ARES CAPITAL CORP
Form N-14
December 16, 2009

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As filed with the Securities and Exchange Commission on December 16, 2009

Registration No. 333-[ ]

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Ares Capital Corporation

(Exact Name of Registrant as Specified in Charter)

280 Park Avenue, 22nd Floor
Building East
New York, New York 10017
(Address of Principal Executive Offices)

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

Michael D. Weiner
c/o Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
(310) 201-4200
(Name and Address of Agent for Service)

Copies to:

Michael A. Woronoff	**Cynthia M. Krus**
Monica J. Shilling	**Sutherland Asbill & Brennan LLP**

Proskauer Rose LLP
2049 Century Park East, 32nd Floor
Los Angeles, CA 90067
Telephone: (310) 557-2900

1275 Pennsylvania Ave., NW
Washington, DC 20004
Telephone: (202) 383-0100

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

Calculation of Registration Fee
under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price per Share of Common Stock	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value per share	67,962,680 shares	N/A	$240,587,887.20	$13,424.80

(1) The number of shares to be registered represents the maximum number of shares of the registrant's common stock estimated to be issuable in connection with the merger agreement described in the enclosed document (assuming all "in-the-money" Allied Capital stock options are exercised for shares of Ares Capital common stock). Pursuant to Rule 416, this registration statement also covers additional securities that may be issued as a result of stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee and calculated pursuant to Rules 457(c) and 457(f)(1) under the Securities Act of 1933, as amended, the proposed maximum aggregate offering price is equal to: (1) $3.54, the average of the high and low prices per share of Allied Capital Corporation's common stock (the securities to be cancelled in the merger) on December 14, 2009, as reported on the New York Stock Exchange, multiplied by (2) 67,962,680, the maximum number of shares of the registrant's common stock expected to be issued in accordance with the terms of the merger agreement (assuming all "in-the-money" Allied Capital stock options are exercised for shares of Ares Capital common stock).

(3) Based on a rate of $55.80 per $1,000,000 of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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

PRELIMINARY SUBJECT TO COMPLETION DATED DECEMBER 16, 2009

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder,

On October 26, 2009, Allied Capital Corporation, or "Allied Capital," and Ares Capital Corporation, or "Ares Capital," announced a strategic business combination in which ARCC Odyssey Corp., a wholly owned subsidiary of Ares Capital, or "Merger Sub," would merge with and into Allied Capital and, immediately thereafter, Allied Capital would merge with and into Ares Capital.

If the merger of Merger Sub into Allied Capital is completed, holders of Allied Capital common stock will have a right to receive 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock held immediately prior to such merger. In connection with such merger, Ares Capital expects to issue a maximum of approximately 58.3 million shares of its common stock (assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out), subject to adjustment in certain limited circumstances.

Allied Capital and Ares Capital are specialty finance companies that are closed-end, non-diversified management investment companies. They are both incorporated in Maryland and have elected to be regulated as business development companies under the Investment Company Act of 1940. Ares Capital's investment objective is to generate both current income and capital appreciation through debt and equity investments. Allied Capital has a similar investment objective to achieve current income and capital gains.

The market value of the merger consideration will fluctuate with the market price of Ares Capital common stock. The following table shows the closing sale prices of Ares Capital common stock and Allied Capital common stock as reported on the NASDAQ Global Select Market, or "NASDAQ," and the New York Stock Exchange, or the "NYSE," respectively, on October 23, 2009, the last trading day before the public announcement of the merger, and on [ ], 20[ ], the last trading day before the distribution of this document.

This table also shows the implied value of the merger consideration proposed for each share of Allied Capital common stock, which was calculated by multiplying the closing price of Ares Capital common stock on those dates by 0.325, the exchange ratio.

	Ares Capital Common Stock	Allied Capital Common Stock	Implied Value of One Share of Allied Capital Common Stock
Closing Price at October 23, 2009	$ 10.69	$ 2.73	$ 3.47
Closing Price at [ ], 20[ ]	$	$	$

You should obtain current stock price quotations for Ares Capital common stock and Allied Capital common stock. Ares Capital common stock trades on NASDAQ under the symbol "ARCC." Allied Capital common stock trades on the NYSE and NASDAQ under the symbol "ALD."

The merger and subsequent combination are intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986 and holders of Allied Capital common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of Allied Capital common stock for shares of Ares Capital common stock, except with respect to any cash received instead of fractional shares of Ares Capital common stock.

At a special meeting of Allied Capital stockholders, Allied Capital stockholders will be asked to vote on the approval of the merger and the merger agreement described in this document. Approval of the merger and the merger agreement requires the affirmative vote of two-thirds of Allied Capital's outstanding shares entitled to vote on the matter.

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At a special meeting of Ares Capital stockholders, Ares Capital stockholders will be asked to vote on the issuance of Ares Capital common stock in connection with the merger. The stock issuance proposal requires the affirmative vote of at least a majority of all of the votes cast on the matter at a meeting at which a quorum is present.

After careful consideration, the board of directors of Allied Capital unanimously recommends that its stockholders vote "FOR" approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.

This document concisely describes the special meetings, the merger, the documents related to the merger and other related matters that an Allied Capital stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including "Risk Factors" beginning on page 43, for a discussion of the risks relating to the merger. You also can obtain information about Ares Capital and Allied Capital from documents that each has filed with the Securities and Exchange Commission. See "Where You Can Find More Information" for instructions on how to obtain such information.

Sincerely,
William L. Walton
Chairman of the Board of Directors
Allied Capital Corporation

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

The date of this document is **[ ]**, 20**[ ]** and it is first being mailed or otherwise delivered to Allied Capital stockholders on or about **[ ]**, 20**[ ]**.

Allied Capital Corporation
1919 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 721-6100

Ares Capital Corporation
280 Park Avenue, 22nd Floor
Building East
New York, NY 10017
(212) 750-7300

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

PRELIMINARY SUBJECT TO COMPLETION DATED DECEMBER 16, 2009

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder,

On October 26, 2009, Ares Capital Corporation, or "Ares Capital," and Allied Capital Corporation, or "Allied Capital," announced a strategic business combination in which ARCC Odyssey Corp., a wholly owned subsidiary of Ares Capital, or "Merger Sub," would merge with and into Allied Capital and, immediately thereafter, Allied Capital would merge with and into Ares Capital.

If the merger of Merger Sub and Allied Capital is completed, holders of Allied Capital common stock will have a right to receive 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock held immediately prior to such merger. In connection with such merger, Ares Capital expects to issue a maximum of approximately 58.3 million shares of its common stock (assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out), subject to adjustment in certain limited circumstances.

Ares Capital and Allied Capital are specialty finance companies that are closed-end, non-diversified management investment companies. They are both incorporated in Maryland and have elected to be regulated as business development companies under the Investment Company Act of 1940. Ares Capital's investment objective is to generate both current income and capital appreciation through debt and equity investments. Allied Capital has a similar investment objective to achieve current income and capital gains.

The market value of the merger consideration will fluctuate with the market price of Ares Capital common stock. The following table shows the closing sale prices of Ares Capital common stock and Allied Capital common stock as reported on the NASDAQ Global Select Market, or "NASDAQ," and the New York Stock Exchange, or the "NYSE," respectively, on October 23, 2009, the last trading day before the public announcement of the merger, and on [ ], 20[ ], the last trading day before the distribution of this document.

This table also shows the implied value of the merger consideration proposed for each share of Allied Capital common stock, which was calculated by multiplying the closing price of Ares Capital common stock on those dates by 0.325, the exchange ratio.

	Ares Capital Common Stock	Allied Capital Common Stock	Implied Value of One Share of Allied Capital Common Stock
Closing Price at October 23, 2009	$ 10.69	$ 2.73	$ 3.47
Closing Price at [ ], 20[ ]	$	$	$

The merger and subsequent combination are intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986 and holders of Allied Capital common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of Allied Capital common stock for shares of Ares Capital common stock, except with respect to any cash received instead of fractional shares of Ares Capital common stock.

The market prices of both Ares Capital common stock and Allied Capital common stock will fluctuate before the merger. You should obtain current stock price quotations for Ares Capital and Allied Capital common stock. Ares Capital common stock trades on NASDAQ under the symbol "ARCC." Allied Capital common stock trades on the NYSE and NASDAQ under the symbol "ALD."

