feature.

(26) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates entitle the holders thereof to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.

(27) As of December 31, 2013, no amounts were funded by the Company under this first lien senior secured revolving loan; however, there were letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.

(28) As of December 31, 2013, in addition to the amounts funded by the Company under this first lien senior secured revolving loan, there were also letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.

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(29) As of December 31, 2013, no amounts were funded by the Company under this letter of credit facility; however, there were letters of credit issued and outstanding through a financial intermediary under the letter of credit facility. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.

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| <b>ARES CAPITAL CORPORATION AND SUBSIDIARIES</b>     |
| <b>CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY</b> |
| <b>For the Three Months Ended March 31, 2014</b>     |
| <b>(in thousands, except per share data)</b>         |
| <b>(unaudited)</b>                                   |

|   | Common Stock |        | Capital in   | Accumulated     | Accumulated       | Net Unrealized | Total        |
|---|--------------|--------|--------------|-----------------|-------------------|----------------|--------------|
|   | Shares       | Amount | Excess of    | Overdistributed | Net Realized      | Gain on        | Stockholders |
|   |              |        | Par Value    | Net Investment  | Loss on           | Investments    | Equity       |
|   |              |        |              | Income          | Investments,      | and Foreign    |              |
|   |              |        |              |                 | Foreign Currency  | Currency       |              |
|   |              |        |              |                 | Transactions,     | Transactions   |              |
|   |              |        |              |                 | Extinguishment of |                |              |
|   |              |        |              |                 | Debt and          |                |              |
|   |              |        |              |                 | Other Assets      |                |              |
| Balance at December 31, 2013                                  | 297,971      | \$ 298 | \$ 4,982,477 | \$ (8,785)      | \$ (165,040)      | \$ 95,494      | \$ 4,904,444 |
| Shares issued in connection with dividend reinvestment plan   | 299          |        | 5,257        |                 |                   |                | 5,257        |
| Net increase in stockholders equity resulting from operations |              |        |              | 112,336         | 12,045            | (7,389)        | 116,992      |
| Dividends declared and payable (\$0.43 per share)             |              |        |              | (128,127)       |                   |                | (128,127)    |
| Balance at March 31, 2014                                     | 298,270      | \$ 298 | \$ 4,987,734 | \$ (24,576)     | \$ (152,995)      | \$ 88,105      | \$ 4,898,566 |

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| See accompanying notes to consolidated financial statements. |
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| <b>ARES CAPITAL CORPORATION AND SUBSIDIARIES</b> |
| <b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>      |
| <b>(in thousands)</b>                            |

|  | For the three months ended    |                               |
|--|-------------------------------|-------------------------------|
|  | March 31, 2014<br>(unaudited) | March 31, 2013<br>(unaudited) |
| <b>OPERATING ACTIVITIES:</b>   |                               |                               |
| Net increase in stockholders' equity resulting from operations                           | \$ 116,992                    | \$ 80,342                     |
| Adjustments to reconcile net increase in stockholders' equity resulting from operations: |                               |                               |
| Realized losses on extinguishment of debt  | 72                            |                               |
| Net realized gains on investments and foreign currency transactions                      | (12,117)                      | (11,678)                      |
| Net unrealized losses on investments and foreign currency transactions                   | 7,389                         | 30,433                        |
| Net accretion of discount on investments   | (339)                         | (1,566)                       |
| Increase in payment-in-kind interest and dividends                                       | (2,900)                       | (6,110)                       |
| Collections of payment-in-kind interest and dividends                                    | 1,611                         | 1,198                         |
| Amortization of debt issuance costs  | 3,948                         | 3,497                         |
| Accretion of discount on notes payable   | 3,718                         | 3,256                         |
| Depreciation   | 210                           | 205                           |
| Proceeds from sales and repayments of investments  | 790,066                       | 237,033                       |
| Purchases of investments   | (828,092)                     | (351,275)                     |
| Changes in operating assets and liabilities:   |                               |                               |
| Interest receivable  | (17,267)                      | (6,993)                       |
| Other assets   | (674)                         | (7,706)                       |
| Management and incentive fees payable  | (16,359)                      | (18,985)                      |
| Accounts payable and other liabilities   | 8,614                         | (3,916)                       |
| Interest and facility fees payable   | (1,445)                       | (2,627)                       |
| Net cash provided by (used in) operating activities                                      | 53,427                        | (54,892)                      |
| <b>FINANCING ACTIVITIES:</b>   |                               |                               |
| Borrowings on debt   | 254,050                       | 397,000                       |
| Repayments and repurchases of debt   | (185,424)                     | (417,000)                     |
| Debt issuance costs  | (2,319)                       | (1,609)                       |
| Dividends paid   | (122,724)                     | (90,091)                      |
| Net cash used in financing activities  | (56,417)                      | (111,700)                     |
| CHANGE IN CASH AND CASH EQUIVALENTS  | (2,990)                       | (166,592)                     |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD   | 149,629                       | 269,043                       |
| CASH AND CASH EQUIVALENTS, END OF PERIOD   | \$ 146,639                    | \$ 102,451                    |
| <b>Supplemental Information:</b>   |                               |                               |
| Interest paid during the period  | \$ 45,224                     | \$ 32,997                     |
| Taxes, including excise tax, paid during the period                                      | \$ 12,880                     | \$ 10,329                     |
| Dividends declared and payable for the period  | \$ 128,127                    | \$ 94,488                     |

See accompanying notes to consolidated financial statements.

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**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of March 31, 2014**

**(unaudited)**

**(in thousands, except per share data, percentages and as otherwise indicated;**

**for example, with the words million, billion or otherwise)**

**1. ORGANIZATION**

Ares Capital Corporation (the Company or ARCC) is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. The Company has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act). The Company has elected to be treated as a regulated investment company, or a RIC, under the Internal Revenue Code of 1986, as amended (the Code) and operates in a manner so as to qualify for the tax treatment applicable to RICs.

The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company invests primarily in first lien senior secured loans (including unitranche loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. To a lesser extent, the Company also makes equity investments.

The Company is externally managed by Ares Capital Management LLC (Ares Capital Management or the Company's investment adviser), a wholly owned subsidiary of Ares Management LLC (Ares Management), a global alternative asset manager and a Securities and Exchange Commission (SEC) registered investment adviser. Ares Operations LLC (Ares Operations or the Company's administrator), a wholly owned subsidiary of Ares Management, provides the administrative services necessary for the Company to operate.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles or (GAAP), and include the accounts of the Company and its consolidated subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have

been eliminated.

Interim financial statements are prepared in accordance with United States generally accepted accounting principles ( GAAP ) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2014.

#### *Cash and Cash Equivalents*

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

#### *Concentration of Credit Risk*

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in money market accounts may exceed the Federal Deposit Insurance Corporation insured limit.

#### *Investments*

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to unrealized gains or losses



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previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, the Company looks at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of the Company's investments) are valued at fair value as determined in good faith by the Company's board of directors, based on, among other things, the input of the Company's investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of the Company's board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 50% of the Company's portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, the Company's independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, the Company's investment valuation process within the context of performing the integrated audit.

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

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

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

The Company's board of directors undertakes a multi-step valuation process each quarter, as described below:

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

- Preliminary valuations are reviewed and discussed with the Company's investment adviser's management and investment professionals, and then valuation recommendations are presented to the Company's board of directors.
- The audit committee of the Company's board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms who review a minimum of 50% of the Company's portfolio at fair value.
- The Company's board of directors discusses valuations and ultimately determines the fair value of each investment in the Company's portfolio without a readily available market quotation in good faith based on, among other things, the input of the Company's investment adviser, audit committee and, where applicable, independent third-party valuation firms.

See Note 8 for more information on the Company's valuation process.

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***Interest and Dividend Income Recognition***

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

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

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

***Payment-in-Kind Interest***

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

***Capital Structuring Service Fees and Other Income***

The Company's investment adviser seeks to provide assistance to its portfolio companies and in return the Company may receive fees for capital structuring services. These fees are generally only available to the Company as a result of the Company's underlying investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Company's investment adviser provides vary by investment, but generally include reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to the Company. In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, a portion of loan fees paid to the Company in such situations will be deferred and amortized over the estimated life of the loan. The Company may also take a seat on the board of directors of a portfolio company, or observe the meetings of the board of directors without taking a formal seat.

Other income includes fees for management and consulting services, loan guarantees, commitments, amendments and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

***Foreign Currency Translation***

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

- (1) Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.
  
- (2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

Results of operations based on changes in foreign exchange rates are separately disclosed in the statement of operations, if any. Foreign security and currency translations may involve certain considerations and risks not typically associated with investing in

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U.S. companies and U.S. government securities. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

***Accounting for Derivative Instruments***

The Company does not utilize hedge accounting and instead marks its derivatives to market in the consolidated statement of operations.

***Equity Offering Expenses***

The Company's offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received.

***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method.

***Income Taxes***

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

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that 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 such taxable income is earned.

Certain of the Company's consolidated subsidiaries are subject to U.S. federal and state corporate-level income taxes.

*Dividends to Common Stockholders*

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

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

*Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of actual and contingent assets and liabilities at the date of the financial statements and the reported

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amounts of income or loss and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of investments.

**3. AGREEMENTS**

*Investment Advisory and Management Agreement*

The Company is party to an investment advisory and management agreement (the "investment advisory and management agreement") with Ares Capital Management. Subject to the overall supervision of the Company's board of directors, Ares Capital Management provides investment advisory and management services to the Company. For providing these services, Ares Capital Management receives a fee from the Company consisting of two components: a base management fee and an incentive fee.

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

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

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

Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company's net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed hurdle rate of 1.75% per quarter. If market credit spreads rise, the Company may be able to invest its funds in debt instruments that provide for a higher return, which may increase the Company's pre-incentive fee net investment income and make it easier for the Company's investment adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. To the extent the Company has retained pre-incentive fee net investment income that has been used to calculate this part of the incentive fee, it is also

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included in the amount of the Company's total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

The Company pays its investment adviser an incentive fee with respect to the Company's pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which the Company's pre-incentive fee net investment income does not exceed the hurdle rate;
- 100% of the Company's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter. The Company refers to this portion of its pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.1875%) as the "catch-up" provision. The "catch-up" is meant to provide the Company's investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeded 2.1875% in any calendar quarter; and



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

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

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

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

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

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in the Company's portfolio as of the applicable Capital Gains Fee calculation date and (b) the accreted or amortized cost basis of such investment.

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

The Company defers cash payment of any incentive fee otherwise earned by the Company's investment adviser if during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made the sum of (a) the aggregate distributions to the Company's stockholders and (b) the change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 7.0% of the Company's net assets (defined as total assets less indebtedness) at the beginning of such period. Any deferred incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the

investment advisory and management agreement.

The Capital Gains Fee payable to the Company's investment adviser as calculated under the investment advisory and management agreement (as described above) for the three months ended March 31, 2014 was \$0. However, in accordance with GAAP, the Company had cumulatively accrued a capital gains incentive fee of \$64,447 as of March 31, 2014 that is not currently due under the investment advisory and management agreement. GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the Capital Gains Fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires the Company to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual Capital Gains Fees paid or capital gains incentive fees accrued under GAAP in all prior periods. As of March 31, 2014, the Company has paid Capital Gains Fees since inception totaling \$33,411, of which \$17,425 was paid in the first quarter of 2014. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future.

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For the three months ended March 31, 2014, base management fees were \$30,084, incentive fees related to pre-incentive fee net investment income were \$28,318 and accrued incentive fees related to capital gains calculated in accordance with GAAP were \$935. As of March 31, 2014, \$122,849 was included in management and incentive fees payable in the accompanying consolidated balance sheet, of which \$58,402 was currently payable to the Company's investment adviser under the investment advisory and management agreement.

For the three months ended March 31, 2013, base management fees were \$23,218, incentive fees related to pre-incentive fee net investment income were \$23,836, and the reduction of incentive fees related to capital gains calculated in accordance with GAAP was \$3,751.

**Administration Agreement**

The Company is party to an administration agreement, referred to herein as the administration agreement, with its administrator, Ares Operations. Pursuant to the administration agreement, Ares Operations furnishes the Company with office equipment and clerical, bookkeeping and record keeping services at the Company's office facilities. Under the administration agreement, Ares Operations also performs, or oversees the performance of, the Company's required administrative services, which include, among other things, providing assistance in accounting, legal, compliance, operations, investor relations and technology being responsible for the financial records that the Company is required to maintain and preparing reports to its stockholders and reports filed with the SEC. In addition, Ares Operations assists the Company in determining and publishing its net asset value, assists the Company in providing managerial assistance to its portfolio companies, oversees the preparation and filing of the Company's tax returns and the printing and dissemination of reports to its stockholders, and generally oversees the payment of its expenses and the performance of administrative and professional services rendered to the Company by others. Payments under the Company's administration agreement are equal to an amount based upon its allocable portion of Ares Operations' overhead and other expenses (including travel expenses) incurred by Ares Operations in performing its obligations under the administration agreement, including the Company's allocable portion of the compensation of certain of its officers (including the Company's chief compliance officer, chief financial officer, chief accounting officer, general counsel, treasurer and assistant treasurer) and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three months ended March 31, 2014 and 2013, the Company incurred \$3,743 and \$2,592, respectively, in administrative fees. As of March 31, 2014, \$3,743 of these fees were unpaid and included in accounts payable and other liabilities in the accompanying consolidated balance sheet.

**4. INVESTMENTS**

As of March 31, 2014 and December 31, 2013, investments consisted of the following:

|                                  | March 31, 2014    |              | As of<br>December 31, 2013 |              |
|----------------------------------|-------------------|--------------|----------------------------|--------------|
|                                  | Amortized Cost(1) | Fair Value   | Amortized Cost(1)          | Fair Value   |
| First lien senior secured loans  | \$ 3,548,296      | \$ 3,521,722 | \$ 3,405,597               | \$ 3,377,608 |
| Second lien senior secured loans | 1,223,409         | 1,197,169    | 1,335,761                  | 1,319,191    |

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|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Subordinated certificates of the SSLP(2) | 1,814,766           | 1,841,987           | 1,745,192           | 1,771,369           |
| Senior subordinated debt                 | 429,304             | 388,018             | 364,094             | 323,171             |
| Preferred equity securities              | 231,413             | 236,765             | 226,044             | 229,006             |
| Other equity securities                  | 457,332             | 603,073             | 453,732             | 600,214             |
| Commercial real estate                   | 6,954               | 10,862              | 6,983               | 12,338              |
| <b>Total</b>                             | <b>\$ 7,711,474</b> | <b>\$ 7,799,596</b> | <b>\$ 7,537,403</b> | <b>\$ 7,632,897</b> |

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(1) The amortized cost represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

(2) The proceeds from these certificates were applied to co-investments with GE Global Sponsor Finance LLC and General Electric Capital Corporation to fund first lien senior secured loans to 46 and 47 different borrowers as of March 31, 2014 and December 31, 2013, respectively.

The industrial and geographic compositions of the Company's portfolio at fair value as of March 31, 2014 and December 31,

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2013 were as follows:

|                                  | March 31, 2014 | As of<br>December 31, 2013 |
|----------------------------------|----------------|----------------------------|
| <b>Industry</b>                  |                |                            |
| Investment Funds and Vehicles(1) | 24.0%          | 23.7%                      |
| Healthcare Services              | 14.9           | 15.4                       |
| Business Services                | 8.8            | 9.2                        |
| Other Services                   | 8.6            | 6.7                        |
| Education                        | 6.6            | 7.5                        |
| Energy                           | 5.4            | 5.4                        |
| Financial Services               | 4.8            | 5.1                        |
| Consumer Products                | 4.7            | 3.5                        |
| Restaurants and Food Services    | 4.0            | 5.2                        |
| Manufacturing                    | 3.6            | 3.3                        |
| Containers and Packaging         | 3.3            | 3.3                        |
| Automotive Services              | 2.9            | 2.9                        |
| Retail                           | 1.6            | 1.6                        |
| Chemicals                        | 1.4            | 1.4                        |
| Aerospace and Defense            | 1.3            | 1.4                        |
| Other                            | 4.1            | 4.4                        |
| <b>Total</b>                     | <b>100.0%</b>  | <b>100.0%</b>              |

(1) Includes the Company's investment in the SSLP, which had made first lien senior secured loans to 46 and 47 different borrowers as of March 31, 2014 and December 31, 2013, respectively. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

|                          | March 31, 2014 | As of<br>December 31, 2013 |
|--------------------------|----------------|----------------------------|
| <b>Geographic Region</b> |                |                            |
| West (1)                 | 52.0%          | 50.0%                      |
| Midwest                  | 16.5           | 15.8                       |
| Southeast                | 13.7           | 13.6                       |
| Mid Atlantic             | 13.6           | 15.9                       |
| International            | 2.0            | 3.7                        |
| Northeast                | 2.2            | 1.0                        |
| <b>Total</b>             | <b>100.0%</b>  | <b>100.0%</b>              |

(1) Includes the Company's investment in the SSLP, which represented 23.6% and 23.2% of the total investment portfolio at fair value as of March 31, 2014 and December 31, 2013, respectively.