At a special meeting of Ares Capital stockholders, Ares Capital stockholders will be asked to vote on the issuance of Ares Capital common stock in connection with the merger. The stock issuance

proposal requires the affirmative vote of at least a majority of all of the votes cast on the matter at a meeting at which a quorum is present.

At a special meeting of Allied Capital stockholders, Allied Capital stockholders will be asked to vote on the approval of the merger and the merger agreement. The affirmative vote of the holders of two-thirds of the shares of Allied Capital common stock outstanding and entitled to vote is required to approve such matters.

After careful consideration, the board of directors of Ares Capital unanimously recommends that its stockholders vote "FOR" approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement described in this document and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

This document concisely describes the special meetings, the merger, the documents related to the merger and other related matters that an Ares Capital stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including "Risk Factors" beginning on page 43, for a discussion of the risks relating to the merger. You also can obtain information about Ares Capital and Allied Capital from documents that each has filed with the Securities and Exchange Commission. See "Where You Can Find More Information" for instructions on how to obtain such information.

Sincerely,

Bennett Rosenthal
Chairman of the Board of Directors

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

The date of this document is [ ], 20[ ] and it is first being mailed or otherwise delivered to Ares Capital stockholders on or about [ ], 20[ ].

Allied Capital Corporation
1919 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 721-6100

Ares Capital Corporation
280 Park Avenue, 22nd Floor
Building East
New York, NY 10017
(212) 750-7300

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS OF ALLIED CAPITAL

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of Allied Capital Corporation:

You are cordially invited to a special meeting of stockholders of Allied Capital Corporation, or "Allied Capital," to be held at [ ] on [ ], 20[ ], [at] to consider and vote on the following matters:

1. A proposal to approve the merger of ARCC Odyssey Corp., a wholly owned subsidiary of Ares Capital Corporation, or "Ares Capital," with and into Allied Capital and to approve the Agreement and Plan of Merger, as such agreement may be amended from time to time, or the "merger agreement," dated as of October 26, 2009, among Allied Capital, Ares Capital and ARCC Odyssey Corp.; and

2. A proposal to approve the adjournment of the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.

You have the right to receive notice of and to vote at the Allied Capital special meeting if you were a stockholder of record at the close of business on [ ], 20[ ]. **Whether or not you expect to be present in person at the Allied Capital special meeting, please sign the enclosed proxy and return it promptly in the envelope provided or authorize your proxy by telephone or through the Internet.** Instructions are shown on the proxy card.

You have the option to revoke the proxy at any time prior to the meeting or to vote your shares personally on request if you attend the meeting.

The Allied Capital board of directors has unanimously approved the merger and the merger agreement and unanimously recommends that Allied Capital stockholders vote "FOR" approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.

By Order of the Board of Directors,

Miriam G. Krieger
Executive Vice President
and Corporate Secretary

Washington, DC
[ ], 20[ ]

This is an important meeting. To ensure proper representation at the Allied Capital special meeting, please complete, sign, date and return the proxy card in the enclosed, self-addressed envelope, vote your shares by telephone or vote via the Internet. Even if you vote your shares prior to the Allied Capital special meeting, you still may attend the Allied Capital special meeting and vote your shares in person.

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Ares Capital Corporation

280 Park Avenue, 22nd Floor
Building East
New York, NY 10017

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [ ], 20[ ]

To the Stockholders of Ares Capital Corporation:

Notice is hereby given that Ares Capital Corporation, a Maryland corporation, or "Ares Capital," will hold a Special Meeting of the Stockholders of Ares Capital, or the "Ares Capital special meeting," on [ ], 20[ ] at [ ], [ ] Time, at [ ], [ ], [ ], [ ], United States [ ] for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the Agreement and Plan of Merger, as such agreement may be amended from time to time, or the "merger agreement," dated as of October 26, 2009, among Ares Capital, Allied Capital Corporation, or "Allied Capital," and ARCC Odyssey Corp., a wholly owned subsidiary of Ares Capital, or "Merger Sub"; and

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

You have the right to receive notice of, and to vote at, the Ares Capital special meeting if you were a stockholder of record at the close of business on [ ], 20[ ]. **Whether or not you expect to be present in person at the Ares Capital special meeting, we urge you to promptly fill out, sign and date the enclosed proxy card and return it promptly in the envelope provided or authorize your proxy by telephone or through the Internet.** Instructions are shown on the proxy card.

You have the option to revoke the proxy at any time prior to the meeting or to vote your shares personally on request if you attend the meeting.

The Ares Capital board of directors has unanimously approved the merger and the merger agreement and the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement and unanimously recommends that Ares Capital stockholders vote "FOR" approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

By Order of the Board of Directors,

Merritt S. Hooper
Secretary

New York, New York
[ ], 20[ ]

This is an important meeting. To ensure proper representation at the Ares Capital special meeting, please complete, sign, date and return the proxy card in the enclosed self-addressed envelope. Even if you vote your shares prior to the Ares Capital special meeting, you still may attend the Ares Capital special meeting and vote your shares in person.

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ABOUT THIS DOCUMENT

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

This document also constitutes a joint proxy statement under Section 14(a) of the Securities Exchange Act of 1934, or the "Exchange Act." It also constitutes a notice of meeting with respect to the special meetings of Allied Capital Corporation common stockholders, at which Allied Capital Corporation common stockholders will be asked to vote on a proposal to approve the merger and the merger agreement, and Ares Capital Corporation common stockholders, at which Ares Capital Corporation common stockholders will be asked to vote on the issuance of Ares Capital Corporation common stock in connection with the merger.

You should rely only on the information contained in this document. No one has been authorized to provide you with information that is different from that contained in this document. This document is dated **[ ]**, 20**[ ]**. You should not assume that the information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to Ares Capital Corporation common stockholders or Allied Capital Corporation common stockholders nor the issuance by Ares Capital Corporation of common stock in connection with the merger will create any implication to the contrary.

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

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

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS AND THE MERGER

The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully this entire document to fully understand the merger agreement and the transactions contemplated thereby, including the merger and subsequent combination, and the voting procedures for the Allied Capital and Ares Capital special meetings. Unless otherwise indicated in this document or the context otherwise requires, throughout this document we generally refer to Ares Capital Corporation and, where applicable, its consolidated subsidiaries as "Ares Capital," its investment adviser Ares Capital Management LLC as "Ares Capital Management" or as "investment adviser," Ares Management LLC, the sole member of Ares Capital Management, as "Ares Management," Ares Operations LLC as "Ares Operations," Ares Partners Management Company LLC and its affiliated companies, including Ares Management, as "Ares," Allied Capital Corporation and, where applicable, its consolidated subsidiaries as "Allied Capital," ARCC Odyssey Corp., a wholly owned subsidiary of Ares Capital, as "Merger Sub," the merger of Merger Sub with and into Allied Capital as the "merger," the merger of Allied Capital with and into Ares Capital as the "subsequent combination" and the effective time of the merger as the "effective time."

Q: Why am I receiving these materials?

A:

Allied Capital and Ares Capital are sending these materials to their respective stockholders to help them decide how to vote their shares of Allied Capital or Ares Capital common stock, as the case may be, at their respective special meetings concerning the merger. At the Allied Capital special meeting, Allied Capital common stockholders will be asked to vote on a proposal to approve the merger and the merger agreement or approval to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal. At the Ares Capital special meeting, Ares Capital common stockholders will be asked to vote on the issuance of Ares Capital common stock in connection with the merger or approval to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal. Information about these meetings and the merger is contained in this document.

The boards of directors of Allied Capital and Ares Capital have both unanimously approved the merger and the merger agreement as in the best interests of Allied Capital and Ares Capital, respectively, and their respective stockholders. Please see the section entitled "Reasons for the Merger" for an important discussion of the merger.

This document summarizes the information regarding the matters to be voted upon at the special meetings of Allied Capital and Ares Capital. However, you do not need to attend your special meeting to vote your shares. You may simply sign the enclosed proxy and return it promptly in the envelope provided or authorize your proxy by telephone or through the Internet. Instructions are shown on the proxy card. **It is very important that you vote your shares at your special meeting. The merger cannot be completed unless Allied Capital stockholders approve the merger and the merger agreement and Ares Capital stockholders approve the issuance of Ares Capital common stock in connection with the merger.**

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

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

Q: When and where is the Allied Capital special meeting?