As of March 31, 2014, 3.2% of total investments at amortized cost (or 1.9% of total investments at fair value) were on non-accrual status. As of December 31, 2013, 3.1% of total investments at amortized cost (or 2.1% of total investments at fair value) were on non-accrual status.

*Senior Secured Loan Program*

The Company co-invests in first lien senior secured loans of middle market companies with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE") through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a the "Senior Secured Loan Program") or the "SSLP". The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The Company provides capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

As of March 31, 2014 and December 31, 2013, GE and the Company had agreed to make \$11.0 billion of capital available to the SSLP, of which approximately \$8.8 billion and \$8.7 billion in aggregate principal amount, respectively, was funded. As of March

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31, 2014 and December 31, 2013, the Company had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$1.8 billion and \$1.7 billion in aggregate principal amount, respectively, was funded. Investment of any unfunded amount must be approved by the investment committee of the SSLP described above.

As of March 31, 2014 and December 31, 2013, the SSLP had total assets of \$8.9 billion and \$8.7 billion, respectively. As of March 31, 2014 and December 31, 2013, GE's investment in the SSLP consisted of senior notes of \$6.8 billion and \$6.7 billion, respectively, and SSLP Certificates of \$259.3 million and \$249.3 million, respectively. The SSLP Certificates are junior in right of payment to the senior notes held by GE. As of March 31, 2014 and December 31, 2013, the Company and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

The SSLP's portfolio consisted of first lien senior secured loans to 46 and 47 different borrowers as of March 31, 2014 and December 31, 2013, respectively. As of March 31, 2014 and December 31, 2013, the portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies. As of March 31, 2014 and December 31, 2013, one loan was on non-accrual status, representing 1.0% and 1.0%, respectively, of the total loans at principal amount in the SSLP. As of March 31, 2014 and December 31, 2013, the largest loan to a single borrower in the SSLP's portfolio in aggregate principal amount was \$348.8 million and \$321.7 million, respectively, and the five largest loans to borrowers in the SSLP totaled \$1.5 billion as of the end of both such periods. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio. Additionally, as of March 31, 2014 and December 31, 2013, the SSLP had commitments to fund various delayed draw investments to certain of its portfolio companies of \$282.2 million and \$510.4 million, respectively, which had been approved by the SSLP investment committee. As of March 31, 2014 and December 31, 2013, the Company had commitments to co-invest in the SSLP for its portion of the SSLP's commitments to fund such delayed draw investments of up to \$49.2 million and \$85.1 million, respectively.

The amortized cost and fair value of the SSLP Certificates held by the Company were \$1.8 billion and \$1.8 billion, respectively, as of March 31, 2014 and \$1.7 billion and \$1.8 billion, respectively, as of December 31, 2013. The SSLP Certificates pay a weighted average coupon of approximately LIBOR plus 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than the contractual coupon. The Company's yield on its investment in the SSLP at fair value was 14.3% and 14.8% as of March 31, 2014 and December 31, 2013, respectively. For the three months ended March 31, 2014 and 2013, the Company earned interest income of \$67.7 million and \$48.6 million, respectively, from its investment in the SSLP Certificates. The Company is also entitled to certain fees in connection with the SSLP. For the three months ended March 31, 2014 and 2013, in connection with the SSLP, the Company earned capital structuring service, sourcing and other fees totaling \$12.5 million and \$7.9 million, respectively.

***Ivy Hill Asset Management, L.P.***

Ivy Hill Asset Management, L.P. (IHAM) is an asset management services company and an SEC-registered investment adviser. The Company has made investments in IHAM, its wholly owned portfolio company and previously made investments in certain vehicles managed by IHAM. As of March 31, 2014, IHAM had assets under management (IHAM AUM)(1) of approximately \$2.8 billion and managed 13 vehicles and served as the sub-manager/sub-servicer for three other vehicles (these vehicles managed or sub-managed/sub-serviced by IHAM are collectively referred to as the IHAM Vehicles). IHAM earns fee income from managing the IHAM Vehicles and has also invested in certain of these vehicles as part of its business strategy. As of March 31, 2014 and December 31, 2013, IHAM had total investments of \$205 million and \$170 million, respectively. For the three months ended March 31, 2014 and 2013, IHAM had management fee income of \$7 million and \$5 million, respectively, and other investment-related income of \$6 million and \$12 million, respectively.

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The amortized cost and fair value of the Company's investment in IHAM was \$171.0 million and \$264.9 million, respectively, as of March 31, 2014, and \$171.0 million and \$280.4 million, respectively, as of December 31, 2013. For the three months ended March 31, 2014 and 2013, the Company received distributions consisting entirely of dividend income from IHAM of \$20.0 million and \$27.4 million, respectively. The dividend income for the three months ended March 31, 2014 and March 31, 2013 included additional dividends of \$10.0 million and \$17.4 million, respectively, in addition to the quarterly dividend generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM.

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(1) IHAM AUM refers to the assets of the vehicles managed, sub-managed and sub-serviced by IHAM. It includes drawn and undrawn amounts, including certain amounts that are subject to regulatory leverage restrictions and/or borrowing base restrictions. IHAM AUM amounts are as of March 31, 2014 and are unaudited. Certain amounts are preliminary and remain subject to change, and differences may arise due to rounding.



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From time to time, IHAM or certain IHAM Vehicles may purchase investments from, or sell investments to, the Company. For any such sales or purchases by the IHAM Vehicles to or from the Company, the IHAM Vehicles must obtain approval from third parties unaffiliated with the Company or IHAM, as applicable. During the three months ended March 31, 2014 and 2013, neither IHAM nor any of the IHAM Vehicles purchased any investments from the Company. The Company purchased investments from certain of the IHAM Vehicles totaling \$10.4 million and \$91.5 million during the three months ended March 31, 2014 and 2013, respectively.

IHAM is party to an administration agreement, referred to herein as the IHAM administration agreement, with Ares Operations. Pursuant to the IHAM administration agreement, Ares Operations provides IHAM with, among other things, office facilities, equipment, clerical, bookkeeping and record keeping services, services relating to the marketing and sale of interests in vehicles managed by IHAM, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Under the IHAM administration agreement, IHAM reimburses Ares Operations for all of the actual costs associated with such services, including Ares Operations allocable portion of overhead and the cost of its officers, employees and respective staff in performing its obligations under the IHAM administration agreement.

**5. DEBT**

In accordance with the Investment Company Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowing. As of March 31, 2014 the Company's asset coverage was 260%.

The Company's outstanding debt as of March 31, 2014 and December 31, 2013 were as follows:

|                                 | As of   |                                    |                   | As of   |                                    |                   |
|---------------------------------|---|------------------------------------|-------------------|---|------------------------------------|-------------------|
|                                 | March 31, 2014  |                                    |                   | December 31, 2013   |                                    |                   |
|                                 | Total<br>Aggregate<br>Principal<br>Amount<br>Committed/<br>Outstanding(1) | Principal<br>Amount<br>Outstanding | Carrying<br>Value | Total<br>Aggregate<br>Principal<br>Amount<br>Committed/<br>Outstanding(1) | Principal<br>Amount<br>Outstanding | Carrying<br>Value |
| Revolving Credit Facility       | \$ 1,170,000(2)   | \$                                 | \$                | \$ 1,060,000  | \$                                 | \$                |
| Revolving Funding Facility      | 620,000(3)  | 100,000                            | 100,000           | 620,000   | 185,000                            | 185,000           |
| SMBC Funding Facility           | 400,000   |                                    |                   | 400,000   |                                    |                   |
| February 2016 Convertible Notes | 575,000   | 575,000                            | 558,534(4)        | 575,000   | 575,000                            | 556,456(4)        |
| June 2016 Convertible Notes     | 230,000   | 230,000                            | 222,577(4)        | 230,000   | 230,000                            | 221,788(4)        |
| 2017 Convertible Notes          | 162,500   | 162,500                            | 159,455(4)        | 162,500   | 162,500                            | 159,220(4)        |
| 2018 Convertible Notes          | 270,000   | 270,000                            | 264,424(4)        | 270,000   | 270,000                            | 264,097(4)        |
| 2019 Convertible Notes          | 300,000   | 300,000                            | 295,488(4)        | 300,000   | 300,000                            | 295,279(4)        |
| 2018 Notes                      | 750,000   | 750,000                            | 750,825(5)        | 600,000   | 600,000                            | 596,756(5)        |
| February 2022 Notes             | 143,750   | 143,750                            | 143,750           | 143,750   | 143,750                            | 143,750           |
| October 2022 Notes              | 182,500   | 182,500                            | 182,500           | 182,500   | 182,500                            | 182,500           |

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|            |    |           |    |           |    |            |    |           |    |           |    |            |
|------------|----|-----------|----|-----------|----|------------|----|-----------|----|-----------|----|------------|
| 2040 Notes |    | 200,000   |    | 200,000   |    | 200,000    |    | 200,000   |    | 200,000   |    | 200,000    |
| 2047 Notes |    | 229,557   |    | 229,557   |    | 181,140(6) |    | 230,000   |    | 230,000   |    | 181,429(6) |
| Total      | \$ | 5,233,307 | \$ | 3,143,307 | \$ | 3,058,693  | \$ | 4,973,750 | \$ | 3,078,750 | \$ | 2,986,275  |

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

(2) Provides for a feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,755,000.

(3) Provides for a feature that allows the Company and Ares Capital CP, under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865,000.

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(4) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below) less the unaccreted discount initially recorded upon issuance of the Convertible Unsecured Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$16,466, \$7,423, \$3,045, \$5,576 and \$4,512, respectively, as of March 31, 2014. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$18,544, \$8,212, \$3,280, \$5,903 and \$4,721 respectively, as of December 31, 2013.

(5) As of March 31, 2014, represents the aggregate principal amount outstanding plus the net unamortized premium of \$825 that was initially recorded upon the issuances of the 2018 Notes. As of December 31, 2013, represents the aggregate principal amount less the unaccreted discount of \$3,244 initially recognized on the first issuance of the 2018 Notes.

(6) Represents the aggregate principal amount outstanding less the unaccreted purchased discount discount initially recorded as a part of the Allied Acquisition (as defined below). The total unaccreted purchased discount for the 2047 Notes was \$48,417 and \$48,571 as of March 31, 2014 and December 31, 2013, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all the Company's outstanding debt as of March 31, 2014 were 5.4% and 7.6 years, respectively, and as of December 31, 2013 were 5.3% and 7.9 years, respectively.

***Revolving Credit Facility***

The Company is party to a senior secured revolving credit facility (as amended and restated, the Revolving Credit Facility), which allows the Company to borrow up to \$1,170,000 at any one time outstanding. The end of the revolving period and the stated maturity date for the Revolving Credit Facility are May 4, 2018 and May 4, 2019, respectively. The Revolving Credit Facility also includes a feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$1,755,000. The Revolving Credit Facility generally requires payments of interest at the end of each LIBOR interest period, but no less frequently than quarterly, on LIBOR based loans, and monthly payments of interest on other loans. From the end of the revolving period to the stated maturity date, the Company is required to repay outstanding principal amounts under the Revolving Credit Facility on a monthly basis in an amount equal to 1/12th of the outstanding principal amount at the end of the revolving period.

Under the Revolving Credit Facility, the Company is required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of the Company and its consolidated subsidiaries of not less than 2.0:1.0, (f) limitations on pledging certain unencumbered assets, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the documents governing the Revolving Credit Facility. Borrowings under the Revolving Credit Facility (and the incurrence of certain other permitted debt) are also subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio that are pledged as collateral. As of March 31, 2014, the Company was in compliance in all material respects with the terms of the Revolving Credit Facility.

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As of March 31, 2014 and December 31, 2013, there were no amounts outstanding under the Revolving Credit Facility. The Revolving Credit Facility also provides for a sub-limit for the issuance of letters of credit for up to an aggregate amount of \$200,000. As of March 31, 2014 and December 31, 2013, the Company had \$26,801 and \$47,898, respectively, in letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued. As of March 31, 2014, there was \$1,143,199 available for borrowing (net of letters of credit issued) under the Revolving Credit Facility.

Since May 2, 2013, subject to certain exceptions, the interest rate charged on the Revolving Credit Facility is based on LIBOR plus an applicable spread of 2.00% or a base rate (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. From May 5, 2012 through May 1, 2013, the interest rate charged on the Revolving Credit Facility was based on LIBOR plus an applicable spread of 2.25% or a base rate plus an applicable spread of 1.25%. As of March 31, 2014, the one, two, three and six month LIBOR was 0.15%, 0.19%, 0.23% and 0.33%, respectively. As of December 31, 2013, the one, two, three and six month LIBOR was 0.17%, 0.21%, 0.25% and 0.35%, respectively. In addition to the stated interest expense on the

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Revolving Credit Facility, the Company is required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. Since May 2, 2013, the Company is also required to pay a letter of credit fee of 2.25% per annum on letters of credit issued. From May 5, 2012 through May 1, 2013, the letter of credit fee was 2.50%.

The Revolving Credit Facility is secured by certain assets in the Company's portfolio and excludes investments held by Ares Capital CP under the Revolving Funding Facility and those held by ACJB under the SMBC Funding Facility, each as discussed below, and certain other investments.

For the three months ended March 31, 2014 and 2013, the components of interest and credit facility fees expense for the Revolving Credit Facility were as follows:

|   | <b>For the three months ended March 31,</b> |       |             |       |
|---|---|-------|-------------|-------|
|   | <b>2014</b>                                 |       | <b>2013</b> |       |
| Facility fees                                   | \$  | 1,184 | \$          | 1,090 |
| Amortization of debt issuance costs             |   | 672   |             | 805   |
| Total interest and credit facility fees expense | \$  | 1,856 | \$          | 1,895 |

***Revolving Funding Facility***

The Company's consolidated subsidiary, Ares Capital CP Funding LLC (Ares Capital CP), is party to a revolving funding facility (as amended, the Revolving Funding Facility), which allows Ares Capital CP to borrow up to \$620,000 at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are April 18, 2015 and April 18, 2017, respectively. The Revolving Funding Facility also includes a feature that allows, under certain circumstances, for an increase in the Revolving Funding Facility to a maximum of \$865,000.

Amounts available to borrow under the Revolving Funding Facility are subject to a borrowing base that applies different advance rates to different types of assets held by Ares Capital CP. Ares Capital CP is also subject to limitations with respect to the loans securing the Revolving Funding Facility, including restrictions on sector concentrations, loan size, payment frequency and status, collateral interests, loans with fixed rates and loans with certain investment ratings, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow. The Company and Ares Capital CP are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the agreements governing the Revolving Funding Facility. As of March 31, 2014, the Company and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

As of March 31, 2014 and December 31, 2013, there was \$100,000 and \$185,000 outstanding, respectively, under the Revolving Funding Facility. Since January 25, 2013, the interest charged on the Revolving Funding Facility is based on applicable spreads ranging from 2.25% to 2.50% over LIBOR and ranging from 1.25% to 1.50% over base rate (as defined in the agreements governing the Revolving Funding Facility) in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the Revolving Funding Facility. From January 18, 2012 through January 24, 2013, the interest rate charged on the Revolving Funding Facility was based on LIBOR plus an applicable spread of 2.50% or on a base rate plus an applicable spread of 1.50%. As of March 31, 2014 and December 31, 2013, the

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interest rate in effect was based on one month LIBOR, which was 0.15% and 0.17%, respectively. Ares Capital CP is also required to pay a commitment fee of between 0.50% and 1.75% per annum depending on the size of the unused portion of the Revolving Funding Facility.

For the three months ended March 31, 2014 and 2013, the components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Funding Facility were as follows:

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|   | <b>For the three months ended March 31,</b> |        |             |        |
|---|---|--------|-------------|--------|
|   | <b>2014</b>                                 |        | <b>2013</b> |        |
| Stated interest expense                         | \$  | 173    | \$          | 474    |
| Facility fees                                   |   | 1,812  |             | 1,607  |
| Amortization of debt issuance costs             |   | 507    |             | 503    |
| Total interest and credit facility fees expense | \$  | 2,492  | \$          | 2,584  |
| Cash paid for interest expense                  | \$  | 1,523  | \$          | 2,146  |
| Average stated interest rate                    |   | 2.41%  |             | 2.51%  |
| Average outstanding balance                     | \$  | 28,667 | \$          | 75,467 |

**SMBC Funding Facility**

The Company's consolidated subsidiary, Ares Capital JB Funding LLC ( ACJB ), is party to a revolving funding facility (as amended, the SMBC Funding Facility ) with ACJB, as the borrower, and Sumitomo Mitsui Banking Corporation ( SMBC ), as the administrative agent, collateral agent, and lender, which allows ACJB to borrow up to \$400,000 at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 14, 2016 and September 14, 2021, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement.