A:

The Allied Capital special meeting will take place on [ ], 20[ ] [at], [ ] Time, at [ ], [ ] [ ] [ ], United States [ ].

Q: When and where is the Ares Capital special meeting?

A:

The Ares Capital special meeting will take place on [ ], 20[ ] [at], [ ] Time, at [ ], [ ] [ ], [ ], United States [ ].

Q: What is happening at the Allied Capital special meeting?

A:

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

a proposal to approve the merger and the merger agreement among Ares Capital, Allied Capital and Merger Sub, as such agreement may be amended from time to time; and

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

Q: What is happening at the Ares Capital special meeting?

A:

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

a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement among Ares Capital, Allied Capital and Merger Sub, as such agreement may be amended from time to time; and

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

Q: What will happen in the merger and subsequent combination?

A:

Subject to the terms and conditions of the merger agreement, the transactions contemplated by the merger agreement will be accomplished in two steps. In the first step, Merger Sub will merge with and into Allied Capital and the separate corporate existence of Merger Sub will cease. Immediately thereafter, in the subsequent combination, Allied Capital will merge with and into Ares Capital and the separate corporate existence of Allied Capital will cease. Ares Capital will be the surviving entity of the subsequent combination and Ares Capital will succeed to and assume all the rights and obligations of Allied Capital and will continue its existence as a corporation under Maryland law.

Q: What will Allied Capital stockholders receive in the merger?

A:

Each Allied Capital stockholder will be entitled to receive 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock owned by such Allied Capital stockholder immediately prior to the merger, or the "exchange ratio," subject to the payment of cash instead of fractional shares. For example, if an Allied Capital stockholder currently owns 100 shares of

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Allied Capital common stock, then, as a result of the merger, the stockholder will receive 32 shares of Ares Capital common stock, plus cash instead of the fractional 0.5 share of Ares Capital common stock, in exchange for the stockholder's 100 shares of Allied Capital common stock.

On October 23, 2009, the last full trading day before the public announcement of the merger, the closing price of Ares Capital common stock on the NASDAQ Global Select Market, or "NASDAQ," was $10.69. Based upon this closing price, each share of Allied Capital common stock had an implied value of $3.47 per share and the aggregate value of the stock consideration in the merger, including outstanding "in-the-money" options (assuming a value per Allied Capital common share of $3.47), would have been approximately $648 million. On [ ], 20[ ], the last trading day prior to the printing of this document, the closing price of Ares Capital common stock on NASDAQ was $[ ], and the closing price of Allied Capital's shares of common stock on the New York Stock Exchange, or the "NYSE," was $[ ]. Until the merger is completed, the value of the shares of Ares Capital common stock to be issued in the merger will continue to fluctuate but the number of shares to be issued to Allied Capital stockholders will remain fixed.

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

Q: Is the exchange ratio subject to any adjustment?

A:

Generally, no. The exchange ratio will only be adjusted if the outstanding shares of Ares Capital common stock have themselves been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of any reclassification, recapitalization, stock split, reverse stock split, split-up, combination or exchange of shares, or if a stock dividend (other than as a result of shares delivered pursuant to Ares Capital's dividend reinvestment plan) or dividend payable in any other securities shall be declared with a record date prior to closing or if any other similar event shall have occurred.

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

A:

In general, Allied Capital and Ares Capital will each be responsible for its own expenses incurred in connection with the completion of the transactions contemplated by the merger agreement. However, the costs and expenses of printing and mailing the registration statement (of which this document forms a part) and all filing and other fees paid to the SEC in connection with the merger and all filing and other fees in connection with any filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the "HSR Act," will be borne equally by Allied Capital and Ares Capital. See "Description of the Merger Agreement Expenses and Fees."

Q: What will happen to Allied Capital stock options at the effective time?

A:

At the effective time, each Allied Capital stock option that has not been exercised will be cancelled and, if the exercise price of such option is less than the product of (1) the average closing price per share of Ares Capital common stock for the five consecutive trading days immediately preceding the closing and (2) the exchange ratio of 0.325, then the holder of such option will have the right to receive, at such holder's election, cash or shares of Ares Capital common stock (and cash, without interest, instead of any fractional shares) in an amount equal to such difference. **Holders of Allied Capital stock options should consult with their own tax advisors to determine the tax consequences of their election and any cash or stock received by them.**

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Q: Will I receive dividends after the merger?

A:

Ares Capital currently intends to distribute quarterly dividends to its stockholders. For a history of the dividends and distributions paid by Ares Capital since January 1, 2007, see "Market Price, Dividend and Distribution Information." The amount and timing of past dividends and distributions are not a guarantee of any future dividends or distributions, or the amount thereof, the payment, timing and amount of which will be determined by Ares Capital's board of directors and depend on Ares Capital's cash requirements, its financial condition and earnings, contractual restrictions, legal and regulatory considerations and other factors.

For a history of the dividends and distributions paid by Allied Capital since January 1, 2007, see "Market Price, Dividend and Distribution Information."

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

Q: Is the merger subject to any third party consents?

A:

Yes, Ares Capital's obligation to complete the merger is subject to the prior receipt of all approvals and consents required to be obtained from applicable agents, lenders, noteholders and other parties with respect to (1) Ares Capital's senior secured revolving Credit Facility, or "Credit Facility," amortizing CP Funding Facility, or "CP Funding Facility," revolving credit CP Funding II Facility, or "CP Funding II Facility," and notes, or "CLO Notes," under its on-balance-sheet debt securitization, or "Debt Securitization," and (2) Allied Capital's private notes and bank facility. If the merger agreement is terminated because the merger has not occurred by June 30, 2010 by reason of the fact that such consents have not been obtained and all of Ares Capital's other closing conditions have been satisfied, then Ares Capital will be required to pay Allied Capital a reverse termination fee of $30 million.

Allied Capital and Ares Capital have each agreed that they will, and will cause their representatives to, reasonably cooperate (to the extent commercially reasonable) in connection with obtaining such financing consents or any restructuring of any outstanding debt of Allied Capital, Ares Capital or their respective consolidated subsidiaries or, in the circumstance where such financing consents cannot be obtained, obtaining alternative financing.

For more information regarding Ares Capital's current intentions regarding obtaining these consents and refinancing certain indebtedness, see "The Merger Third Party Consents Required for the Merger."

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

A:

Like Allied Capital, Ares Capital is a specialty finance company that is a closed-end, non-diversified management investment company. Both Allied Capital and Ares Capital are incorporated in Maryland and have elected to be regulated as business development companies, or "BDCs," under the Investment Company Act of 1940, or the "Investment Company Act." Ares Capital's investment objective is to generate both current income and capital appreciation through debt and equity investments. Allied Capital has a similar investment objective to achieve current income and capital gains. Ares Capital and Allied Capital each focus on making investments in privately-held companies.

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Allied Capital has primarily invested in debt and equity securities of private companies in a variety of industries. However, from time to time, Allied Capital has invested in companies that are public, but lack access to additional public capital. Allied Capital's private finance portfolio primarily is composed of debt and equity investments. Allied Capital's private finance portfolio includes buyout transactions in which it holds investments in senior debt, subordinated debt and equity (preferred and/or voting or non-voting common) where Allied Capital's equity ownership represents a significant portion of the equity, but may or may not represent a controlling interest. Ares Capital generally has not historically engaged in such buyout transactions. In addition to managing its own assets, Allied Capital manages certain funds that also invest in the debt and equity securities of primarily private middle-market companies in a variety of industries and broadly syndicated senior secured loans. Allied Capital's typical investments are in companies that operate in diverse industries with $50 million to $500 million in annual revenues, which it refers to as "middle-market" companies.