Amounts available to borrow under the SMBC Funding Facility are subject to a borrowing base that applies an advance rate to assets held by ACJB. The Company and ACJB are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the SMBC Funding Facility. As of March 31, 2014, the Company and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

As of March 31, 2014 and December 31, 2013, there were no amounts outstanding under the SMBC Funding Facility. Since December 19, 2013, subject to certain exceptions, the interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.00% or a base rate (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.00%. Prior to and including December 19, 2013, subject to certain exceptions, the interest rate charged on the SMBC Funding Facility was based on one month LIBOR plus an applicable spread of 2.125% or a base rate (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.125%. As of March 31, 2014 and December 31, 2013, one-month LIBOR was 0.15% and 0.17%, respectively. ACJB was not required to pay a commitment fee until September 15, 2013 and through December 19, 2013, at which time ACJB was required to pay a commitment fee of up to 0.50% per annum depending on the size of the unused portion of the SMBC Funding Facility. From December 20, 2013 through March 14, 2014, ACJB was required to pay a commitment fee of up to 0.75% per annum depending on the size of the unused portion of the SMBC Funding Facility. After March 14, 2014, ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility.

For the three months ended March 31, 2014 and 2013, the components of interest and credit facility fees expense for the SMBC Funding Facility were as follows:

|               | <b>For the three months ended March 31,</b> |     |             |  |
|---------------|---|-----|-------------|--|
|               | <b>2014</b>                                 |     | <b>2013</b> |  |
| Facility fees | \$  | 368 | \$          |  |

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|   |    |     |    |     |
|---|----|-----|----|-----|
| Amortization of debt issuance costs             |    | 280 |    | 235 |
| Total interest and credit facility fees expense | \$ | 648 | \$ | 235 |
| Cash paid for interest expense                  | \$ |     | \$ | 15  |

*Convertible Unsecured Notes*

In January 2011, the Company issued \$575,000 aggregate principal amount of unsecured convertible senior notes that mature on February 1, 2016 (the February 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2011, the Company issued \$230,000 aggregate principal amount of unsecured convertible senior notes that mature on June 1, 2016 (the June 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2012, the Company issued \$162,500 aggregate principal amount of unsecured convertible senior notes that mature on



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March 15, 2017 (the 2017 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In the fourth quarter of 2012, the Company issued \$270,000 aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2018 (the 2018 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In July 2013, the Company issued \$300,000 aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2019 (the 2019 Convertible Notes and together with the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes and the 2018 Convertible Notes, the Convertible Unsecured Notes), unless previously converted or repurchased in accordance with their terms. The Company does not have the right to redeem the Convertible Unsecured Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes bear interest at a rate of 5.750%, 5.125%, 4.875%, 4.750% and 4.375%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Unsecured Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of its common stock, at the Company's election, at their respective conversion rates (listed below as of March 31, 2014) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the Convertible Unsecured Notes Indentures). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the Convertible Unsecured Notes Indentures. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if the Company engages in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require the Company to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of March 31, 2014 are listed below.

|  | <b>February 2016<br/>Convertible Notes</b> | <b>June 2016<br/>Convertible Notes</b> | <b>2017<br/>Convertible Notes</b> | <b>2018<br/>Convertible Notes</b> | <b>2019<br/>Convertible Notes</b> |
|--|--|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Conversion premium   | 17.5%                                      | 17.5%                                  | 17.5%                             | 17.5%                             | 15.0%                             |
| Closing stock price at issuance                                      | \$ 16.28                                   | \$ 16.20                               | \$ 16.46                          | \$ 16.91                          | \$ 17.53                          |
| Closing stock price date   | January 19, 2011                           | March 22, 2011                         | March 8, 2012                     | October 3, 2012                   | July 15, 2013                     |
| Conversion price (1)   | \$ 18.62                                   | \$ 18.53                               | \$ 19.05                          | \$ 19.70                          | \$ 20.05                          |
| Conversion rate (shares per one thousand dollar principal amount)(1) | 53.6914                                    | 53.9565                                | 52.5068                           | 50.7591                           | 49.8854                           |
| Conversion dates   | August 15, 2015                            | December 15, 2015                      | September 15, 2016                | July 15, 2017                     | July 15, 2018                     |

(1) Represents conversion price and conversion rate, as applicable, as of March 31, 2014, taking into account certain de minimis adjustments that will be made on the conversion date.

As of March 31, 2014, the principal amounts of each series of the Convertible Unsecured Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company's common stock.

The Convertible Unsecured Notes Indentures contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of the Convertible Unsecured Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are

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described in the Convertible Unsecured Notes Indentures. As of March 31, 2014, the Company was in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures.

The Convertible Unsecured Notes are accounted for in accordance with Accounting Standards Codification ( ASC ) 470-20. Upon conversion of any of the Convertible Unsecured Notes, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, the Company has the option to pay in cash or shares of the Company s common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Convertible Unsecured Notes Indentures. The Company has determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under GAAP. In accounting for the Convertible Unsecured Notes, the Company estimated at the time of issuance separate debt and equity components for each of the Convertible Unsecured Notes. An original issue discount equal to the equity components of the Convertible Unsecured Notes was recorded in capital in excess of par value in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the

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Convertible Unsecured Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

The debt and equity component percentages, the issuance costs and the equity component amounts for each of the Convertible Unsecured Notes are listed below.

|  | February 2016<br>Convertible Notes | June 2016<br>Convertible Notes | 2017<br>Convertible Notes | 2018<br>Convertible Notes | 2019<br>Convertible Notes |
|--|------------------------------------|--------------------------------|---------------------------|---------------------------|---------------------------|
| Debt and equity component percentages, respectively(1) | 93.0% and 7.0%                     | 93.0% and 7.0%                 | 97.0% and 3.0%            | 98.0% and 2.0%            | 99.8% and 0.2%            |
| Debt issuance costs(1)                                 | \$ 15,778                          | \$ 5,913                       | \$ 4,813                  | \$ 5,712                  | \$ 4,475                  |
| Equity issuance costs(1)                               | \$ 1,188                           | \$ 445                         | \$ 149                    | \$ 116                    | \$ 9                      |
| Equity component, net of issuance costs(2)             | \$ 39,062                          | \$ 15,654                      | \$ 4,724                  | \$ 5,243                  | \$ 582                    |

(1) At time of issuance.

(2) At time of issuance and as of March 31, 2014.

In addition to the original issue discount equal to the equity components of the Convertible Unsecured Notes, the 2018 Convertible Notes and the 2019 Convertible Notes were each issued at a discount. The Company records interest expense comprised of both stated interest expense as well as accretion of any original issue discount.

As of March 31, 2014, the components of the carrying value of the Convertible Unsecured Notes, the stated interest rate and the effective interest rate were as follows:

|   | February 2016<br>Convertible Notes | June 2016<br>Convertible Notes | 2017<br>Convertible Notes | 2018<br>Convertible Notes | 2019<br>Convertible Notes |
|---|------------------------------------|--------------------------------|---------------------------|---------------------------|---------------------------|
| Principal amount of debt                  | \$ 575,000                         | \$ 230,000                     | \$ 162,500                | \$ 270,000                | \$ 300,000                |
| Original issue discount, net of accretion | (16,466)                           | (7,423)                        | (3,045)                   | (5,576)                   | (4,512)                   |
| Carrying value of debt                    | \$ 558,534                         | \$ 222,577                     | \$ 159,455                | \$ 264,424                | \$ 295,488                |
| Stated interest rate                      | 5.750%                             | 5.125%                         | 4.875%                    | 4.750%                    | 4.375%                    |
| Effective interest rate(1)                | 7.2%                               | 6.5%                           | 5.5%                      | 5.2%                      | 4.7%                      |

(1) The effective interest rate of the debt component of the Convertible Unsecured Notes is equal to the stated interest rate plus the accretion of original issue discount.

For the three months ended March 31, 2014 and 2013, the components of interest expense and cash paid for interest

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expense for the Convertible Unsecured Notes were as follows:

|                                      | For the three months ended March 31, |        |      |        |
|--------------------------------------|--------------------------------------|--------|------|--------|
|                                      | 2014                                 |        | 2013 |        |
| Stated interest expense              | \$                                   | 19,680 | \$   | 16,399 |
| Accretion of original issue discount |                                      | 3,638  |      | 3,200  |
| Amortization of debt issuance costs  |                                      | 1,761  |      | 1,605  |
| Total interest expense               | \$                                   | 25,079 | \$   | 21,204 |
| Cash paid for interest expense       | \$                                   | 33,357 | \$   | 20,492 |

*Unsecured Notes*

*2018 Notes*

In November 2013, the Company issued \$600,000 aggregate principal amount of senior unsecured notes that mature on November 30, 2018 (the 2018 Notes ). The 2018 Notes bear interest at a rate of 4.875% per year, payable semi- annually and all principal is due upon maturity. The 2018 Notes may be redeemed in whole or in part at any time at the Company s option at a redemption price equal to par plus a make whole premium, as determined in the indenture governing the 2018 Notes, and any accrued and unpaid interest. The 2018 Notes were issued at a discount at the time of issuance totaling \$3,312. The Company records

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interest expense comprised of both stated interest expense as well as any accretion of any original issue discount. Total proceeds from the issuance of the 2018 Notes, net of the original issue discount, underwriting discounts and offering costs, were \$586,014.

In January 2014, the Company issued an additional \$150,000 aggregate principal amount of the 2018 Notes at a premium of 102.7% of their principal amount (the Additional 2018 Notes ). The original issue premium recognized upon issuance of the Additional 2018 Notes totaled \$4,050. Total proceeds from the issuance of the Additional 2018 Notes, net of underwriting discounts and offering costs, were approximately \$151,900.

*February 2022 Notes*

In February 2012, the Company issued \$143,750 aggregate principal amount of senior unsecured notes that mature on February 15, 2022 (the February 2022 Notes ). The February 2022 Notes bear interest at a rate of 7.00% per year, payable quarterly and all principal is due upon maturity. The February 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after February 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the February 2022 Notes, net of underwriting discounts and offering costs, were \$138,338.

*October 2022 Notes*

In September 2012 and October 2012, the Company issued \$182,500 aggregate principal amount of senior unsecured notes that mature on October 1, 2022 (the October 2022 Notes ). The October 2022 Notes bear interest at a rate of 5.875% per year, payable quarterly and all principal is due upon maturity. The October 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after October 1, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the October 2022 Notes, net of underwriting discounts and offering costs, were \$176,054.

*2040 Notes*

In October 2010, the Company issued \$200,000 aggregate principal amount of senior unsecured notes that mature on October 15, 2040 (the 2040 Notes ). The 2040 Notes bear interest at a rate of 7.75% per year, payable quarterly and all principal is due upon maturity. The 2040 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after October 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. Total proceeds from the issuance of the 2040 Notes, net of underwriting discounts and offering costs, were \$192,664.

*2047 Notes*

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As part of the acquisition of Allied Capital Corporation ( Allied Capital ) in April 2010 (the Allied Acquisition ), the Company assumed \$230,000 aggregate principal amount of senior unsecured notes due on April 15, 2047 (the 2047 Notes and together with the 2018 Notes, the February 2022 Notes, the October 2022 Notes and the 2040 Notes, the Unsecured Notes ). The 2047 Notes bear interest at a rate of 6.875%, payable quarterly and all principal is due upon maturity. The 2047 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. During the three months ended March 31, 2014, the Company purchased \$443 aggregate principal amount of the 2047 Notes and as a result of these transactions, the Company recognized a realized loss of \$72. As of March 31, 2014 and December 31, 2013, the outstanding principal was \$229,557 and \$230,000, respectively, and the carrying value was \$181,140 and \$181,429, respectively. The carrying value represents the principal amount of the 2047 Notes less the unaccreted purchased discount initially recorded as a part of the Allied Acquisition.

For the three months ended March 31, 2014 and 2013, the components of interest expense and cash paid for interest expense for the Unsecured Notes were as follows:

|  | <b>For the three months ended March 31,</b> |             |
|--|---|-------------|
|  | <b>2014</b>                                 | <b>2013</b> |
| Stated interest expense                          | \$ 21,610                                   | \$ 13,024   |
| Net accretion of original issue discount/premium | 80  | 56          |
| Amortization of debt issuance costs              | 728   | 349         |
| Total interest expense                           | \$ 22,418                                   | \$ 13,429   |
| Cash paid for interest expense                   | \$ 10,344                                   | \$ 10,344   |

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The Unsecured Notes contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of such notes under certain circumstances. These covenants are subject to important limitations and exceptions set forth in the indentures governing such notes. As of March 31, 2014, the Company was in compliance in all material respects with the terms of the respective indentures governing each of the Unsecured Notes.

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

## 6. DERIVATIVE INSTRUMENTS

The Company may enter into forward currency contracts from time to time to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. Forward contracts are considered undesignated derivative instruments.

Certain information related to the Company's derivative financial instruments is presented below as of March 31, 2014:

| Description                       | As of March 31, 2014 |               |            | Balance Sheet Location                 |
|-----------------------------------|----------------------|---------------|------------|--|
|                                   | Notional Amount      | Maturity Date | Fair Value |  |
| Foreign currency forward contract |                      |               |            | Accounts payable and other liabilities |
|                                   | CAD                  | 45,000        | 6/30/2014  | \$ 19                                  |
| Foreign currency forward contract |                      |               |            | Accounts payable and other liabilities |
|                                   |                      | 15,000        | 6/30/2014  | 19                                     |
| Total                             |                      |               |            | \$ 38                                  |

## 7. COMMITMENTS AND CONTINGENCIES

The Company has various commitments to fund investments in its portfolio as described below.

As of March 31, 2014 and December 31, 2013, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) the Company's discretion:

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|  | As of          |                   |
|--|----------------|-------------------|
|  | March 31, 2014 | December 31, 2013 |
| Total revolving and delayed draw commitments                                       | \$ 762,444     | \$ 834,444        |
| Less: funded commitments   | (82,765)       | (87,073)          |
| Total unfunded commitments   | 679,679        | 747,371           |
| Less: commitments substantially at discretion of the Company                       | (6,000)        | (16,000)          |
| Less: unavailable commitments due to borrowing base or other covenant restrictions | (1,660)        | (1,660)           |
| Total net adjusted unfunded revolving and delayed draw commitments                 | \$ 672,019     | \$ 729,711        |



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Included within the total revolving and delayed draw commitments as of March 31, 2014 were commitments to issue up to \$41,875 in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of March 31, 2014, the Company had \$16,952 in letters of credit issued and outstanding under these commitments on behalf of portfolio companies. In addition to these letters of credit included as a part of the total revolving and delayed draw commitments to portfolio companies, as of March 31, 2014 the Company also had \$5,284 of letters of credit issued and outstanding on behalf of other portfolio companies. For all these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of these letters of credit issued and outstanding are recorded as a liability on the Company's balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit \$16,003 expire in 2014 and \$6,233 expire in 2015.

The Company also has commitments to co-invest in the SSLP for the Company's portion of the SSLP's commitments to fund delayed draw investments to certain portfolio companies of the SSLP. See Note 4 for more information.

As of March 31, 2014 and December 31, 2013, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

|   | As of          |                   |
|---|----------------|-------------------|
|   | March 31, 2014 | December 31, 2013 |
| Total private equity commitments  | \$ 59,500      | \$ 59,500         |
| Less: funded private equity commitments                                     | (12,096)       | (11,891)          |
| Total unfunded private equity commitments                                   | 47,404         | 47,609            |
| Less: private equity commitments substantially at discretion of the Company | (43,206)       | (43,206)          |
| Total net adjusted unfunded private equity commitments                      | \$ 4,198       | \$ 4,403          |

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

As of March 31, 2014, one of the Company's portfolio companies, Ciena Capital LLC (Ciena), had one non-recourse securitization Small Business Administration (SBA) loan warehouse facility, which has reached its maturity date but remains outstanding. Ciena is working with the providers of the SBA loan warehouse facility with regard to the repayment of that facility. Allied Capital had previously issued a performance guaranty (which the Company succeeded to as a result of the Allied Acquisition) whereby the Company must indemnify the warehouse providers for any damages, losses, liabilities and related costs and expenses that they may incur as a result of Ciena's failure to perform any of its obligations as loan originator, loan seller or loan servicer under the warehouse facility. As of March 31, 2014, there are no known issues or claims with respect to this performance guaranty.

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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The Company follows ASC 825-10, which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled other assets and debt, which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled interest receivable, receivable for open trades, payable for open trades, accounts payable and other liabilities, management and incentive fees payable and interest and facility fees payable approximate fair value due to their short maturity.

The Company also follows ASC 820-10, which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly

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transaction between market participants on the measurement date. ASC 820-10 requires the Company to assume that the portfolio investment is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

- Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In addition to using the above inputs in investment valuations, the Company continues to employ the net asset valuation policy approved by the Company's board of directors that is consistent with ASC 820-10 (see Note 2). Consistent with the Company's valuation policy, it evaluates the source of inputs, including any markets in which the Company's investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. The Company's valuation policy considers the fact that because there is not a readily available market value for most of the investments in the Company's portfolio, the fair value of the investments must typically be determined using unobservable inputs.

The Company's portfolio investments (other than as discussed below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value (EV) of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company's EBITDA (net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. The Company may also employ other valuation multiples to determine EV, such as revenues or, in the case of certain portfolio companies in the energy industry, kilowatt capacity. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where the Company has control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where the Company does not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the Company considers the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the Company are substantially illiquid with no active transaction market, the Company depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the

appropriate market yield, as applicable.

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

The following tables summarize the significant unobservable inputs the Company used to value the majority of its investments categorized within Level 3 as of March 31, 2014 and December 31, 2013. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

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As of March 31, 2014

| Asset Category                        | Fair Value          | Valuation Techniques        | Unobservable Input | Unobservable Input | Weighted Average |
|---------------------------------------|---------------------|-----------------------------|--------------------|--------------------|------------------|
|                                       |                     |                             |                    | Estimated Range    |                  |
| First lien senior secured loans       | \$ 3,521,722        | Yield analysis              | Market yield       | 4.0% - 19.0%       | 8.4%             |
| Second lien senior secured loans      | 1,197,169           | Yield analysis              | Market yield       | 6.1% - 17.5%       | 9.6%             |
| Subordinated Certificates of the SSLP | 1,841,987           | Discounted cash flow        | Discount rate      | 10.0% - 13.0%      | 11.5%            |
| Senior subordinated debt              | 388,018             | Yield analysis              | Market yield       | 8.3% - 17.5%       | 10.8%            |
| Preferred equity securities           | 236,765             | EV market multiple analysis | EBITDA multiple    | 4.5x - 16.8x       | 8.6x             |
| Other equity securities and other     | 613,935             | EV market multiple analysis | EBITDA multiple    | 4.5x - 14.5x       | 8.8x             |
| <b>Total</b>                          | <b>\$ 7,799,596</b> |                             |                    |                    |                  |

As of December 31, 2013

| Asset Category                        | Fair Value          | Primary Valuation Technique | Unobservable Input | Unobservable Input | Weighted Average |
|---------------------------------------|---------------------|-----------------------------|--------------------|--------------------|------------------|
|                                       |                     |                             |                    | Range              |                  |
| First lien senior secured loans       | \$ 3,377,608        | Yield analysis              | Market yield       | 4.0% - 19.0%       | 8.4%             |
| Second lien senior secured loans      | 1,319,191           | Yield analysis              | Market yield       | 6.1% - 25.3%       | 10.3%            |
| Subordinated certificates of the SSLP | 1,771,369           | Discounted cash flow        | Discount rate      | 10.5% - 13.5%      | 12.3%            |
| Senior subordinated debt              | 323,171             | Yield analysis              | Market yield       | 9.0% - 17.5%       | 11.4%            |
| Preferred equity securities           | 229,006             | EV market multiple analysis | EBITDA multiple    | 4.5x - 11.6x       | 8.3x             |
| Other equity securities and other     | 612,552             | EV market multiple analysis | EBITDA multiple    | 4.5x - 14.8x       | 8.6x             |
| <b>Total</b>                          | <b>\$ 7,632,897</b> |                             |                    |                    |                  |

Changes in market yields, discount rates or EBITDA multiples, each in isolation, may change the fair value of certain of the Company's investments. Generally, an increase in market yields or discount rates or decrease in EBITDA multiples may result in a decrease in the fair value of certain of the Company's investments.

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 the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, it could realize significantly less than the value at which the Company has recorded it.

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

The following table presents fair value measurements of cash and cash equivalents, investments and derivatives as of

March 31, 2014:

|                           | Total        | Fair Value Measurements Using |         |              |
|---------------------------|--------------|-------------------------------|---------|--------------|
|                           |              | Level 1                       | Level 2 | Level 3      |
| Cash and cash equivalents | \$ 146,639   | \$ 146,639                    | \$      | \$           |
| Investments               | \$ 7,799,596 | \$ 654                        | \$      | \$ 7,798,942 |
| Derivatives               | \$ (38)      | \$                            | \$ (38) | \$           |

The following table presents fair value measurements of cash and cash equivalents and investments as of December

31, 2013:

|                           | Total        | Fair Value Measurements Using |         |              |
|---------------------------|--------------|-------------------------------|---------|--------------|
|                           |              | Level 1                       | Level 2 | Level 3      |
| Cash and cash equivalents | \$ 149,629   | \$ 149,629                    | \$      | \$           |
| Investments               | \$ 7,632,897 | \$                            | \$      | \$ 7,632,897 |

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The following table presents changes in investments that use Level 3 inputs as of and for the three months ended

March 31, 2014:

|   |    | <b>As of and for the<br/>three months ended<br/>March 31, 2014</b> |
|---|----|--|
| Balance as of December 31, 2013         | \$ | 7,632,897  |
| Net realized gains                      |    | 11,954   |
| Net unrealized losses                   |    | (8,028)  |
| Purchases                               |    | 828,761  |
| Sales                                   |    | (182,737)  |
| Redemptions                             |    | (487,144)  |
| Payment-in-kind interest and dividends  |    | 2,900  |
| Net accretion of discount on securities |    | 339  |
| Net transfers in and/or out of Level 3  |    |  |
| Balance as of March 31, 2014            | \$ | 7,798,942  |

As of March 31, 2014, the net unrealized appreciation on the investments that use Level 3 inputs was \$87,468.

For the three months ended March 31, 2014, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company's Level 3 assets still held as of March 31, 2014, and reported within the net unrealized gains (losses) from investments in the Company's consolidated statement of operations was \$(3,718).

The following table presents changes in investments that use Level 3 inputs as of and for the three months ended

March 31, 2013:

|   |    | <b>As of and for the<br/>three months ended<br/>March 31, 2013</b> |
|---|----|--|
| Balance as of December 31, 2012         | \$ | 5,914,657  |
| Net realized gains                      |    | 3,116  |
| Net unrealized losses                   |    | (21,967)   |
| Purchases                               |    | 355,135  |
| Sales                                   |    | (45,600)   |
| Redemptions                             |    | (182,558)  |
| Payment-in-kind interest and dividends  |    | 6,110  |
| Net accretion of discount on securities |    | 1,566  |
| Net transfers in and/or out of Level 3  |    |  |
| Balance as of March 31, 2013            | \$ | 6,030,459  |

As of March 31, 2013, the net unrealized appreciation on the investments that use Level 3 inputs was \$70,671.

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For the three months ended March 31, 2013, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company's Level 3 assets still held as of March 31, 2013, and reported within the net unrealized gains (losses) from investments in the Company's consolidated statement of operations was \$(21,886).

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

Following are the carrying and fair values of the Company's debt obligations as of March 31, 2014 and December 31, 2013. Fair value is estimated by discounting remaining payments using applicable current market rates, which take into account changes in the Company's marketplace credit ratings, or market quotes, if available.



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|  | March 31, 2014    |              | As of             |            | December 31, 2013 |              |
|--|-------------------|--------------|-------------------|------------|-------------------|--------------|
|  | Carrying value(1) | Fair value   | Carrying value(1) | Fair value | Carrying value(1) | Fair value   |
| Revolving Credit Facility  | \$                |              | \$                |            | \$                |              |
| Revolving Funding Facility   |                   | 100,000      |                   | 100,000    |                   | 185,000      |
| SMBC Funding Facility  |                   |              |                   |            |                   |              |
| February 2016 Convertible Notes (principal amount outstanding of \$575,000)        |                   | 558,534(2)   |                   | 627,595    |                   | 556,456(2)   |
| June 2016 Convertible Notes (principal amount outstanding of \$230,000)            |                   | 222,577(2)   |                   | 248,618    |                   | 221,788(2)   |
| 2017 Convertible Notes (principal amount outstanding of \$162,500)                 |                   | 159,455(2)   |                   | 175,074    |                   | 159,220(2)   |
| 2018 Convertible Notes (principal amount outstanding of \$270,000)                 |                   | 264,424(2)   |                   | 291,811    |                   | 264,096(2)   |
| 2019 Convertible Notes (principal amount outstanding of \$300,000)                 |                   | 295,488(2)   |                   | 319,434    |                   | 295,279(2)   |
| 2018 Notes (principal amount outstanding of \$750,000 and \$600,000, respectively) |                   | 750,825(3)   |                   | 777,300    |                   | 596,757(3)   |
| February 2022 Notes (principal amount outstanding of \$143,750)                    |                   | 143,750      |                   | 150,917    |                   | 143,750      |
| October 2022 Notes (principal amount outstanding of \$182,500)                     |                   | 182,500      |                   | 182,375    |                   | 182,500      |
| 2040 Notes (principal amount outstanding of \$200,000)                             |                   | 200,000      |                   | 204,808    |                   | 200,000      |
| 2047 Notes (principal amount outstanding of \$229,557 and \$230,000, respectively) |                   | 181,140(4)   |                   | 224,755    |                   | 181,429(4)   |
|  | \$                | 3,058,693(5) | \$                | 3,302,687  | \$                | 2,986,275(5) |
|  |                   |              |                   |            | \$                | 3,177,660    |

(1) Except for the Convertible Unsecured Notes, the 2018 Notes and the 2047 Notes, all carrying values are the same as the principal amounts outstanding.

(2) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less the unaccreted discount initially recorded upon issuance of each respective series of the Convertible Unsecured Notes.

(3) As of March 31, 2014, represents the aggregate principal amount outstanding plus the net unamortized premium that was initially recorded upon the issuances of the 2018 Notes. As of December 31, 2013, represents the aggregate principal amount outstanding of the 2018 Notes less the unaccreted discount initially recognized on the first issuance of the 2018 Notes.

(4) Represents the aggregate principal amount outstanding of the 2047 Notes less the unaccreted purchased discount.

(5) Total principal amount of debt outstanding totaled \$3,143,307 and \$3,078,750 as of March 31, 2014 and December 31, 2013, respectively.

The following table presents fair value measurements of the Company's debt obligations as of March 31, 2014 and December 31, 2013:

| Fair Value Measurements Using | As of          |                   |
|-------------------------------|----------------|-------------------|
|                               | March 31, 2014 | December 31, 2013 |
| Level 1                       | \$ 762,855     | \$ 736,948        |
| Level 2                       | 2,539,832      | 2,440,712         |
| Total                         | \$ 3,302,687   | \$ 3,177,660      |

**9. STOCKHOLDERS' EQUITY**

There were no sales of the Company's equity securities for the three months ended March 31, 2014 and 2013.

Table of Contents**10. EARNINGS PER SHARE**

The following information sets forth the computations of basic and diluted net increase in stockholders' equity resulting from operations per share for the three months ended March 31, 2014 and 2013:

|  | <b>For the three months ended March 31,</b> |             |
|--|---|-------------|
|  | <b>2014</b>                                 | <b>2013</b> |
| Net increase in stockholders' equity resulting from operations available to common stockholders: | \$ 116,992                                  | \$ 80,342   |
| Weighted average shares of common stock outstanding - basic and diluted                          | 297,972                                     | 248,658     |
| Basic and diluted net increase in stockholders' equity resulting from operations per share:      | \$ 0.39                                     | \$ 0.32     |

For the purpose of calculating diluted net increase in stockholders' equity resulting from operations per share, the average closing price of the Company's common stock for the three months ended March 31, 2014 and 2013 was each less than the conversion price for each of the Convertible Unsecured Notes outstanding as of March 31, 2014 and 2013, respectively. Therefore, for all periods presented in the financial statements, the underlying shares for the intrinsic value of the embedded options in the Convertible Unsecured Notes have no impact on the computation of diluted net increase in stockholders' equity resulting from operations per share.

**11. DIVIDENDS AND DISTRIBUTIONS**

The following table summarizes the Company's dividends declared and payable for the three months ended March 31, 2014 and 2013:

| <b>Date Declared</b>   | <b>Record Date</b> | <b>Payment Date</b> | <b>Per Share Amount</b> |         | <b>Total Amount</b> |
|--|--------------------|---------------------|-------------------------|---------|---------------------|
| November 5, 2013   | March 14, 2014     | March 28, 2014      | \$                      | 0.05(1) | \$ 14,899           |
| February 26, 2014  | March 14, 2014     | March 31, 2014      |                         | 0.38    | 113,228             |
| Total declared and payable for the three months ended March 31, 2014 |                    |                     | \$                      | 0.43    | \$ 128,127          |
| February 27, 2013  | March 15, 2013     | March 29, 2013      | \$                      | 0.38    | \$ 94,488           |
| Total declared and payable for the three months ended March 31, 2013 |                    |                     | \$                      | 0.38    | \$ 94,488           |

(1) Represents an additional dividend.



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The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. Prior to the amendment, if the Company issued new shares to implement the dividend reinvestment plan, the issue price was equal to the closing price of its common stock on the dividend record date. As a result of the amendment, when the Company issues new shares in connection with the dividend reinvestment plan, the issue price is equal to the closing price of its common stock on the dividend payment date. Dividend reinvestment plan activity for the three months ended March 31, 2014 and 2013, was as follows:

|                         | For the three months ended March 31, |       |      |       |
|-------------------------|--------------------------------------|-------|------|-------|
|                         | 2014                                 |       | 2013 |       |
| Shares issued           |                                      | 299   |      | 243   |
| Average price per share | \$                                   | 17.61 | \$   | 18.10 |

**12. RELATED PARTY TRANSACTIONS**

In accordance with the investment advisory and management agreement, the Company bears all costs and expenses of the operation of the Company and reimburses its investment adviser or its affiliates for certain of such costs and expenses incurred in the operation of the Company. For the three months ended March 31, 2014 and 2013, the Company's investment adviser or its affiliates incurred such expenses totaling \$1,449 and \$1,215, respectively. As of March 31, 2014, \$3,021 was unpaid and such payable is included in accounts payable and other liabilities in the accompanying consolidated balance sheet.

The Company is party to office leases pursuant to which it is leasing office facilities from third parties. For certain of these office leases, the Company has also entered into separate subleases with Ares Management and IHAM, pursuant to which Ares Management and IHAM sublease a portion of these leases. For the three months ended March 31, 2014 and 2013, amounts payable to the Company under these subleases totaled \$698 and \$418, respectively.

Ares Management has also entered into separate subleases with the Company, pursuant to which the Company subleases certain office leases from Ares Management. For the three months ended March 31, 2014 and 2013, amounts payable to Ares Management under these subleases totaled \$92 and \$13, respectively.

See Note 3 and 15 for descriptions of other related party transactions.

**13. FINANCIAL HIGHLIGHTS**

The following is a schedule of financial highlights as of and for the three months ended March 31, 2014 and 2013:

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| Per Share Data:  | For the Three Months Ended |                |
|--|----------------------------|----------------|
|  | March 31, 2014             | March 31, 2013 |
| Net asset value, beginning of period(1)                    | \$ 16.46                   | \$ 16.04       |
| Net investment income for period(2)                        | 0.38                       | 0.40           |
| Net realized and unrealized gains (losses) for period(2)   | 0.01                       | (0.08)         |
| Net increase in stockholders' equity                       | 0.39                       | 0.32           |
| Total distributions to stockholders                        | (0.43)                     | (0.38)         |
| Net asset value at end of period(1)                        | \$ 16.42                   | \$ 15.98       |
| Per share market value at end of period                    | \$ 17.62                   | \$ 18.10       |
| Total return based on market value(3)                      | 1.58%                      | 5.60%          |
| Total return based on net asset value(4)                   | 2.37%                      | 2.00%          |
| Shares outstanding at end of period                        | 298,270                    | 248,896        |
| Ratio/Supplemental Data:                                   |                            |                |
| Net assets at end of period                                | \$ 4,898,566               | \$ 3,978,597   |
| Ratio of operating expenses to average net assets(5)(6)    | 10.09%                     | 9.33%          |
| Ratio of net investment income to average net assets(5)(7) | 9.29%                      | 10.03%         |
| Portfolio turnover rate(5)                                 | 35%                        | 15%            |

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(1) The net assets used equals the total stockholders' equity on the consolidated balance sheet.