Ares Capital concentrates on making investments in companies with annual EBITDA, or earnings before interest, taxes, depreciation and amortization, of between $10 million and $250 million, which it refers to as "middle-market" companies. Ares Capital has built an investment portfolio of primarily first and second lien loans, mezzanine debt and to a lesser extent equity investments in private middle-market companies. Ares Capital's portfolio is well diversified by industry sector and its concentration to any single issuer is limited. Ares Capital's debt investments have ranged between $10 million and $100 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with Ares Capital's capital availability. Ares Capital also, to a lesser extent, makes equity investments. Ares Capital's equity investments have generally been less than $20 million each but may grow with Ares Capital's capital availability and are usually made in conjunction with loans extended by Ares Capital. The proportion of these investments will change over time given Ares Capital's views on, among other things, the economic and credit environment in which Ares Capital operates.

Q: How will the combined company be managed following the merger?

A:

Unlike Allied Capital, Ares Capital is an externally managed closed end fund. Upon completion of the merger and subsequent combination, the current directors and officers of Ares Capital are expected to continue in their current positions and Ares Capital's investment adviser, Ares Capital Management, will continue to externally manage Ares Capital.

At the effective time, Ares Capital's board of directors will be increased by at least one member and Ares Capital will submit the name of one member of Allied Capital's board of directors for consideration to Ares Capital's nominating and governance committee to fill the vacancy.

Q: Are Allied Capital stockholders able to exercise dissenters' rights?

A:

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

Q: Are Ares Capital stockholders able to exercise dissenters' rights?

A:

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

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Q: When do you expect to complete the merger and subsequent combination?

A:

While there can be no assurance as to the exact timing, or that the merger will be completed at all, we are working to complete the merger in the first quarter of 2010. We currently expect to complete the merger promptly following receipt of the required approvals at the Allied Capital and Ares Capital special meetings and satisfaction of the other closing conditions set forth in the merger agreement. The subsequent combination will occur immediately after the merger is completed.

Q: Is the merger expected to be taxable to Allied Capital stockholders?

A:

The merger and subsequent combination are intended to qualify as a "reorganization," within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the "Code," and it is a condition to Ares Capital's and Allied Capital's respective obligations to complete the merger that each of them receives a legal opinion to that effect. Holders of Allied Capital common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Allied Capital common stock for shares of Ares Capital common stock in the merger, except with respect to cash received instead of fractional shares of Ares Capital common stock. Holders of Allied Capital common stock should read "Certain Material U.S. Federal Income Tax Consequences of the Merger" for a more complete discussion of the U.S. federal income tax consequences of the merger and subsequent combination to Allied Capital stockholders. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. **Holders of Allied Capital common stock should consult with their own tax advisors to determine the tax consequences of the merger to them.**

Q: What happens if the merger is not consummated?

A:

If the merger is not approved by the requisite vote of Allied Capital's stockholders or the issuance of shares of Ares Capital common stock in connection with the merger is not approved by the requisite vote of Ares Capital's stockholders, or if the merger is not completed for any other reason, Allied Capital's stockholders will not receive any payment for their shares in connection with the merger. Instead, Allied Capital will remain an independent public company and its common stock will continue to be listed and traded on the NYSE. In addition, under circumstances specified in the merger agreement, Allied Capital may be required to pay Ares Capital a termination fee of $30 million ($15 million if Allied Capital's stockholders do not approve the merger and the merger agreement) and Ares Capital may be required to pay Allied Capital a termination fee of $30 million. See "Description of the Merger Agreement Termination of the Merger Agreement."

Q: What Allied Capital stockholder vote is required to approve the merger and the merger agreement?

A:

The affirmative vote of the holders of two-thirds of the shares of Allied Capital common stock outstanding and entitled to vote on the matter is required to approve the merger and the merger agreement. Stockholders who abstain or who fail to return their proxies, and do not instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or vote at the Allied Capital special meeting, will have the same effect as if they voted "against" the merger agreement and the merger.

Q: What Ares Capital stockholder vote is required to approve the issuance of Ares Capital common stock in connection with the merger?

A:

Approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement requires the affirmative vote of at least a majority of all of the votes cast on the matter at a meeting at which a quorum is present.

Q: Does Allied Capital's board of directors recommend approval of the merger and the proposal to adjourn the Allied Capital special meeting if necessary?

A:

Yes. Allied Capital's board of directors, including its independent directors, unanimously approved the merger and the merger agreement and recommends that Allied Capital stockholders vote "FOR" approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the proposal.

Q: Does Ares Capital's board of directors recommend approval of the issuance of Ares Capital common stock in connection with the merger and the proposal to adjourn the Ares Capital special meeting if necessary?

A:

Yes. Ares Capital's board of directors, including its independent directors, unanimously approved the merger and the merger agreement, including the issuance of common stock in connection therewith, and recommends that Ares Capital stockholders vote "FOR" approval of the issuance of Ares Capital common stock to be issued pursuant to the merger agreement and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

Q: What do I need to do now?

A:

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

Q: If I am an Allied Capital stockholder, how do I vote my shares?

A:

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

Unless your shares are held in a brokerage account, if you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted "FOR" the approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the proposal. If your shares are held in a brokerage account, or in "street name," please see the answer to the question after next below.

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

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

Q: If I am an Allied Capital stockholder and some or all of my shares are held in a brokerage account, or in "street name," will my broker vote my shares for me?

A:

No. With respect to the merger and adjournment proposals, if you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them.

For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the Allied Capital special meeting and vote your shares in person. If you do not provide your broker with instructions or attend the Allied Capital special meeting, it will have the same effect as a vote "against" approval of the merger and the merger agreement. Stockholders are urged to authorize proxies by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details. If your broker holds your shares and you attend the Allied Capital special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the Allied Capital special meeting.

Q: If I am an Ares Capital stockholder, how do I vote my shares?

A:

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

Unless your shares are held in a brokerage account, if you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted "FOR" the approval of the issuance of Ares Capital common stock in connection with the merger and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal. If your shares are held in a brokerage account or in "street name," please see the answer to the question after next below.

If you fail to (1) return your proxy card, (2) instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or (3) vote at the Ares Capital special meeting, or if you "abstain," there will be no effect on the vote on the issuance of Ares Capital common stock in connection with the merger.

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

Q: If I am an Ares Capital stockholder and some or all of my shares are held in a brokerage account, or in "street name," will my broker vote my shares for me?

A:

No. With respect to the issuance of Ares Capital common stock in connection with the merger and the adjournment proposal, if you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them.

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For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the Ares Capital special meeting and vote your shares in person. With respect to the proposal to approve the issuance of shares of Ares Capital common stock in connection with the merger, broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal. Stockholders are urged to authorize proxies by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details.

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

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

A:

The record date of the Allied Capital special meeting is earlier than the date the merger is expected to be completed. If you transfer your shares of Allied Capital common stock after the record date but before the Allied Capital special meeting, you will retain your right to vote at the Allied Capital special meeting, but will have transferred the right to receive 0.325 shares of Ares Capital common stock, subject to the payment of cash instead of fractional shares, for each share of Allied Capital common stock owned immediately prior to the merger. In order to receive the 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock owned, subject to the payment of cash instead of fractional shares, you must hold your shares through completion of the merger.

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

A:

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

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

A:

No. Allied Capital stockholders should not send in their stock certificates at this time. If the merger proceeds, Ares Capital's exchange agent will send former Allied Capital stockholders who held their shares in certificated form a letter of transmittal explaining what they must do to exchange their Allied Capital stock certificates for the merger consideration payable to them. Former Allied Capital stockholders who held their shares in uncertificated form will receive a confirmation as to the Ares Capital common stock issued in exchange for such Allied Capital common stock and cash instead of fractional shares without any action on the part of such holders.

Q: Whom can I contact with any additional questions?

A:

You may call the proxy solicitor, [ ], or "[ ]," at ([ ]) [ ]-[ ], with respect to any additional questions you may have.

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

A:

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

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SUMMARY

This summary highlights some of the information contained elsewhere in this document. It is not complete and may not contain all of the information that you may want to consider. We urge you to read carefully this entire document, including "Risk Factors" beginning on page 43, and the other documents we refer you to for a more complete understanding of the merger and subsequent combination. See "Where You Can Find More Information." Each item in this summary includes a page reference directing you to a more complete description of that item.

The Parties to the Merger

Allied Capital Corporation
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Washington, D.C. 20006
(202) 721-6100

Allied Capital is a BDC in the private equity business that is internally managed. Specifically, Allied Capital invests in primarily private middle-market companies in a variety of industries through long-term debt and equity capital instruments. As a BDC, Allied Capital was created to be a source of capital to small and growing businesses in the United States. Allied Capital has participated in the private equity business since it was founded in 1958. Since then through September 30, 2009, Allied Capital has invested more than $14 billion in thousands of companies nationwide. Allied Capital primarily invests in the American entrepreneurial economy, helping to build middle-market businesses and support American jobs. At September 30, 2009, Allied Capital's private finance portfolio included investments in 88 companies that generate aggregate annual revenues of approximately $10 billion and employ more than 48,000 people. Allied Capital generally invests in established companies with adequate cash flow for debt service. In this document, Allied Capital generally uses the term "middle-market" to refer to companies with $50 million to $500 million in annual revenues.

Allied Capital's investment objective is to achieve current income and capital gains. In order to achieve this objective, Allied Capital has primarily invested in debt and equity securities of private companies in a variety of industries. However, from time to time, Allied Capital has invested in companies that are public, but lack access to additional public capital.

Allied Capital's private finance portfolio primarily is composed of debt and equity investments. Debt investments include senior loans, unitranche debt (an instrument that combines both senior and subordinated financing, generally in a first lien position) or subordinated debt (with or without equity features). The junior debt that Allied Capital has in its portfolio is lower in repayment priority than the senior debt and is also known as mezzanine debt. Allied Capital's portfolio contains equity investments generally for a minority equity stake in portfolio companies and includes equity features, such as nominal cost warrants, received in conjunction with its debt investments.

Allied Capital's portfolio includes buyout transactions in which it holds investments in senior debt, subordinated debt and equity (preferred and/or voting or non-voting common) where Allied Capital's equity ownership represents a significant portion of the equity, but may or may not represent a controlling interest. If Allied Capital invests in non-voting equity in a buyout investment, it generally has an option to acquire a controlling stake in the voting securities of the portfolio company at fair market value. Historically, Allied Capital has structured its buyout investments such that it seeks to earn a blended current return on its total capital invested through a combination of interest income on its loans and debt securities, dividends on preferred and common equity and management, consulting or transaction services fees to compensate Allied Capital for the managerial assistance that it may provide to the portfolio company.

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In addition to managing its own assets, Allied Capital manages (either directly or through one or more of its consolidated subsidiaries) certain funds that also invest in the debt and equity securities of primarily private middle-market companies in a variety of industries and broadly syndicated senior secured loans. In some cases, Allied Capital has invested in the equity of these funds, along with other third parties, from which Allied Capital may earn a current return and/or a future incentive allocation. At September 30, 2009, Allied Capital had eight separate funds under its management for which Allied Capital may earn management or other fees for its services. On October 30, 2009, Allied Capital sold its investment, including its outstanding commitments and the provision of management services, in the Senior Secured Loan Fund LLC (formerly known as the Unitranche Fund LLC), or the "SL Fund," to Ares Capital, and it may sell additional managed funds.

Allied Capital is internally managed by its management team of senior officers and managing directors. At September 30, 2009, Allied Capital had 112 employees. Allied Capital is headquartered in Washington, D.C., with offices in New York, NY and Arlington, VA.

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Ares Capital, a Maryland corporation, is a specialty finance company that is a closed-end, non-diversified management investment company. Ares Capital has elected to be regulated as a BDC under the Investment Company Act. Ares Capital was founded on April 16, 2004, was initially funded on June 23, 2004 and completed its initial public offering on October 8, 2004. Ares Capital's investment objective is to generate both current income and capital appreciation through debt and equity investments. Ares Capital invests primarily in U.S. middle-market companies, where it believes the supply of primary capital is limited and the investment opportunities are most attractive. However, Ares Capital may from time to time invest in larger companies. In this document, Ares Capital generally uses the term "middle-market" to refer to companies with annual EBITDA of between $10 million and $250 million.

Ares Capital invests primarily in first and second lien senior loans and mezzanine debt, which in some cases include an equity component like warrants. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Ares Capital's debt investments have ranged between $10 million and $100 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with Ares Capital's capital availability. Ares Capital also, to a lesser extent, makes equity investments. Ares Capital's equity investments have generally been less than $20 million each but may grow with Ares Capital's capital availability and are usually made in conjunction with loans extended by Ares Capital. The proportion of these investments will change over time given Ares Capital's views on, among other things, the economic and credit environment in which Ares Capital operates.

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

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in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

Ares Capital believes that its investment adviser, Ares Capital Management, is able to leverage Ares' current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms to provide it with attractive investments. In addition to deal flow, the Ares' investment platform assists Ares Capital's investment adviser in analyzing, structuring and monitoring investments. Ares has been in existence for more than 11 years and its senior principals have an average of over 20 years experience investing in senior loans, high yield bonds, mezzanine debt and private equity securities. Ares Capital has access to the Ares staff of approximately 110 investment professionals and to the approximately 140 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance, technology and investor relations.

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

In addition, Ares Capital's portfolio company Ivy Hill Asset Management, L.P., or "IHAM," manages (either directly or through sub-advisory relationships) a number of unconsolidated senior debt funds: Ivy Hill Middle Market Credit Fund, Ltd., or "Ivy Hill I," Ivy Hill Middle Market Credit Fund II, Ltd., or "Ivy Hill II" and, together with Ivy Hill I, the "Ivy Hill Funds," CoLTS 2005-1 Ltd., CoLTS 2005-2 Ltd. and CoLTS 2007-1 Ltd., or collectively, the "CoLTS Funds," and FirstLight Funding I, Ltd., or "FirstLight." Ares Capital and GE Commercial Finance Investment Advisory Services LLC also co-manage another unconsolidated senior debt fund: the SL Fund. Ares Capital acquired its interests in the SL Fund from Allied Capital on October 30, 2009.

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Merger Sub is a Maryland corporation and a newly formed wholly owned subsidiary of Ares Capital. Merger Sub was formed in connection with and for the sole purpose of the merger with Allied Capital.

Allied Capital and Ares Capital Propose a Merger of Merger Sub into Allied Capital Followed Immediately by a Merger of Allied Capital into Ares Capital (page 118)

Pursuant to the terms of the merger agreement, in the merger, Merger Sub will be merged with and into Allied Capital and, immediately thereafter, in the subsequent combination, Allied Capital will be merged with and into Ares Capital. Ares Capital will be the surviving entity of the subsequent combination and, following the subsequent combination, Allied Capital will no longer exist as a separate corporation. As a result, all of Allied Capital's assets, liabilities and subsidiaries immediately before the subsequent combination will become assets, liabilities and subsidiaries of Ares Capital.

After the merger, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof and assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out, Ares Capital stockholders will own approximately 65% of the combined company's outstanding common stock and Allied Capital stockholders will own approximately 35% of the combined company's outstanding common stock. As a result of the merger and subsequent combination, Ares Capital will continue the operations conducted by it and Allied Capital before the merger.

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

In the Merger, Allied Capital Common Stockholders Will Have a Right to Receive 0.325 of a Share of Ares Capital Common Stock per Share of Allied Capital Common Stock (page 118)

If the merger is consummated, each share of Allied Capital common stock outstanding immediately prior to the effective time will be converted into the right to receive 0.325 of a share of Ares Capital common stock, subject to the payment of cash instead of fractional shares. To the extent that Allied Capital stockholders have shares represented by stock certificates, they should not send in any stock certificates until they receive written instructions to do so after the consummation of the merger.

What Holders of Allied Capital Stock Options Will Receive (page 176)

At the effective time, each Allied Capital stock option that has not been exercised will be cancelled and, if the exercise price of such option is less than the product of (1) the average closing price per share of Ares Capital common stock for the five consecutive trading days immediately preceding the closing and (2) the exchange ratio of 0.325, then the holder of such option will have the right to receive, at such holder's election, cash or shares of Ares Capital common stock (and cash, without interest, instead of any fractional shares) in an amount equal to such difference. **Holders of Allied Capital stock options should consult with their own tax advisors to determine the tax consequences of their election and any cash or stock received by them.**

Comparative Market Price of Securities (page 203)

Ares Capital common stock trades on NASDAQ under the symbol "ARCC." Allied Capital common stock trades on the NYSE and NASDAQ under the symbol "ALD."