(2) Weighted average basic per share data.

(3) For the three months ended March 31, 2014, the total return based on market value equaled the decrease of the ending market value at March 31, 2014 of \$17.62 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the declared and payable dividends of \$0.43 per share for the three months ended March 31, 2014, divided by the market value at December 31, 2013. For the three months ended March 31, 2013, the total return based on market value equaled the increase of the ending market value at March 31, 2013 of \$18.10 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the declared and payable dividends of \$0.38 per share for the three months ended March 31, 2013, divided by the market value at December 31, 2012. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4) For the three months ended March 31, 2014, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$0.43 per share for the three months ended March 31, 2014, divided by the beginning net asset value at January 1, 2014. For the three months ended March 31, 2013, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$0.38 per share for the three months ended March 31, 2013, divided by the beginning net asset value at January 1, 2013. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan, the issuance of common stock in connection with any equity offerings and the equity components of any convertible notes issued during the period. 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) The ratios reflect an annualized amount.

(6) For the three months ended March 31, 2014, the ratio of operating expenses to average net assets consisted of 2.49% of base management fees, 2.42% of incentive fees, 4.34% of the cost of borrowing and 0.84% of other operating expenses. For the three months ended March 31, 2013, the ratio of operating expenses to average net assets consisted of 2.35% of base management fees, 2.03% of incentive fees, 3.99% of the cost of borrowing and 0.96% of other operating expenses. These ratios reflect annualized amounts.

(7) The ratio of net investment income to average net assets excludes income taxes related to realized gains.

## **14. LITIGATION**

The Company is party to certain lawsuits in the normal course of business. In addition, Allied Capital was involved in various legal proceedings that the Company assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on the

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Company in connection with the activities of its portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, the Company does not expect that these legal proceedings will materially affect its business, financial condition or results of operations.

On May 20, 2013, the Company was named as one of several defendants in an action filed in the United States District Court for the Eastern District of Pennsylvania (the Pennsylvania Court ) by the bankruptcy trustee of DSI Renal Holdings LLC and two related companies. On March 17, 2014 the action was transferred to the United States District Court for the District of Delaware pursuant to a motion filed by the defendants and granted by the Pennsylvania Court. The complaint in the action alleges, among other things, that each of the named defendants participated in a purported fraudulent transfer involving the restructuring of a subsidiary of DSI Renal Holdings LLC. Among other things, the complaint seeks, jointly and severally from all defendants, (1) damages of approximately \$425 million, of which the complaint states the Company's individual share is approximately \$117 million, and (2) punitive damages. The Company is currently unable to assess with any certainty whether it may have any exposure in this action. The Company believes the claims are without merit and intends to vigorously defend itself in this action.



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**15. SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the three months ended March 31, 2014, except as disclosed below.

In May 2014, the Company entered into an office sublease with Ares Management pursuant to which the Company subleases approximately 74% of certain office space in Dallas, Texas for a rent equal to 74% of the base annual rent payable by Ares Management under the office lease, plus certain additional costs and expenses.

**Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations.**

The information contained in this section should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this Quarterly Report. In addition, some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or the future performance or financial condition of Ares Capital Corporation (the Company, ARCC, Ares Capital, we, us, or our). The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our, or our portfolio companies', future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations (including the interpretation thereof) governing our operations or the operations of our portfolio companies or the operations of our competitors;

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- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to recover unrealized losses;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- our contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which we invest;
- uncertainty surrounding the financial stability of the U.S. and the EU;
- Middle East turmoil and the potential for rising energy prices and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;

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- our ability to successfully complete and integrate any acquisitions;
- the adequacy of our cash resources and working capital;
- the timing, form and amount of any dividend distributions;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments.

We use words such as anticipates, believes, expects, intends, will, should, may and similar expressions to identify forward- looking statements although not all forward looking statements include these words. Our actual results and condition could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2013.

We have based the forward-looking statements included in this Quarterly Report on information available to us on the date of this Quarterly Report, 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 Securities and Exchange Commission ( SEC ), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

**OVERVIEW**

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

We are externally managed by Ares Capital Management LLC ( Ares Capital Management or our investment adviser ), a wholly owned subsidiary of Ares Management LLC ( Ares Management ), a global alternative asset manager and a SEC-registered investment adviser, pursuant to our investment advisory and management agreement. Ares Operations LLC ( Ares Operations or our administrator ), a wholly owned subsidiary of Ares Management, provides certain administrative and other services necessary for us to operate.

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

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

Since our initial public offering on October 8, 2004 through March 31, 2014, our exited investments resulted in an aggregate cash flow realized internal rate of return to us of approximately 13% (based on original cash invested, net of syndications, of approximately \$8.2 billion and total proceeds from such exited investments of approximately \$10.0 billion). Internal rate of return is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these expenses are not allocable to specific investments. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of a debt investment or sale of an investment or through the determination that no further consideration was collectible and, thus, a loss may have been realized. Approximately 71% of these exited investments resulted in an aggregate cash flow realized internal rate of return to us of 10% or greater.

Additionally, since our initial public offering on October 8, 2004 through March 31, 2014, our realized gains have exceeded our realized losses by approximately \$270 million (excluding a one-time gain on the acquisition of Allied Capital Corporation ( Allied Capital ) and realized gains/losses from the extinguishment of debt and other assets). For this same time period, our average annualized net realized gain rate was approximately 1.1% (excluding a one-time gain on the acquisition of Allied Capital and realized gains/losses from the extinguishment of debt and other assets). Net realized gain/loss rates for a particular period are the amount of net realized gains/losses during such period divided by the average quarterly investments at amortized cost in such period.

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

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

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

**PORTFOLIO AND INVESTMENT ACTIVITY**

Our investment activity for the three months ended March 31, 2014 and 2013 is presented below (information presented

herein is at amortized cost unless otherwise indicated).

| (dollar amounts in millions)   | For the three months ended |                |
|--|----------------------------|----------------|
|  | March 31, 2014             | March 31, 2013 |
| <b>New investment commitments (1):</b>                                       |                            |                |
| New portfolio companies  | \$ 442.2                   | \$ 90.5        |
| Existing portfolio companies(2)  | 409.9                      | 323.1          |
| Total new investment commitments   | 852.1                      | 413.6          |
| Less:  |                            |                |
| Investment commitments exited  | 849.2                      | 221.7          |
| Net investment commitments   | \$ 2.9                     | \$ 191.9       |
| <b>Principal amount of investments funded:</b>                               |                            |                |
| First lien senior secured loans  | \$ 646.2                   | \$ 180.5       |
| Second lien senior secured loans   | 14.1                       | 99.0           |
| Subordinated certificates of the Senior Secured Loan Fund, LLC (the SSLP)(3) | 87.5                       | 21.0           |
| Senior subordinated debt   | 64.4                       | 51.5           |
| Preferred equity securities  | 7.7                        | 1.0            |
| Other equity securities  | 6.3                        | 2.1            |
| Total  | \$ 826.2                   | \$ 355.1       |
| <b>Principal amount of investments sold or repaid:</b>                       |                            |                |
| First lien senior secured loans  | \$ 503.9                   | \$ 110.8       |
| Second lien senior secured loans   | 127.2                      | 97.8           |

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|  |          |          |
|--|----------|----------|
| Subordinated certificates of the SSLP(3)   | 17.9     | 14.1     |
| Senior subordinated debt   | 0.3      | 0.3      |
| Preferred equity securities  | 2.7      |          |
| Other equity securities  | 5.2      | 2.7      |
| Total  | \$ 657.2 | \$ 225.7 |
| <b>Number of new investment commitments (4)</b>                                  | 24       | 17       |
| <b>Average new investment commitment amount</b>                                  | \$ 35.5  | \$ 24.1  |
| <b>Weighted average term for new investment commitments (in months)</b>          | 66       | 70       |
| <b>Percentage of new investment commitments at floating rates</b>                | 92%      | 77%      |
| <b>Percentage of new investment commitments at fixed rates</b>                   | 6%       | 21%      |
| <b>Weighted average yield of debt and other income producing securities (5):</b> |          |          |
| Funded during the period at amortized cost                                       | 9.3%     | 8.9%     |
| Funded during the period at fair value (6)                                       | 9.3%     | 8.9%     |
| Exited or repaid during the period at amortized cost                             | 8.7%     | 9.8%     |
| Exited or repaid during the period at fair value (6)                             | 8.7%     | 9.9%     |

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- (1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.
- (2) Includes investment commitments to the SSLP to make co-investments with GE in first lien senior secured loans of middle market companies of \$60.7 million and \$24.6 million for the three months ended March 31, 2014 and 2013, respectively.
- (3) See Senior Secured Loan Program below and Note 4 to our consolidated financial statements for the three months ended March 31, 2014 for more information on the SSLP.
- (4) Number of new investment commitments represents each commitment to a particular portfolio company or a commitment to multiple companies as part of an individual transaction (e.g., the purchase of a portfolio of investments).
- (5) Weighted average yield of debt and other income producing securities at amortized cost is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost. Weighted average yield of debt and other income producing securities at fair value is computed as the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.
- (6) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.

As of March 31, 2014 and December 31, 2013, our investments consisted of the following:

| (in millions)                            | As of          |            |                   |            |
|--|----------------|------------|-------------------|------------|
|  | March 31, 2014 |            | December 31, 2013 |            |
|  | Amortized Cost | Fair Value | Amortized Cost    | Fair Value |
| First lien senior secured loans          | \$ 3,548.3     | \$ 3,521.7 | \$ 3,405.6        | \$ 3,377.6 |
| Second lien senior secured loans         | 1,223.4        | 1,197.2    | 1,335.8           | 1,319.2    |
| Subordinated certificates of the SSLP(1) | 1,814.8        | 1,842.0    | 1,745.2           | 1,771.4    |
| Senior subordinated debt                 | 429.3          | 388.0      | 364.1             | 323.2      |
| Preferred equity securities              | 231.4          | 236.8      | 226.0             | 229.0      |
| Other equity securities                  | 457.3          | 603.1      | 453.7             | 600.2      |
| Commercial real estate                   | 7.0            | 10.8       | 7.0               | 12.3       |
|  | \$ 7,711.5     | \$ 7,799.6 | \$ 7,537.4        | \$ 7,632.9 |

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(1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 46 and 47 different borrowers as of March 31, 2014 and December 31, 2013, respectively.

The weighted average yields at amortized cost and fair value of the following portions of our portfolio as of March 31,

2014 and December 31, 2013 were as follows:

|   | March 31, 2014 |            | As of          |            | December 31, 2013 |            |
|---|----------------|------------|----------------|------------|-------------------|------------|
|   | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost    | Fair Value |
| Debt and other income producing securities(1) | 10.2%          | 10.2%      | 10.4%          | 10.4%      | 10.4%             | 10.4%      |
| Total portfolio(2)                            | 9.2%           | 9.1%       | 9.4%           | 9.3%       | 9.4%              | 9.3%       |
| First lien senior secured loans(2)            | 7.8%           | 7.8%       | 7.8%           | 7.8%       | 7.8%              | 7.8%       |
| Second lien senior secured loans(2)           | 9.1%           | 9.3%       | 9.4%           | 9.5%       | 9.4%              | 9.5%       |
| Subordinated certificates of the SSLP (2)(3)  | 14.5%          | 14.3%      | 15.0%          | 14.8%      | 15.0%             | 14.8%      |
| Senior subordinated debt(2)                   | 9.7%           | 10.8%      | 10.3%          | 11.6%      | 10.3%             | 11.6%      |
| Income producing equity securities (2)        | 10.1%          | 9.3%       | 10.1%          | 9.1%       | 10.1%             | 9.1%       |



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

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

(3) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans.

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

Set forth below is the grade distribution of our portfolio companies as of March 31, 2014 and December 31, 2013:

| (dollar amounts in millions) | As of          |       |                     |       |                   |       |                     |       |  |
|------------------------------|----------------|-------|---------------------|-------|-------------------|-------|---------------------|-------|--|
|                              | March 31, 2014 |       |                     |       | December 31, 2013 |       |                     |       |  |
|                              | Fair Value     | %     | Number of Companies | %     | Fair Value        | %     | Number of Companies | %     |  |
| Grade 1                      | \$ 56.1        | 0.7%  | 6                   | 3.1%  | \$ 54.6           | 0.7%  | 7                   | 3.6%  |  |
| Grade 2                      | 253.3          | 3.3%  | 12                  | 6.1%  | 256.3             | 3.4%  | 12                  | 6.2%  |  |
| Grade 3                      | 6,497.9        | 83.3% | 162                 | 83.1% | 6,636.2           | 86.9% | 162                 | 84.0% |  |
| Grade 4                      | 992.3          | 12.7% | 15                  | 7.7%  | 685.8             | 9.0%  | 12                  | 6.2%  |  |

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|    |         |        |     |        |    |         |        |     |        |
|----|---------|--------|-----|--------|----|---------|--------|-----|--------|
| \$ | 7,799.6 | 100.0% | 195 | 100.0% | \$ | 7,632.9 | 100.0% | 193 | 100.0% |
|----|---------|--------|-----|--------|----|---------|--------|-----|--------|

As of March 31, 2014 and December 31, 2013, the weighted average grade of the investments in our portfolio at fair value was 3.1 and 3.0, respectively.

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As of March 31, 2014, loans on non-accrual status represented 3.2% and 1.9% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2013, loans on non-accrual status represented 3.1% and 2.1% of the total investments at amortized cost and at fair value, respectively.

### **Senior Secured Loan Program**

We co-invest in first lien senior secured loans of middle market companies with GE through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a the Senior Secured Loan Program ) or the SSLP. The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of ours and GE (with approval from a representative of each required). We provide capital to the SSLP in the form of subordinated certificates (the SSLP Certificates ).

As of March 31, 2014 and December 31, 2013, we and GE had agreed to make \$11.0 billion of capital available to the SSLP, of which approximately \$8.8 billion and \$8.7 billion in aggregate principal amount, respectively, was funded. As of March 31, 2014 and December 31, 2013, we had agreed to make available to the SSLP approximately \$2.3 billion, of which approximately \$1.8 billion and \$1.7 billion in aggregate principal amount, respectively, was funded. Investment of any unfunded amount must be approved by the investment committee of the SSLP as described above.

As of March 31, 2014 and December 31, 2013, the SSLP had total assets of \$8.9 billion and \$8.7 billion, respectively. As of March 31, 2014 and December 31, 2013, GE's investment in the SSLP consisted of senior notes of \$6.8 billion and \$6.7 billion, respectively, and SSLP Certificates of \$259.3 million and \$249.3 million, respectively. The SSLP Certificates are junior in right of payment to the senior notes held by GE. As of March 31, 2014 and December 31, 2013, we and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

As of March 31, 2014 and December 31, 2013, the SSLP portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies. As of March 31, 2014 and December 31, 2013, one loan was on non-accrual status, representing 1.0% and 1.0%, respectively, of the total loans at principal amount in the SSLP. The portfolio companies in the SSLP are in industries similar to the companies in our portfolio. Additionally, as of March 31, 2014 and December 31, 2013, the SSLP had commitments to fund various delayed draw investments to certain of its portfolio companies of \$282.2 and \$510.4 million, respectively, which had been approved by the SSLP investment committee. As of March 31, 2014 and December 31, 2013, we had commitments to co-invest in the SSLP for its portion of the SSLP's commitments to fund such delayed draw investments of up to \$49.2 million and \$85.1 million, respectively.

Below is a summary of the SSLP's portfolio, followed by a listing of the individual first lien senior secured loans in the SSLP's portfolio as of March 31, 2014 and December 31, 2013:

| (dollar amounts in millions)             | As of          |                   |
|--|----------------|-------------------|
|  | March 31, 2014 | December 31, 2013 |
| Total first lien senior secured loans(1) | \$ 8,753.6     | \$ 8,664.4        |

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|  |    |         |    |         |
|--|----|---------|----|---------|
| Weighted average yield on first lien senior secured loans(2) |    | 7.1%    |    | 7.1%    |
| Number of borrowers in the SSLP                              |    | 46      |    | 47      |
| Largest loan to a single borrower(1)                         | \$ | 348.8   | \$ | 321.7   |
| Total of five largest loans to borrowers(1)                  | \$ | 1,544.5 | \$ | 1,510.7 |

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(1) At principal amount.

(2) Computed as the (a) annual stated interest rate on accruing first lien senior secured loans, divided by (b) total first lien senior secured loans at principal amount.