The following table presents the closing prices and most recently determined net asset values per share of Ares Capital common stock and Allied Capital common stock, as well as the implied value of Allied Capital common stock (as determined by multiplying the closing price of Ares Capital common stock on those dates by the exchange ratio of 0.325), on the last trading day before public announcement of the merger and the last trading day prior to mailing of this document.

	Ares Capital Common Stock	Allied Capital Common Stock	Implied Value of One Share of Allied Capital Common Stock
Closing Price at October 23, 2009	$ 10.69	$ 2.73	$ 3.47
Net Asset Value per Share at September 30, 2009	$ 11.16	$ 6.70	$ 3.63
Closing Price at [ ], 20[ ]	$	$	$

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

For each share of Allied Capital common stock held immediately prior to the effective date, holders of Allied Capital common stock will be entitled to receive 0.325 of a share of Ares Capital common stock, subject to the payment of cash instead of fractional shares. The market prices of both Ares Capital common stock and Allied Capital common stock will fluctuate prior to the merger. You should obtain current stock price quotations for Ares Capital common stock and Allied Capital common stock.

Dividends (page 203)

Ares Capital currently intends to distribute quarterly dividends to its stockholders. For a history of the dividends and distributions paid by Ares Capital since January 1, 2007, see "Market Price, Dividend and Distribution Information." The amount and timing of past dividends and distributions are not a guarantee of any future dividends or distributions or the amount thereof, the payment, timing and amount of which will be determined by Ares Capital's board of directors and depend on Ares Capital's cash requirements, its financial condition and earnings, contractual restrictions, legal and regulatory considerations and other factors. See "Ares Capital Dividend Reinvestment Plan" for additional information regarding Ares Capital's dividend reinvestment plan.

For a history of the dividends and distributions paid by Allied Capital since January 1, 2007, see "Market Price, Dividend and Distribution Information."

The Merger Is Intended to Be Tax-Free to Allied Capital Common Stockholders as to the Shares of Ares Capital Common Stock They Receive (page 192)

The merger and subsequent combination are intended to qualify as a "reorganization," within the meaning of Section 368(a) of the Code, and it is a condition to Ares Capital and Allied Capital's respective obligations to complete the merger that each of them receives a legal opinion to that effect. Accordingly, the merger generally will be tax-free to Allied Capital stockholders for U.S. federal income tax purposes as to the shares of Ares Capital common stock they receive in the merger, except for any gain or loss that may result from the receipt of cash instead of fractional shares of Ares Capital common stock that they would otherwise be entitled to receive.

Holders of Allied Capital common stock should read "Certain Material U.S. Federal Income Tax Consequences of the Merger" for a more complete discussion of the U.S. federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to Allied Capital stockholders will depend on their particular tax situation. **Holders of Allied Capital common stock should consult with their own tax advisors to determine the tax consequences of the merger to them.**

The Merger Will Be Accounted for as a "Business Combination" (page 191)

The merger will be treated as a "business combination" using the acquisition method of accounting, with Ares Capital treated as the acquirer under generally accepted accounting principles, or "GAAP."

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Reasons for the Merger (page 129)

Allied Capital

Allied Capital's board of directors believes that the merger represents the best alternative that is reasonably available to Allied Capital. Allied Capital's board of directors consulted with Allied Capital's management as well as its financial advisors and legal advisors and considered numerous factors, including the ones described below, and, as a result, determined that the merger is in Allied Capital's best interests and the best interests of Allied Capital's stockholders. Certain material factors considered by Allied Capital's board of directors, including its independent directors, in evaluating the merger include, among others:

Resumption of Dividend Payments. The receipt of shares of Ares Capital common stock in exchange for shares of Allied Capital common stock will likely permit Allied Capital's stockholders to receive dividend payments again by taking advantage of Ares Capital's dividend which has been consistently paid on a quarterly basis since April 2006 in an amount of at least $0.35 per share.

Improved Access to Debt Capital Markets on More Favorable Terms. It was anticipated that the combined company would be able to access debt capital with lower interest rates and longer maturities than was available to Allied Capital on a stand alone basis.

Improved Ability to Access the Equity Capital Markets. Ares Capital was recently able to access the equity capital markets even at a price below its net asset value per share.

Lack of Liquidity/Flexibility. The merger would reduce the pressure to sell assets to retire costly debt with stringent amortization requirements in an effort to de-lever the Allied Capital balance sheet.

Increased Portfolio Diversity. The merger will significantly increase portfolio diversity and concentration of lower risk debt investments.

Thorough Review of Strategic Alternatives. Allied Capital engaged in a thorough review of the strategic alternatives reasonably believed to be available to Allied Capital, including, among other alternatives, to continue as a stand-alone entity, recapitalize the company and partner with a strategic investor and assessed the difficulties associated with pursuing each strategic alternative.

Strategic and Business Considerations. Because Allied Capital's stockholders will be stockholders of Ares Capital following the merger and subsequent combination, Allied Capital stockholders stand to participate in the future growth of Ares Capital.

Terms of the Merger Agreement. The exchange ratio of 0.325 shares of Ares Capital common stock to be received in exchange for each share of Allied Capital common stock represents a 27.3% premium to the closing price of Allied Capital common stock on October 23, 2009, based on the closing price of Allied Capital common stock and Ares Capital common stock on that date (which was the last trading day before public announcement of the merger).

Opinion of Its Financial Advisors. The financial analyses reviewed and discussed with Allied Capital's board of directors by representatives of Bank of America/Merrill Lynch, Pierce, Fenner & Smith Incorporated, or "BofA Merrill Lynch," and Sandler O'Neill & Partners L.P., or "Sandler O'Neill," as well as the oral opinions of BofA Merrill Lynch and Sandler O'Neill rendered to Allied Capital's board of directors on October 25, 2009 (which were subsequently confirmed in writing by delivery of written opinions dated the same date) with respect to the fairness, from a financial point of view and as of the date of the opinions, of the exchange ratio to the holders of Allied Capital common stock.

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Tax Free Treatment of Merger. The merger and subsequent combination are expected to be treated as a "reorganization" under Section 368(a) of the Code and will generally be tax free.

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

Ares Capital

Ares Capital's board of directors consulted with representatives of management, its investment adviser, Ares Capital Management, as well as Ares Capital's financial, legal and other advisors and considered numerous factors, including the ones described below, and, as a result, determined that the merger is in Ares Capital's best interests and the best interests of Ares Capital's stockholders.

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

Increased Scale and Presence in Middle Market. The unique opportunity to acquire a franchise of Allied Capital's size and scope and the fact that the combined company will have a broad and diverse platform from which to provide capital to middle-market companies, including the ability to originate larger transactions with larger final hold positions.

Continued Access to Capital. The combined company is expected to have access to capital even in a credit challenged environment to reinvest in its portfolio and to pursue new attractive investment opportunities in what Ares Capital's management believes is a compelling investment environment following the credit dislocation.

More Diversified Asset Base. The limited overlap of assets and investments of Allied Capital and Ares Capital will further limit single issuer and industry credit exposure of the combined company following the merger.

Strengthened Asset Management Platform. The merger will create a large scale middle-market asset management platform that is expected to bring meaningful information and deal flow benefits.

Accretive to NAV and Core EPS. The merger is expected to be accretive to Ares Capital's net asset value and core earnings per share in the first year following its closing.

Cost Savings/Synergies. The merger is expected to result in cost savings and synergies for the combined company.

Change of Control Payments. As an inducement for Ares Capital and Merger Sub to enter into the merger agreement, certain Allied Capital key executives agreed to waive, contingent on the closing of the merger, a portion of the change-of-control payments that otherwise might be due to them under their respective employment or retention agreements.

Ability to Unlock Potential Value in Allied Capital's Portfolio. Allied Capital has limited liquidity, which has required it to sell assets in order to de-lever its balance sheet and satisfy stringent debt amortization requirements. Ares Capital's management believes that it will have the time, capital and expertise to re-position Allied Capital's existing portfolio into higher yielding, cash generating securities with less volatility because the combined company will face less pressure to sell assets in the portfolio at an inopportune time. To the extent asset sales are deemed necessary or advisable by the combined company, the combined company would have the flexibility to sell Ares Capital's assets as well.