Table of Contents**SSLP Loan Portfolio as of March 31, 2014**

| <b>(dollar amounts in millions)</b>                                    |   |                      |                                |                         |
|--|---|----------------------|--------------------------------|-------------------------|
| <b>Portfolio Company</b>   | <b>Business Description</b>   | <b>Maturity Date</b> | <b>Stated Interest Rate(1)</b> | <b>Principal Amount</b> |
| Access CIG, LLC(2)   | Records and information management services provider  | 10/2017              | 7.0%                           | \$ 186.0                |
| ADG, LLC   | Dental services   | 9/2019               | 8.1%                           | 216.9                   |
| AMZ Products Merger Corporation  | Specialty chemicals manufacturer  | 12/2018              | 6.8%                           | 237.0                   |
| Argon Medical Devices, Inc.  | Manufacturer and marketer of single-use specialty medical devices   | 4/2018               | 6.5%                           | 238.6                   |
| BECO Holding Company, Inc.(4)  | Wholesale distributor of first response fire protection equipment and related parts   | 12/2017              | 8.3%                           | 143.4                   |
| Brewer Holdings Corp.  | Provider of software and technology-enabled content and analytical solutions to insurance brokers                               | 11/2019              | 7.0%                           | 175.0                   |
| Cambridge International, Inc.  | Manufacturer of custom designed and engineered metal products   | 4/2018               | 8.0%                           | 85.4                    |
| CCS Group Holdings, LLC(4)   | Correctional facility healthcare operator   | 4/2017               | 7.3%                           | 217.4                   |
| CH Hold Corp.  | Collision repair company  | 11/2019              | 5.5%                           | 270.0                   |
| Chariot Acquisition, LLC   | Distributor and designer of aftermarket golf cart parts and accessories   | 1/2019               | 7.8%                           | 141.4                   |
| CIBT Holdings, Inc.(4)   | Expedited travel document processing services   | 12/2018              | 6.8%                           | 180.6                   |
| CWD, LLC   | Supplier of automotive aftermarket brake parts  | 6/2016               | 10.0%                          | 129.3                   |
| Drayer Physical Therapy Institute, LLC                                 | Outpatient physical therapy provider  | 7/2018               | 7.5%                           | 136.4                   |
| Driven Brands, Inc.(2)(4)  | Automotive aftermarket car care franchisor  | 3/2017               | 6.0%                           | 202.2                   |
| ECI Purchaser Company, LLC   | Manufacturer of specialized pressure regulators, valves and other control equipment for use with liquefied and compressed gases | 12/2019              | 6.0%                           | 236.7                   |
| Excelligence Learning Corporation(4)                                   | Developer, manufacturer and retailer of educational products  | 8/2018               | 7.8%                           | 173.6                   |
| Fleischmann's Vinegar Company, Inc.                                    | Manufacturer and marketer of industrial vinegar   | 5/2016               | 8.0%                           | 74.7                    |
| Fox Hill Holdings, LLC(2)  | Third party claims administrator on behalf of insurance carriers  | 6/2018               | 6.8%                           | 289.5                   |
| III US Holdings, LLC   | Provider of library automation software and systems   | 3/2018               | 7.6%                           | 216.3                   |
| Implus Footcare, LLC(4)  | Provider of footwear and other accessories  | 10/2016              | 9.0%                           | 209.3                   |
| Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(2)(4)(5) | Private school operator   | 6/2015               |                                | 83.7                    |
| Intermedix Corporation(3)  | Revenue cycle management provider to the emergency healthcare industry  | 12/2019              | 5.8%                           | 273.0                   |
| iParadigms, LLC  | Provider of anti-plagiarism software to the education industry  | 4/2019               | 6.5%                           | 163.8                   |
| Laborie Medical Technologies Corp(4)                                   | Provider of medical diagnostics products  | 10/2018              | 6.8%                           | 113.3                   |
| MCH Holdings, Inc.(4)  | Healthcare professional provider  | 1/2020               | 6.3%                           | 180.0                   |
| MWI Holdings, Inc.(2)  | Provider of engineered springs, fasteners, and other precision components   | 3/2019               | 7.4%                           | 260.9                   |
| Noranco Manufacturing (USA) Ltd.                                       | Supplier of complex machined and sheet metal components for the aerospace industry  | 4/2019               | 6.8%                           | 160.6                   |

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|  |   |         |       |         |
|--|---|---------|-------|---------|
| Nordco, Inc.   | Designer and manufacturer of railroad maintenance-of-way machinery  | 8/2019  | 7.0%  | 219.4   |
| Oak Parent, Inc.(2)  | Manufacturer of athletic apparel  | 4/2018  | 7.5%  | 304.4   |
| Penn Detroit Diesel Allison, LLC   | Distributor of new equipment and aftermarket parts to the heavy-duty truck industry                             | 12/2016 | 9.0%  | 59.4    |
| PetroChoice Holdings, LLC  | Provider of lubrication solutions   | 1/2017  | 10.0% | 158.3   |
| PODS Funding Corp. II(2)   | Storage and warehousing   | 12/2018 | 7.1%  | 348.8   |
| Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(2) | Provider of highly-customized, tailored protective packaging solutions  | 3/2017  | 7.8%  | 151.2   |
| Protective Industries, Inc. dba Caplugs(2)(4)  | Plastic protection products   | 10/2019 | 6.8%  | 277.6   |
| PSSI Holdings, LLC(2)  | Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry        | 6/2018  | 6.0%  | 214.5   |
| Restaurant Technologies, Inc.  | Provider of bulk cooking oil management services to the restaurant and fast food service industries             | 6/2018  | 7.0%  | 201.5   |
| Selig Sealing Products, Inc.   | Manufacturer of container sealing products for rigid packaging applications                                     | 10/2019 | 6.8%  | 198.5   |
| Singer Sewing Company  | Manufacturer of consumer sewing machines  | 6/2017  | 7.3%  | 196.5   |
| Strategic Partners, Inc.(4)  | Supplier of medical uniforms, specialized medical footwear and accessories                                      | 8/2018  | 7.8%  | 231.5   |
| Talent Partners G.P. and Print Payroll Services, G.P.                                | Provider of technology-enabled payroll to the advertising industry  | 10/2017 | 8.0%  | 61.2    |
| TecoStar Acquisition Company   | Manufacturer of precision complex components for the medical device market and the aerospace and defense market | 12/2019 | 6.4%  | 118.0   |
| The Teaching Company, LLC and The Teaching Company Holdings, Inc.(2)(4)              | Education publications provider   | 3/2017  | 9.0%  | 110.9   |
| Towne Holdings, Inc.   | Provider of contracted hospitality services and parking systems   | 12/2019 | 6.8%  | 154.0   |
| U.S. Anesthesia Partners, Inc.(2)  | Anesthesiology service provider   | 12/2019 | 7.3%  | 324.2   |
| Universal Services of America, LP  | Provider of security officer and guard services   | 7/2019  | 6.0%  | 269.5   |
| WB Merger Sub, Inc.  | Importer, distributor and developer of premium wine and spirits   | 12/2016 | 9.0%  | 159.2   |
|  |   |         | \$    | 8,753.6 |

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- (1) Represents the weighted average annual stated interest rate as of March 31, 2014. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.
  
- (2) We also hold a portion of this company's first lien senior secured loan.
  
- (3) We also hold a portion of this company's second lien senior secured loan.
  
- (4) We hold an equity investment in this company.
  
- (5) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of March 31, 2014.

Table of Contents**SSLP Loan Portfolio as of December 31, 2013**

| (dollar amounts in millions)   |   | Maturity | Stated           | Principal | Fair     |
|--|---|----------|------------------|-----------|----------|
| Portfolio Company  | Business Description  | Date     | Interest Rate(1) | Amount    | Value(2) |
| Access CIG, LLC(3)   | Records and information management services provider  | 10/2017  | 7.0%             | \$ 186.9  | \$ 186.9 |
| ADG, LLC   | Dental services   | 9/2019   | 8.1%             | 217.5     | 217.5    |
| AMZ Products Merger Corporation  | Specialty chemicals manufacturer  | 12/2018  | 6.8%             | 237.6     | 237.6    |
| Argon Medical Devices, Inc.  | Manufacturer and marketer of single-use specialty medical devices                                 | 4/2018   | 6.5%             | 239.2     | 239.2    |
| BECO Holding Company, Inc.(5)  | Wholesale distributor of first response fire protection equipment and related parts               | 12/2017  | 8.3%             | 143.4     | 143.4    |
| Brewer Holdings Corp. and Zywave, Inc.                                 | Provider of software and technology-enabled content and analytical solutions to insurance brokers | 11/2019  | 7.0%             | 175.5     | 175.5    |
| Cambridge International, Inc.  | Manufacturer of custom designed and engineered metal products                                     | 4/2018   | 8.0%             | 86.0      | 86.0     |
| CCS Group Holdings, LLC(5)   | Correctional facility healthcare operator   | 4/2016   | 8.0%             | 134.5     | 134.5    |
| CH Hold Corp.  | Collision repair company  | 11/2019  | 5.5%             | 270.0     | 270.0    |
| Chariot Acquisition, LLC   | Distributor and designer of aftermarket golf cart parts and accessories                           | 1/2019   | 7.8%             | 142.3     | 142.3    |
| CIBT Holdings, Inc.(5)   | Expedited travel document processing services   | 12/2018  | 6.8%             | 178.9     | 178.9    |
| CWD, LLC   | Supplier of automotive aftermarket brake parts  | 6/2016   | 10.0%            | 130.5     | 130.5    |
| Drayer Physical Therapy Institute, LLC                                 | Outpatient physical therapy provider  | 7/2018   | 7.5%             | 136.7     | 136.7    |
| Driven Holdings, LLC(5)  | Automotive aftermarket car care franchisor  | 3/2017   | 7.0%             | 159.1     | 159.1    |
| ECI Purchaser Company, LLC   | Manufacturer of equipment to safely control pressurized gases                                     | 12/2019  | 6.0%             | 209.0     | 209.0    |
| Excelligence Learning Corporation(5)                                   | Developer, manufacturer and retailer of educational products                                      | 8/2018   | 7.8%             | 174.0     | 174.0    |
| Fleischmann's Vinegar Company, Inc.                                    | Manufacturer and marketer of industrial vinegar products  | 5/2016   | 8.0%             | 74.7      | 74.7     |
| Fox Hill Holdings, LLC(3)  | Third party claims administrator on behalf of insurance carriers                                  | 6/2018   | 6.8%             | 289.5     | 289.5    |
| III US Holdings, LLC   | Provider of library automation software and systems   | 3/2018   | 7.6%             | 194.5     | 194.5    |
| Implus Footcare, LLC(5)  | Provider of footwear and other accessories  | 10/2016  | 9.0%             | 210.3     | 210.3    |
| Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(3)(5)(6) | Private school operator   | 6/2015   |                  | 82.4      | 74.2     |
| Intermedix Corporation(4)  | Revenue cycle management provider to the emergency healthcare industry                            | 12/2018  | 6.3%             | 321.7     | 321.7    |
| iParadigms, LLC  | Provider of anti-plagiarism software to the education industry                                    | 4/2019   | 6.5%             | 164.2     | 164.2    |
| JHP Pharmaceuticals, LLC(5)  |   | 12/2019  | 6.8%             | 182.2     | 182.2    |



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|  |  |         |       |       |       |
|--|--|---------|-------|-------|-------|
|  | Manufacturer of specialty pharmaceutical products  |         |       |       |       |
| Laborie Medical Technologies Corp(5)   | Developer and manufacturer of medical equipment  | 10/2018 | 6.8%  | 113.5 | 113.5 |
| LJSS Acquisition, Inc.   | Fluid power distributor  | 10/2017 | 6.8%  | 159.8 | 159.8 |
| MWI Holdings, Inc.(3)  | Provider of engineered springs, fasteners, and other precision components                                | 3/2019  | 7.4%  | 261.6 | 261.6 |
| Noranco Manufacturing (USA) Ltd.   | Supplier of complex machined and sheet metal components for the aerospace industry                       | 4/2019  | 6.8%  | 161.1 | 161.1 |
| Nordco, Inc.   | Designer and manufacturer of railroad maintenance-of-way machinery                                       | 8/2019  | 7.0%  | 224.7 | 224.7 |
| Oak Parent, Inc.(3)  | Manufacturer of athletic apparel   | 4/2018  | 7.5%  | 307.1 | 307.1 |
| Penn Detroit Diesel Allison, LLC   | Distributor of new equipment and aftermarket parts to the heavy-duty truck industry                      | 12/2016 | 9.0%  | 59.5  | 59.5  |
| PetroChoice Holdings, LLC  | Provider of lubrication solutions  | 1/2017  | 10.0% | 158.3 | 158.3 |
| PODS Funding Corp. II(3)   | Storage and warehousing  | 12/2018 | 7.0%  | 314.1 | 314.1 |
| Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.(3) | Provider of highly-customized, tailored protective packaging solutions                                   | 3/2017  | 7.8%  | 152.0 | 152.0 |
| Protective Industries, Inc. dba Caplugs(3)(5)  | Plastic protection products  | 10/2019 | 6.8%  | 278.3 | 278.3 |
| PSSI Holdings, LLC(3)  | Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry | 6/2018  | 6.0%  | 224.4 | 224.4 |
| Restaurant Technologies, Inc.  | Provider of bulk cooking oil management services to the restaurant and fast food service industries      | 6/2018  | 7.0%  | 202.7 | 202.7 |
| Selig Sealing Products, Inc.   | Manufacturer of container sealing products   | 10/2019 | 6.8%  | 209.0 | 209.0 |

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| (dollar amounts in millions)  |   | Maturity | Stated           | Principal  | Fair       |
|---|---|----------|------------------|------------|------------|
| Portfolio Company   | Business Description  | Date     | Interest Rate(1) | Amount     | Value(2)   |
| Singer Sewing Company   | for rigid packaging applications<br>Manufacturer of consumer sewing machines  | 6/2017   | 7.3%             | 197.0      | 197.0      |
| Strategic Partners, Inc.(5)   | Supplier of medical uniforms,<br>specialized medical footwear and accessories | 8/2018   | 7.8%             | 232.1      | 232.1      |
| Talent Partners G.P. and Print Payroll Services, G.P.                   | Provider of technology-enabled payroll to the advertising industry            | 10/2017  | 8.0%             | 62.0       | 62.0       |
| TecoStar Acquisition Company  | Manufacturer of precision components for orthopedic medical devices           | 12/2019  | 6.4%             | 118.0      | 118.0      |
| The Teaching Company, LLC and The Teaching Company Holdings, Inc.(3)(5) | Education publications provider   | 3/2017   | 9.0%             | 111.5      | 109.3      |
| Towne Holdings, Inc.  | Provider of contracted hospitality services and parking systems               | 12/2019  | 6.8%             | 154.0      | 154.0      |
| U.S. Anesthesia Partners, Inc.(3)                                       | Anesthesiology service provider   | 12/2019  | 6.0%             | 210.0      | 210.0      |
| Universal Services of America, LP                                       | Provider of security officer and guard services                               | 7/2019   | 6.0%             | 253.9      | 253.9      |
| WB Merger Sub, Inc.   | Importer, distributor and developer of premium wine and spirits               | 12/2016  | 9.0%             | 159.2      | 159.2      |
|   |   |          |                  | \$ 8,664.4 | \$ 8,654.0 |

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- (1) Represents the weighted average annual stated interest rate as of December 31, 2013. All interest rates are payable in cash. For loans on non-accrual status, the stated interest rate is not shown as there is no current yield on such loans.
- (2) Represents the fair value in accordance with ASC 820-10. The determination of such fair value is not included in our board of directors valuation process described elsewhere herein.
- (3) We also hold a portion of this company's first lien senior secured loan.
- (4) We also hold a portion of this company's second lien senior secured loan.
- (5) We hold an equity investment in this company.
- (6) Loan was on non-accrual status, as determined by the investment committee of the SSLP, as of December 31, 2013.

The amortized cost and fair value of our SSLP Certificates was \$1.8 billion and \$1.8 billion, respectively, as of March 31, 2014, and \$1.7 billion and \$1.8 billion, respectively, as of December 31, 2013. The SSLP Certificates pay a weighted average contractual coupon of three month LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the underlying loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than both the contractual coupon on the SSLP Certificates as well as the weighted average yield on the SSLP's portfolio of 7.1% and 7.1% at March 31, 2014 and December 31, 2013, respectively. Our yield on our investment in the SSLP at amortized cost and fair value was 14.5% and 14.3%, respectively, as of March 31, 2014, and 15.0% and 14.8%, respectively, as of December 31, 2013. For the three months ended March 31, 2014 and 2013, we earned interest income of \$67.7 million and \$48.6 million, respectively, from our investment in the SSLP Certificates.

We are also entitled to certain fees in connection with the SSLP. For the three months ended March 31, 2014 and 2013, in connection with the SSLP, we earned capital structuring service, sourcing and other fees totaling \$12.5 million and \$7.9 million, respectively.

Selected financial information for the SSLP as of and for the year ended December 31, 2013 is as follows:

|  |   |
|--|---|
| (in millions)                              | <b>As of and for the Year<br/>Ended<br/>December 31, 2013</b> |
| <b>Selected Balance Sheet Information:</b> |   |

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|  |    |         |
|--|----|---------|
| Investments in loans receivable, net of discount for loan origination fees | \$ | 8,601.6 |
| Cash and other assets  | \$ | 142.3   |
| Total assets   | \$ | 8,743.9 |
| Senior notes   | \$ | 6,699.5 |
| Other liabilities  | \$ | 64.2    |
| Total liabilities  | \$ | 6,763.7 |
| Subordinated certificates and members' capital                             | \$ | 1,980.2 |
| Total liabilities and members' capital                                     | \$ | 8,743.9 |
| <b>Selected Statement of Operations Information:</b>                       |    |         |
| Total revenues   | \$ | 554.2   |
| Total expenses   | \$ | 296.7   |
| Net income   | \$ | 257.5   |

**RESULTS OF OPERATIONS**

*For the three months ended March 31, 2014 and 2013*

Operating results for the three months ended March 31, 2014 and 2013 are as follows:

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| (in millions)  | For the three months ended March 31, |          |
|--|--------------------------------------|----------|
|  | 2014                                 | 2013     |
| Total investment income  | \$ 239.7                             | \$ 195.1 |
| Total expenses   | 122.0                                | 92.2     |
| Net investment income before income taxes                      | 117.7                                | 102.9    |
| Income tax expense, including excise tax                       | 5.4                                  | 3.8      |
| Net investment income  | 112.3                                | 99.1     |
| Net realized gains   | 12.1                                 | 11.7     |
| Net unrealized losses  | (7.4)                                | (30.4)   |
| Net increase in stockholders' equity resulting from operations | \$ 117.0                             | \$ 80.4  |

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

**Investment Income**

| (in millions)                    | For the three months ended March 31, |          |
|----------------------------------|--------------------------------------|----------|
|                                  | 2014                                 | 2013     |
| Interest income from investments | \$ 173.5                             | \$ 144.2 |
| Capital structuring service fees | 20.9                                 | 6.0      |
| Dividend income                  | 30.7                                 | 32.1     |
| Management and other fees        | 6.0                                  | 4.5      |
| Other income                     | 8.6                                  | 8.3      |
| Total investment income          | \$ 239.7                             | \$ 195.1 |

The increase in interest income from investments for the three months ended March 31, 2014 from the comparable period in 2013 was primarily due to an increase in the size of our portfolio, which increased from an average of \$5.9 billion at amortized cost for the three months ended March 31, 2013 to an average of \$7.6 billion at amortized cost for the comparable period in 2014. The increase in capital structuring fees for the three months ended March 31, 2014 from the comparable period in 2013 was primarily due to the increase in new investment commitments, which increased from \$410 million for the three months ended March 31, 2013 to \$852 million for the comparable period in 2014, as well as due to the increase in the average capital structuring service fees received on new investments, from 1.5% in 2013 to 2.5% in 2014. The decrease in dividend income for the three months ended March 31, 2014 from the comparable period in 2013 was primarily due to a decrease in additional dividends received from Ivy Hill Asset Management, L.P. ( IHAM ). The dividends received from IHAM for the three months ended March 31, 2014 and 2013 included additional dividends of \$10.0 million and \$17.4 million, respectively, that were paid in addition to the quarterly dividends generally paid by IHAM. IHAM paid the additional dividends out of accumulated earnings that had previously been retained by IHAM. Also during the three months ended March 31, 2014, we received \$6.6 million in other non-recurring dividends from non-income producing equity securities compared to \$0.4 million for the comparable period in 2013.

**Operating Expenses**

| (in millions)                     | For the three months ended March 31, |         |
|-----------------------------------|--------------------------------------|---------|
|                                   | 2014                                 | 2013    |
| Interest and credit facility fees | \$ 52.5                              | \$ 39.4 |
| Base management fees              | 30.1                                 | 23.2    |

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|   |          |         |
|---|----------|---------|
| Incentive fees related to pre-incentive fee net investment income | 28.3     | 23.8    |
| Incentive fees related to capital gains per GAAP                  | 1.0      | (3.8)   |
| Administrative fees   | 3.7      | 2.6     |
| Other general and administrative                                  | 6.4      | 7.0     |
| Total expenses  | \$ 122.0 | \$ 92.2 |

Interest and credit facility fees for the three months ended March 31, 2014 and 2013, were comprised of the following:

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| (in millions)                                   | For the three months ended March 31, |      |    |      |
|---|--------------------------------------|------|----|------|
|   |                                      | 2014 |    | 2013 |
| Stated interest expense                         | \$                                   | 41.5 | \$ | 29.9 |
| Facility fees                                   |                                      | 3.4  |    | 2.6  |
| Amortization of debt issuance costs             |                                      | 3.9  |    | 3.5  |
| Accretion of discount on notes payable          |                                      | 3.7  |    | 3.4  |
| Total interest and credit facility fees expense | \$                                   | 52.5 | \$ | 39.4 |

Stated interest expense for the three months ended March 31, 2014 increased from the comparable period in 2013 primarily due to the increase in the average principal amount of debt outstanding, which increased to \$3.0 billion as compared to \$2.1 billion for the comparable period in 2013.

The increase in base management fees and incentive fees related to pre-incentive fee net investment income for the three months ended March 31, 2014 from the comparable period in 2013 were primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in pre-incentive fee net investment income.

For the three months ended March 31, 2014, the capital gains incentive fee expense accrual calculated in accordance with GAAP was \$0.9 million. For the three months ended March 31, 2013 we recorded a reduction of \$3.8 million in the capital gains incentive fee expense accrual calculated in accordance with GAAP. The capital gains incentive fee accrued under GAAP includes an accrual related to unrealized capital appreciation, whereas the capital gains incentive fee actually payable under our investment advisory and management agreement does not. There can be no assurance that such unrealized capital appreciation will be realized in the future. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. As of March 31, 2014, the total capital gains incentive fee accrual calculated in accordance with GAAP was \$64.4 million (included in management and incentive fees payable in the consolidated balance sheet). However, as of March 31, 2014, there was no capital gains fee actually payable under our investment advisory and management agreement. See Note 3 to our consolidated financial statements for the year ended December 31, 2013 for more information on the base management and incentive fees.

Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs. Other general and administrative expenses include professional fees, rent, insurance, depreciation, director's fees and other costs.

**Income Tax Expense, Including Excise Tax**

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

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Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, we accrue excise tax on estimated excess taxable income as such taxable income is earned. For the three months ended March 31, 2014 and 2013, we recorded a net expense of \$2.5 million and \$3.0 million, respectively, for U.S. federal excise tax.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three months ended March 31, 2014 and 2013, we recorded a tax expense of approximately \$2.9 million and \$0.8 million, respectively, for these subsidiaries.

### **Net Realized Gains/Losses**

During the three months ended March 31, 2014, we had \$667.9 million of sales, repayments or exits of investments resulting in \$12.0 million of net realized gains. Net realized gains of \$12.0 million on investments were comprised of \$12.1 million of gross realized gains and \$0.1 million of gross realized losses.

The realized gains and losses on investments during the three months ended March 31, 2014 consisted of the following:



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| (in millions)<br>Portfolio Company | Net Realized<br>Gains (Losses) |
|------------------------------------|--------------------------------|
| JHP Group Holdings, Inc.           | \$ 1.9                         |
| Orion Foods, LLC                   | 1.6                            |
| La Paloma Generating Company, LLC  | 1.6                            |
| Magnacare Holdings, Inc.           | 1.3                            |
| Imperial Capital Group LLC         | 1.3                            |
| Stag-Parkway, Inc.                 | 1.2                            |
| Eberle Design, Inc.                | 1.0                            |
| Other, net                         | 2.1                            |
| Total, net                         | \$ 12.0                        |

During the three months ended March 31, 2014, we purchased \$0.4 million aggregate principal amount of the 2047 Notes and as a result of these transactions, we recognized realized losses of \$0.1 million. During the three months ended March 31, 2014, we also recognized net realized gains on foreign currency transactions of \$0.2 million.

During the three months ended March 31, 2013, we had \$235.7 million of sales, repayments or exits of investments resulting in \$11.7 million of net realized gains. Net realized gains of \$11.7 million on investments were comprised of \$11.7 million of gross realized gains and \$0.0 million of gross realized losses.

The realized gains and losses on investments during the three months ended March 31, 2013 consisted of the following:

| (in millions)<br>Portfolio Company | Net Realized<br>Gains (Losses) |
|------------------------------------|--------------------------------|
| Performant Financial Corporation   | \$ 8.6                         |
| Other, net                         | 3.1                            |
| Total, net                         | \$ 11.7                        |

**Net Unrealized Gains/Losses**

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses. For the three months ended March 31, 2014 and 2013, net unrealized gains and losses for our portfolio were comprised of the following:

| (in millions)  | For the three months ended March 31, |        |      |        |
|--|--------------------------------------|--------|------|--------|
|  | 2014                                 |        | 2013 |        |
| Unrealized appreciation  | \$                                   | 50.7   | \$   | 31.3   |
| Unrealized depreciation  |                                      | (48.2) |      | (56.9) |
| Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1) |                                      | (9.9)  |      | (4.8)  |
| Total net unrealized losses from investments   | \$                                   | (7.4)  | \$   | (30.4) |

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

The changes in unrealized appreciation and depreciation during the three months ended March 31, 2014 consisted of the following:

| (in millions)<br>Portfolio Company  | Net Unrealized<br>Appreciation<br>(Depreciation) |
|-------------------------------------|--|
| Insight Pharmaceuticals Corporation | \$ 6.9   |
| Campus Management Corp.             | 3.5  |
| VSS-Tranzact Holdings, LLC          | 3.4  |
| Orion Foods, LLC                    | 3.3  |
| Ciena Capital LLC                   | 2.0  |
| The Dwyer Group                     | 2.0  |
| OTG Management, LLC                 | (4.5)  |
| The Step2 Company, LLC              | (11.6)   |
| Ivy Hill Asset Management, L.P.     | (15.4)   |
| Other, net                          | 12.9   |
| Total, net                          | \$ 2.5   |

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The changes in unrealized appreciation and depreciation during the three months ended March 31, 2013 consisted of the following:

| (in millions)<br>Portfolio Company     | Net Unrealized<br>Appreciation<br>(Depreciation) |
|--|--|
| Apple & Eve, LLC                       | \$ 3.6   |
| Matrixx Initiatives, Inc.              | 3.0  |
| La Paloma Generating Company, LLC      | 2.3  |
| American Broadband Communications, LLC | 2.2  |
| Orion Food, LLC                        | (2.4)  |
| ADF Capital, Inc.                      | (2.5)  |
| Ciena Capital LLC                      | (4.1)  |
| CitiPostal Inc.                        | (5.3)  |
| UL Holding Co., LLC                    | (6.2)  |
| Ivy Hill Asset Management, L.P.        | (26.4)   |
| Other, net                             | 10.2   |
| Total, net                             | \$ (25.6)  |

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

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

As of March 31, 2014, we had \$146.6 million in cash and cash equivalents and \$3.1 billion in total aggregate principal amount of debt outstanding (\$3.1 billion at carrying value). Subject to leverage and borrowing base restrictions, we had approximately \$2.1 billion available for additional borrowings under the Facilities as of March 31, 2014.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowing. As of March 31, 2014, our asset coverage was 260%.

**Equity Issuances**

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There were no sales of our equity securities during the three months ended March 31, 2014 and 2013. As of March 31, 2014 and December 31, 2013, our total equity market capitalization was \$5.3 billion.

### **Debt Capital Activities**

Our debt obligations consisted of the following as of March 31, 2014 and December 31, 2013:

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| (in millions)                      | March 31, 2014  |                     |                   | As of<br>December 31, 2013  |                     |                   |
|------------------------------------|---|---------------------|-------------------|---|---------------------|-------------------|
|                                    | Total<br>Aggregate<br>Principal<br>Amount<br>Available/<br>Outstanding(1) | Principal<br>Amount | Carrying<br>Value | Total<br>Aggregate<br>Principal<br>Amount<br>Available/<br>Outstanding(1) | Principal<br>Amount | Carrying<br>Value |
| Revolving Credit Facility          | \$ 1,170.0(2)   | \$                  | \$                | \$ 1,060.0  | \$                  | \$                |
| Revolving Funding Facility         | 620.0(3)  | 100.0               | 100.0             | 620.0   | 185.0               | 185.0             |
| SMBC Funding Facility              | 400.0   |                     |                   | 400.0   |                     |                   |
| February 2016 Convertible<br>Notes | 575.0   | 575.0               | 558.5(4)          | 575.0   | 575.0               | 556.5(4)          |
| June 2016 Convertible Notes        | 230.0   | 230.0               | 222.6(4)          | 230.0   | 230.0               | 221.8(4)          |
| 2017 Convertible Notes             | 162.5   | 162.5               | 159.5(4)          | 162.5   | 162.5               | 159.2(4)          |
| 2018 Convertible Notes             | 270.0   | 270.0               | 264.4(4)          | 270.0   | 270.0               | 264.1(4)          |
| 2019 Convertible Notes             | 300.0   | 300.0               | 295.5(4)          | 300.0   | 300.0               | 295.3(4)          |
| 2018 Notes                         | 750.0   | 750.0               | 750.8(5)          | 600.0   | 600.0               | 596.7(5)          |
| February 2022 Notes                | 143.8   | 143.8               | 143.8             | 143.8   | 143.8               | 143.8             |
| October 2022 Notes                 | 182.5   | 182.5               | 182.5             | 182.5   | 182.5               | 182.5             |
| 2040 Notes                         | 200.0   | 200.0               | 200.0             | 200.0   | 200.0               | 200.0             |
| 2047 Notes                         | 229.5   | 229.5               | 181.1(6)          | 230.0   | 230.0               | 181.4(6)          |
|                                    | \$ 5,233.3  | \$ 3,143.3          | \$ 3,058.7        | \$ 4,973.8  | \$ 3,078.8          | \$ 2,986.3        |

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

(2) Provides for a feature that allows us, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,755.0 million.

(3) Provides for a feature that allows us and our consolidated subsidiary, Ares Capital CP Funding LLC ( Ares Capital CP ), under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865.0 million.

(4) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less the unaccreted discount initially recorded upon issuance of the Convertible Unsecured Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$16.5 million, \$7.4 million, \$3.0 million, \$5.6 million and \$4.5 million, respectively, as of March 31, 2014. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes was \$18.5 million, \$8.2 million, \$3.3 million, \$5.9 million and \$4.7 million, respectively, as of December 31, 2013.

(5) Represents the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the 2018 Notes. The total unamortized premium for the 2018 Notes was \$0.8 million as of March 31, 2014. The total unaccreted discount for the 2018 Notes was \$3.3 million as of December 31, 2013.

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(6) Represents the aggregate principal amount outstanding less the unaccreted purchased discount. The total unaccreted purchased discount for the 2047 Notes was \$48.4 million and \$48.6 million as of March 31, 2014 and December 31, 2013, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our debt outstanding as of March 31, 2014 were 5.4% and 7.6 years, respectively, and as of December 31, 2013 were 5.3% and 7.9 years, respectively.

The ratio of total principal amount of debt outstanding to stockholders' equity as of March 31, 2014 was 0.64:1.00 compared to 0.63:1.00 as of December 31, 2013. The ratio of total carrying value of debt outstanding to stockholders' equity as of March 31, 2014 was 0.62:1.00 compared to 0.61:1.00 as of December 31, 2013.

### ***Revolving Credit Facility***

We are party to a senior secured revolving credit facility (as amended and restated, the Revolving Credit Facility), which allows us to borrow up to \$1,170 million at any one time outstanding.

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The end of the revolving period and the stated maturity date for the Revolving Credit Facility are May 4, 2018 and May 4, 2019, respectively. The Revolving Credit Facility also provides for a feature that allowed us, under certain circumstances, to increase the size of the facility to a maximum of \$1,755 million. The interest rate charged on the Revolving Credit Facility is based on LIBOR plus an applicable spread of 2.00% or a base rate (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.00%. Additionally, we are required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. As of March 31, 2014, there were no amounts outstanding under the Revolving Credit Facility and we were in compliance in all material respects with the terms of the Revolving Credit Facility.