Opinion of Its Financial Advisor. The financial analyses reviewed and discussed with Ares Capital's board of directors by representatives of J.P. Morgan, as well as the oral opinion of J.P. Morgan rendered to Ares Capital's board of directors on

October 25, 2009, which opinion

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was confirmed by delivery of a written opinion dated October 26, 2009, to the effect that, as of that date, and based upon and subject to the factors, assumptions, qualifications and limitations set forth therein, the exchange ratio in the merger was fair, from a financial point of view, to Ares Capital.

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

Risks Relating to the Proposed Merger (page 43)

The merger and the other transactions contemplated by the merger agreement are subject to the following risks. Allied Capital and Ares Capital stockholders should carefully consider these risks before deciding how to vote on the proposals to be voted on at their respective special meetings. See "Risk Factors Risks Relating to the Merger" below for a more detailed discussion of these factors.

- Because the market price of Ares Capital common stock will fluctuate, Allied Capital common stockholders cannot be sure of the market value of the merger consideration they will receive until the closing date.

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

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

- Ares Capital's inability to obtain rating agency confirmation and the third party consents of financing providers to Allied Capital and Ares Capital necessary to complete the transaction could delay or prevent the completion of the merger.

- The merger or subsequent combination may trigger certain "change of control" provisions and other restrictions in contracts of Allied Capital and Ares Capital and the failure to obtain any required consents or waivers could adversely impact the combined company.

- Several lawsuits have been filed against Allied Capital, members of Allied Capital's board of directors, Ares Capital and Merger Sub challenging the merger. An adverse ruling in any such lawsuit may prevent the merger from becoming effective within the expected timeframe or at all. If the merger is consummated, these lawsuits and other legal proceedings could have a material impact on the results of operations, cash flows or financial condition of the combined company.

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

- If the merger does not close, neither Ares Capital nor Allied Capital will benefit from the expenses incurred in its pursuit.

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

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

- The merger agreement limits Allied Capital's ability to pursue alternatives to the merger.

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

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- Certain persons related to Allied Capital have interests in the merger that differ from the interests of Allied Capital stockholders.

- Allied Capital will be subject to business uncertainties and contractual restrictions while the merger is pending.

- The shares of Ares Capital common stock to be received by Allied Capital common stockholders as a result of the merger will have different rights associated with them than shares of Allied Capital common stock currently held by them.

- The market price of Ares Capital common stock after the merger may be affected by factors different from those affecting Allied Capital common stock or Ares Capital common stock currently.

- Allied Capital stockholders who hold their shares in certificated form and who do not timely surrender their Allied Capital common stock certificates for Ares Capital common stock after the completion of the merger will be deemed to have elected to receive dividends and other distributions declared after the completion of the merger with respect to Ares Capital common stock in the form of Ares Capital common stock in accordance with Ares Capital's dividend reinvestment plan and, as a result, may suffer adverse tax consequences.

Risks Relating to Ares Capital (page 50)

Investing in Ares Capital involves risks. The following is a summary of certain risks that Allied Capital stockholders should carefully consider before deciding to approve the merger and the merger agreement. See "Risk Factors Risks Relating to Ares Capital" below for a more detailed discussion of these factors.

- Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States, which has had, and may in the future have, a negative impact on Ares Capital's business and operations.

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

- Ares Capital is dependent upon Ares Capital Management's key personnel for Ares Capital's future success and upon their access to Ares' investment professionals.

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

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

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

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

In addition to regulatory requirements that restrict Ares Capital's ability to raise capital, its Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes contain various covenants which, if not complied with, could accelerate repayment under the Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes, thereby materially and adversely affecting Ares Capital's liquidity, financial condition and results of operations.

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

Ares Capital may be subject to certain corporate-level taxes regardless of whether Ares Capital continues to qualify as a regulated investment company, or "RIC."

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

Ares Capital may in the future determine to fund a portion of its investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in Ares Capital in the same way as Ares Capital's borrowings.

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

Many of Ares Capital's portfolio investments are not publicly traded and, as a result, there is uncertainty as to the value of Ares Capital's portfolio investments.

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

Ares Capital may experience fluctuations in its quarterly results.

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

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

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

Changes in laws or regulations governing Ares Capital's operations, or changes in the interpretation thereof, and any failure by Ares Capital to comply with laws or regulations governing Ares Capital's operations may adversely affect Ares Capital's business.

Ares Capital may not replicate Ares' historical success and Ares Capital's ability to enter into transactions with Ares and Ares Capital's other affiliates is restricted.

Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of Ares Capital's portfolio investments, reducing Ares Capital's net asset value through increased net unrealized depreciation.

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

Investments in privately held middle-market companies involve significant risks.

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

Investments in equity securities involve a substantial degree of risk.

There may be circumstances where Ares Capital's debt investments could be subordinated to claims of other creditors or Ares Capital could be subject to lender liability claims.

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

When Ares Capital is a debt or minority equity investor in a portfolio company, Ares Capital may not be in a position to exert influence on the entity, and management of the company may make decisions that could decrease the value of Ares Capital's portfolio holdings.

Ares Capital's portfolio companies may be highly leveraged.

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

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- Ares Capital's investments in foreign debt may involve significant risks in addition to the risks inherent in U.S. investments. Ares Capital may expose itself to risks if it engages in hedging transactions.

- Ares Capital's shares of common stock have recently traded at a discount from net asset value and may do so again in the future, which could limit Ares Capital's ability to raise additional equity capital.

- There is a risk that investors in Ares Capital's equity securities may not receive dividends or that Ares Capital's dividends may not grow over time.

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

- Investing in Ares Capital's securities may involve an above average degree of risk.

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

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

- Ares Capital stockholders will experience dilution in their ownership percentage if they do not participate in Ares Capital's dividend reinvestment plan.

- You may receive shares of Ares Capital common stock as dividends which could result in adverse tax consequences to you.

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

Risks Relating to Allied Capital (page 71)

The following is a summary of certain risks that Ares Capital stockholders should carefully consider before deciding to approve the issuance of Ares Capital common stock in connection with the merger. See "Risk Factors Risks Relating to Allied Capital" below for a more detailed discussion of these factors.

- Allied Capital's use of leverage magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in Allied Capital.

- Regulations governing Allied Capital's operation as a BDC affect its ability to raise, and the way in which it raises, additional debt and equity capital, including, among other things, its ability to issue and sell its common stock at a price below net asset value and satisfy the asset coverage requirements of the Investment Company Act.

- Allied Capital's credit ratings may change and may not reflect all risks of an investment in its debt securities.

Allied Capital's independent registered public accounting firm has expressed substantial doubt about its ability to continue as a going concern.

The U.S. capital markets are currently in a period of disruption and the United States and global economies are in a severe recession and Allied Capital does not expect these conditions to improve in the near future. These market conditions have materially and adversely affected the debt and equity capital markets in the United States, which has had and could continue to have a negative impact on Allied Capital's business and operations.

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Economic recessions, including the current global recession, could impair Allied Capital's portfolio companies and harm Allied Capital's operating results.

Declining asset values and illiquidity in the corporate debt markets have adversely affected, and may continue to adversely affect, the fair value of Allied Capital's portfolio investments, reducing the value of Allied Capital's assets.

Substantially all of Allied Capital's portfolio investments, which are generally illiquid, are recorded at fair value as determined in good faith by Allied Capital's board of directors and, as a result, there is uncertainty regarding the value of Allied Capital's portfolio investments.

Allied Capital's portfolio of investments is illiquid.

Investing in private companies involves a high degree of risk.

Allied Capital's borrowers may default on their payments, which may have a negative effect on Allied Capital's financial performance.

Allied Capital may be unable to fund its commitments to its portfolio companies as they become due, which may have a material adverse effect on Allied Capital's business.

Allied Capital's private finance investments may not produce current returns or capital gains.

Allied Capital's financial results could be negatively affected if a significant portfolio company fails to perform as expected.

Allied Capital operates in a competitive market for investment opportunities.