***Revolving Funding Facility***

Our consolidated subsidiary, Ares Capital CP, is party to a revolving funding facility (as amended, the Revolving Funding Facility), which allows Ares Capital CP to borrow up to \$620 million at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are April 18, 2015 and April 18, 2017, respectively. The Revolving Funding Facility also provides for a feature that allowed, under certain circumstances, for an increase in the size of the facility to a maximum of \$865 million. The interest rate charged on the Revolving Funding Facility is one month LIBOR plus an applicable spread ranging from 2.25% to 2.50% over LIBOR and ranging from 1.25% to 1.50% over base rate (as defined in the agreements governing the Revolving Funding Facility) in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the facility. Additionally, we are required to pay a commitment fee of between 0.50% and 1.75% per annum depending on the size of the unused portion of the Revolving Funding Facility. As of March 31, 2014, the principal amount outstanding under the Revolving Funding Facility was \$100.0 million and we and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

***SMBC Funding Facility***

Our consolidated subsidiary, Ares Capital JB Funding LLC, ( ACJB ), is party to a revolving funding facility (as amended, the SMBC Funding Facility), which allows ACJB to borrow up to \$400 million at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated maturity date for the SMBC Funding Facility are September 14, 2016 and September 14, 2021, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement. The interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.00% or a base rate (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.00%. Through March 14, 2014, ACJB was required to pay a commitment fee of up to 0.75% per annum depending on the size of the unused portion of the SMBC Funding Facility. After March 14, 2014, ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility. As of March 31, 2014, there were no amounts outstanding under the SMBC Funding Facility and we and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

***Convertible Unsecured Notes***

In January 2011, we issued \$575 million aggregate principal amount of unsecured convertible senior notes that mature on February 1, 2016 (the February 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2011, we issued \$230 million aggregate principal amount of unsecured convertible senior notes that mature on June 1, 2016 (the June 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2012, we issued \$162.5 million aggregate principal amount of unsecured convertible senior notes that mature on March 15, 2017 (the 2017 Convertible Notes), unless previously converted or repurchased

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in accordance with their terms. In the fourth quarter of 2012, we issued \$270.0 million aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2018 (the 2018 Convertible Notes ), unless previously converted or repurchased in accordance with their terms. In July 2013, we issued \$300.0 million aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2019 (the 2019 Convertible Notes and together with the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes, the Convertible Unsecured Notes ), unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Unsecured Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes bear interest at a rate of 5.750%, 5.125% , 4.875% , 4.750% and 4.375%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Unsecured Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at their respective conversion rates (listed below as of March 31,



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2014) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the Convertible Unsecured Notes Indentures ). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the respective Convertible Unsecured Notes Indenture. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require us to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of March 31, 2014) are listed below.

|  | February 2016<br>Convertible Notes |       | June 2016<br>Convertible Notes |       | 2017<br>Convertible Notes |       | 2018<br>Convertible Notes |       | 2019<br>Convertible Notes |       |
|--|------------------------------------|-------|--------------------------------|-------|---------------------------|-------|---------------------------|-------|---------------------------|-------|
| Conversion premium   | 17.5%                              |       | 17.5%                          |       | 17.5%                     |       | 17.5%                     |       | 15.0%                     |       |
| Closing stock price at issuance                                      | \$                                 | 16.28 | \$                             | 16.20 | \$                        | 16.46 | \$                        | 16.91 | \$                        | 17.53 |
| Closing stock price date   | January 19, 2011                   |       | March 22, 2011                 |       | March 8, 2012             |       | October 3, 2012           |       | July 15, 2013             |       |
| Conversion price (1)   | \$                                 | 18.62 | \$                             | 18.53 | \$                        | 19.05 | \$                        | 19.70 | \$                        | 20.05 |
| Conversion rate (shares per one thousand dollar principal amount)(1) | 53.6914                            |       | 53.9565                        |       | 52.5068                   |       | 50.7591                   |       | 49.8854                   |       |
| Conversion dates   | August 15, 2015                    |       | December 15, 2015              |       | September 15, 2016        |       | July 15, 2017             |       | July 15, 2018             |       |

(1) Represents conversion price and conversion rate, as applicable, as of March 31, 2014, taking into account certain de minimis adjustments that will be made on the conversion date.

**Unsecured Notes***2018 Notes*

In November 2013, we issued \$600.0 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 4.875% per year and mature on November 30, 2018 (the 2018 Notes ). The 2018 Notes require payment of interest semi-annually, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time at our option at a redemption price equal to par plus a make whole premium, as determined in the indenture governing the 2018 Notes, and any accrued and unpaid interest.

In January 2014, we issued an additional \$150.0 million aggregate principal amount of the 2018 Notes at a premium of 102.7% of their principal amount.

*February 2022 Notes*

In February 2012, we issued \$143.8 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 7.00% per year and mature on February 15, 2022 (the February 2022 Notes ). The February 2022 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option on or after February 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

*October 2022 Notes*

In September 2012 and October 2012, we issued \$182.5 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 5.875% per year and mature on October 1, 2022 (the October 2022 Notes ). The October 2022 Notes require payment of interest quarterly and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option on or after October 1, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

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*2040 Notes*

In October 2010, we issued \$200.0 million in aggregate principal amount of senior unsecured notes which bear interest at a rate of 7.75% and mature on October 15, 2040 (the 2040 Notes ). The 2040 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option on or after October 15, 2015, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

*2047 Notes*

As part of the Allied Acquisition, we assumed \$230.0 million aggregate principal amount of senior unsecured notes which bear interest at a rate of 6.875% and mature on April 15, 2047 (the 2047 Notes and together with the 2018 Notes, the February 2022 Notes, the October 2022 Notes and the 2040 Notes, the Unsecured Notes ). The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

As of March 31, 2014 we were in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures and the indentures governing the Unsecured Notes.

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

See Note 5 to our consolidated financial statements for the three months ended March 31, 2014 for more detail on our debt obligations.

**OFF BALANCE SHEET ARRANGEMENTS**

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

As of March 31, 2014 and December 31, 2013, we had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) our discretion:

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| (in millions)  | As of          |                   |
|--|----------------|-------------------|
|  | March 31, 2014 | December 31, 2013 |
| Total revolving and delayed draw commitments                                       | \$ 762.4       | \$ 834.5          |
| Less: funded commitments   | (82.8)         | (87.1)            |
| Total unfunded commitments   | 679.6          | 747.4             |
| Less: commitments substantially at discretion of ours                              | (6.0)          | (16.0)            |
| Less: unavailable commitments due to borrowing base or other covenant restrictions | (1.6)          | (1.7)             |
| Total net adjusted unfunded revolving and delayed draw commitments                 | \$ 672.0       | \$ 729.7          |

Included within the total revolving and delayed draw commitments as of March 31, 2014 were commitments to issue up to \$41.9 million in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of March 31, 2014, we had \$16.9 million in letters of credit issued and outstanding under these commitments on behalf of the portfolio companies. In addition to these letters of credit included as a part of the total revolving and delayed draw commitments to portfolio companies, as of March 31, 2014 we also had \$5.3 million of letters of credit issued and outstanding on behalf of other portfolio companies. For all these letters of credit issued and outstanding, we would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of these letters of credit issued and outstanding are recorded as a liability on our balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$16.0 million expire in 2014 and \$6.2 million expire in 2015.

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We also have commitments to co-invest in the SSLP for our portion of the SSLP's commitments to fund delayed draw investments to certain portfolio companies of the SSLP. See Senior Secured Loan Program above and Note 4 to our consolidated financial statements for the three months ended March 31, 2014 for more information.

As of March 31, 2014 and December 31, 2013, we were party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

| (in millions)  | As of          |                   |
|--|----------------|-------------------|
|  | March 31, 2014 | December 31, 2013 |
| Total private equity commitments                                     | \$ 59.5        | \$ 59.5           |
| Less: funded private equity commitments                              | (12.1)         | (11.9)            |
| Total unfunded private equity commitments                            | 47.4           | 47.6              |
| Less: private equity commitments substantially at discretion of ours | (43.2)         | (43.2)            |
| Total net adjusted unfunded private equity commitments               | \$ 4.2         | \$ 4.4            |

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

As of March 31, 2014, one of our portfolio companies, Ciena Capital LLC (Ciena), had one non-recourse securitization Small Business Administration (SBA) loan warehouse facility, which has reached its maturity date but remains outstanding. Ciena is working with the providers of the SBA loan warehouse facility with regard to the repayment of that facility. Allied Capital had previously issued a performance guaranty (which Ares Capital succeeded to as a result of the Allied Acquisition) whereby Ares Capital must indemnify the warehouse providers for any damages, losses, liabilities and related costs and expenses that they may incur as a result of Ciena's failure to perform any of its obligations as loan originator, loan seller or loan servicer under the warehouse facility. As of March 31, 2014, there were no known issues or claims with respect to this performance guaranty.

**RECENT DEVELOPMENTS**

From April 1, 2014 through April 30, 2014, we made new investment commitments of \$303 million, of which \$223 million were funded. Of these new commitments, 71% were in first lien senior secured loans, 18% were in second lien senior secured loans, 10% were investments in subordinated certificates of the SSLP to make co-investments with GE in first lien senior secured loans through the SSLP and 1% were in other equity securities. Of the \$303 million of new investment commitments, 90% were floating rate, 9% were fixed rate and 1% were non-interest bearing. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 8.6%. We may seek to syndicate a portion of these new investment commitments, although there can be no assurance that we will be able to do so.

From April 1, 2014 through April 30, 2014, we exited \$401 million of investment commitments. Of these investment commitments, 48% were first lien senior secured loans, 47% were second lien senior secured loans, 3% were investments in subordinated certificates of the SSLP, 1% were senior subordinated loans and 1% were other equity securities. Of the \$401 million of exited investment commitments, 98% were floating rate, 1% were fixed rate and 1% were non-interest bearing. The weighted average yield of debt and other income producing securities exited or

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repaid during the period at amortized cost was 8.8%. On the \$401 million of investment commitments exited from April 1, 2014 through April 30, 2014, we recognized total net realized gains of approximately \$3 million.

In addition, as of April 30, 2014, we had an investment backlog and pipeline of approximately \$235 million and \$475 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a

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formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. In addition, we may syndicate a portion of these investments and certain of these investments may result in the repayment of existing investments. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with GAAP, and include the accounts of ours and our consolidated subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Interim financial statements are prepared in accordance with United States generally accepted accounting principles ( GAAP ) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2014.

*Cash and Cash Equivalents*

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

*Concentration of Credit Risk*

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

*Investments*

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

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 50% of our portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, our independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, our investment valuation process within the context of performing the integrated audit.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature



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and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate our valuation.

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

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

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

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with our portfolio management team.
- Preliminary valuations are reviewed and discussed with our investment adviser's management and investment professionals, and then valuation recommendations are presented to our board of directors.
- The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, who review a minimum of 50% of our portfolio at fair value.
- Our board of directors discusses valuations and ultimately determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on, among other things, the input of our investment adviser, audit committee and, where applicable, independent third-party valuation firms.

***Interest and Dividend Income Recognition***

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

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

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

### *Payment-in-Kind Interest*

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

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***Capital Structuring Service Fees and Other Income***

Our investment adviser seeks to provide assistance to our portfolio companies in connection with our investments and in return we may receive fees for capital structuring services. These fees are generally only available to us as a result of our underlying investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that our investment adviser provides vary by investment, but generally include reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to us. In certain instances where we are invited to participate as a co-lender in a transaction and do not provide significant services in connection with the investment, a portion of loan fees paid to us in such situations will be deferred and amortized over the estimated life of the loan. We may also take a seat on the board of directors of a portfolio company, or observe the meetings of the board of directors without taking a formal seat.

Other income includes fees for asset management, management and consulting services, loan guarantees, commitments, amendments and other services rendered by us to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

***Foreign Currency Translation***

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

- (1) Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.
- (2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

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

***Accounting for Derivative Instruments***

We do not utilize hedge accounting and instead mark our derivatives to market in the consolidated statement of operations.

***Equity Offering Expenses***

Our offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received.

***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method.

***Income Taxes***

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

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such

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income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions, we accrue excise tax, if any, on estimated excess taxable income as such taxable income is earned.

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

*Dividends to Common Stockholders*

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

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

*Use of Estimates in the Preparation of Financial Statements*

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

**Item 3. 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*

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

As of March 31, 2014, 81% of the investments at fair value in our portfolio bore interest at variable rates, 9% bore interest at fixed rates, 8% were non-interest earning and 2% were on non-accrual status. Additionally, for the variable rate investments, 69% of these investments contained interest rate floors (representing 56% of total investments at fair value). The Facilities all bear interest at variable rates with no interest rate floors, while the Unsecured Notes and the Convertible Unsecured Notes bear interest at fixed rates.

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

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. In addition, there can be no assurance that we will be able to effectively hedge our interest rate risk.

Based on our March 31, 2014, balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

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| (in millions)<br>Basis Point Change | Interest<br>Income | Interest<br>Expense | Net<br>Income (1) |
|-------------------------------------|--------------------|---------------------|-------------------|
| Up 300 basis points                 | \$ 104.9           | \$ 3.0              | \$ 101.9          |
| Up 200 basis points                 | \$ 44.6            | \$ 2.0              | \$ 42.6           |
| Up 100 basis points                 | \$ (14.1)          | \$ 1.0              | \$ (15.1)         |
| Down 100 basis points               | \$ 6.4             | \$ (0.2)            | \$ 6.6            |
| Down 200 basis points               | \$ 6.4             | \$ (0.2)            | \$ 6.6            |
| Down 300 basis points               | \$ 6.4             | \$ (0.2)            | \$ 6.6            |

(1) Excludes the impact of incentive fees based on pre-incentive fee net investment income. See Note 3 to our consolidated financial statements for the three months ended March 31, 2014 for more information on the incentive fee.

Based on our December 31, 2013 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

| (in millions)<br>Basis Point Change | Interest<br>Income | Interest<br>Expense | Net<br>Income (1) |
|-------------------------------------|--------------------|---------------------|-------------------|
| Up 300 basis points                 | \$ 98.2            | \$ 5.6              | \$ 92.6           |
| Up 200 basis points                 | \$ 38.7            | \$ 3.7              | \$ 35.0           |
| Up 100 basis points                 | \$ (19.0)          | \$ 1.9              | \$ (20.9)         |
| Down 100 basis points               | \$ 6.3             | \$ (0.3)            | \$ 6.6            |
| Down 200 basis points               | \$ 6.3             | \$ (0.3)            | \$ 6.6            |
| Down 300 basis points               | \$ 6.3             | \$ (0.3)            | \$ 6.6            |

(1) Excludes the impact of incentive fees based on pre-incentive fee net investment income. See Note 3 to our consolidated financial statements for the three months ended March 31, 2014 for more information on the incentive fee.

**Item 4. Controls and Procedures.**

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to the Company that is required to be disclosed by us in the reports it files or submits under the Securities Exchange Act of 1934.

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

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

On May 20, 2013, the Company was named as one of several defendants in an action filed in the United States District Court for the Eastern District of Pennsylvania (the Pennsylvania Court ) by the bankruptcy trustee of DSI Renal Holdings LLC and two related companies. On March 17, 2014 the action was transferred to the United States District Court for the District of Delaware pursuant to a motion filed by the defendants and granted by the Pennsylvania Court. The complaint in the action alleges, among other things, that each of the named defendants participated in a purported fraudulent transfer involving the restructuring of a subsidiary of DSI Renal Holdings LLC. Among other things, the complaint seeks, jointly and severally from all defendants, (1) damages of



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approximately \$425 million, of which the complaint states the Company's individual share is approximately \$117 million, and (2) punitive damages. The Company is currently unable to assess with any certainty whether it may have any exposure in this action. The Company believes the claims are without merit and intends to vigorously defend itself in this action.

**Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

We did not sell any equity securities during the period covered in this report that were not registered under the Securities Act of 1933.

We did not repurchase any shares of our common stock during the period covered in this report.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

**EXHIBIT INDEX**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 3.1           | Articles of Amendment and Restatement, as amended(1)   |
| 3.2           | Second Amended and Restated Bylaws, as amended(2)  |
| 31.1          | Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*                        |
| 31.2          | Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*                        |
| 32.1          | Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |

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\* Filed herewith

(1) Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q (File No. 814-00663) for the quarter ended September 30, 2012, filed on November 5, 2012.

(2) Incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q (File No. 814-00663) for the quarter ended June 30, 2010, filed on August 5, 2010.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ARES CAPITAL CORPORATION**

Dated: May 6, 2014

By

/s/ Michael J. Arougheti  
Michael J. Arougheti  
Chief Executive Officer

Dated: May 6, 2014

By

/s/ Penni F. Roll  
Penni F. Roll  
Chief Financial Officer

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