Loss of RIC tax treatment could negatively impact Allied Capital's ability to service its debt and pay dividends.

Failure to invest a sufficient portion of Allied Capital's assets in qualifying assets could preclude Allied Capital from investing in accordance with its current business strategy.

Changes in the law or regulations that govern Allied Capital could have a material impact on Allied Capital or its operations.

There is a risk that Allied Capital's common stockholders may not receive dividends or distributions.

Changes in interest rates may affect Allied Capital's cost of capital and net investment income.

There are potential conflicts of interest between Allied Capital and the funds managed by Allied Capital.

Allied Capital's financial results could be negatively affected if Allied Capital's managed funds fail to perform as expected.

Allied Capital's business depends on Allied Capital's key personnel.

Allied Capital's operating results may fluctuate and may not be indicative of future performance.

Allied Capital common stock price may be volatile.

The trading market or market value of Allied Capital's publicly issued debt securities may be volatile.

Allied Capital common stock could be delisted from the NYSE if it trades below $1.00 or if Allied Capital fails to meet other listing criteria.

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Special Meeting of Allied Capital Common Stockholders (page 84)

Allied Capital plans to hold its special meeting of common stockholders on [ ], 20[ ] at [ ], [ ] Time, at [ ], [ ], [ ], [ ], United States [ ]. At the Allied Capital special meeting, holders of Allied Capital common stock will be asked to:

- approve the merger and the merger agreement; and
- adjourn or postpone the Allied Capital special meeting, if necessary, to solicit additional proxies in favor of the foregoing proposal.

You can vote at the Allied Capital special meeting if you owned Allied Capital common stock at the close of business on [ ], 20[ ]. As of that date, there were approximately [ ] shares of Allied Capital common stock outstanding and entitled to vote. Approximately [ ] of such total outstanding shares, or [ ]%, were owned beneficially or of record by directors and officers of Allied Capital.

Special Meeting of Ares Capital Common Stockholders (page 87)

Ares Capital plans to hold its special meeting of common stockholders on [ ], 20[ ] at [ ], [ ] Time, at [ ], [ ], [ ], [ ], United States [ ]. At the Ares Capital special meeting, holders of Ares Capital common stock will be asked to:

- approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement; and
- adjourn or postpone the Ares Capital special meeting, if necessary, to solicit additional proxies in favor of the foregoing proposal.

You can vote at the Ares Capital special meeting if you owned Ares Capital common stock at the close of business on [ ], 20[ ]. As of that date, there were approximately [ ] shares of Ares Capital common stock outstanding and entitled to vote, approximately [ ] of which, or [ ]%, were owned beneficially or of record by directors and officers of Ares Capital. In addition, Ares Investments LLC, or "Ares Investments," an affiliate of Ares Capital's investment adviser, owns approximately [ ] shares or [ ]% of the total shares of Ares Capital common stock outstanding.

Bank of America/Merrill Lynch, Pierce, Fenner & Smith Incorporated Has Provided an Opinion to Allied Capital's Board of Directors Regarding the Exchange Ratio (page 135)

In connection with the merger, BofA Merrill Lynch, Allied Capital's financial advisor, delivered to Allied Capital's board of directors a written opinion, dated October 25, 2009, as to the fairness, from a financial point of view and as of the date of the opinion, of the exchange ratio to the holders of Allied Capital common stock. The full text of the written opinion, dated October 25, 2009, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as *Annex B* to this document and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to Allied Capital's board of directors for the benefit and use of Allied Capital's board of directors in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the merger.**

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Sandler O'Neill & Partners, L.P. Has Provided an Opinion to Allied Capital's Board of Directors Regarding the Exchange Ratio (page 147)

In connection with the merger, Sandler O'Neill, Allied Capital's financial advisor, delivered to Allied Capital's board of directors a written opinion, dated October 25, 2009, as to the fairness, from a financial point of view and as of the date of the opinion, of the exchange ratio to the holders of Allied Capital common stock. The full text of the written opinion, dated October 25, 2009, of Sandler O'Neill, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as *Annex C* to this document and is incorporated by reference herein in its entirety. **Sandler O'Neill provided its opinion to Allied Capital's board of directors for the benefit and use of Allied Capital's board of directors in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. Sandler O'Neill's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the merger.**

J.P. Morgan Securities Inc. Has Provided an Opinion to Ares Capital's Board of Directors Regarding the Exchange Ratio (page 159)

J.P. Morgan Securities Inc., or "J.P. Morgan," delivered its written opinion to the Ares Capital board of directors that, as of October 26, 2009, and based upon and subject to the factors, assumptions, qualifications and limitations set forth therein, the exchange ratio in the merger was fair, from a financial point of view, to Ares Capital.

The full text of the written opinion of J.P. Morgan, dated October 26, 2009, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as *Annex D* to this document and is incorporated herein by reference. Ares Capital's stockholders are urged to read the opinion in its entirety. **J.P. Morgan's written opinion is addressed to the board of directors of Ares Capital, is directed only to the exchange ratio in the merger and does not constitute a recommendation to any stockholder of Ares Capital as to how such stockholder should vote at the Ares Capital special meeting.** The summary of the opinion of J.P. Morgan set forth in this document is qualified in its entirety by reference to the full text of such opinion.

Allied Capital's Board of Directors Unanimously Recommends That Allied Capital Stockholders Vote "FOR" Approval of the Merger and the Merger Agreement (page 135)

Allied Capital's board of directors, including its independent directors, believes that the merger is advisable and in the best interest of Allied Capital's stockholders and unanimously recommends that its stockholders vote "FOR" approval of the merger and the merger agreement.

Ares Capital's Board of Directors Unanimously Recommends That Ares Capital Stockholders Vote "FOR" Approval of the Issuance of Ares Capital Common Stock in Connection with the Merger (page 135)

Ares Capital's board of directors, including its independent directors, unanimously approved the merger and the merger agreement, including the issuance of Ares Capital common stock in connection therewith, and recommends that Ares Capital stockholders vote "FOR" approval of the issuance of the Ares Capital common stock to be issued pursuant to the merger agreement and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

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Certain Persons Related to Allied Capital Have Interests in the Merger that Differ from Your Interests (page 165)

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

Based on the assumptions set forth in "The Merger Interests of Certain Persons Related to Allied Capital in the Merger," Allied Capital's named executive officers may be entitled to receive aggregate payments of up to approximately $[ ] for accelerated vesting and payout of stock options upon completion of the merger. The maximum amounts that would be payable to Allied Capital's named executive officers in the aggregate under each of their current employment agreements or retention agreements, assuming that certain conditions regarding change of control and termination are met, would be up to approximately $[ ]. Certain existing executive officers of Allied Capital may, however, become paid employees of Ares Capital, one of its portfolio companies or subsidiaries or its investment adviser. See "The Merger Interests of Certain Persons Related to Allied Capital in the Merger" for a further description of these interests, including the payments that each named executive officer is or may be entitled to receive upon completion of the merger.

Ares Capital's Investment Adviser Has Interests in the Merger that Differ from the Interests of Ares Capital Stockholders (page 172)

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

Ares Capital Management has committed to defer, subject to any required approvals, up to $15 million in base management and incentive fees for each of the first two years following the merger if certain earnings targets are not met.

Allied Capital and Ares Capital Stockholders Do Not Have Dissenters' Rights

Neither Allied Capital's nor Ares Capital's stockholders will be entitled to exercise dissenters' rights in connection with the merger under Maryland law.

Allied Capital and Ares Capital Have Agreed When and How Allied Capital Can Consider Third-Party Acquisition Proposals (page 184)

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

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However, if Allied Capital receives a bona fide unsolicited Takeover Proposal from a third party and its board of directors determines in good faith, after consultation with reputable outside legal counsel and financial advisers experienced in such matters, that failure to consider such proposal would breach the duties of its directors under applicable law, and the Takeover Proposal constitutes or is reasonably likely to result in a "Superior Proposal" (as defined in the merger agreement), Allied Capital may engage in discussions and negotiations with such third party so long as certain notice and other procedural requirements are satisfied. In addition, subject to certain procedural requirements (including the ability of Ares Capital to revise its offer) and the payment of a $30 million termination fee, Allied Capital may terminate the merger agreement and enter into an agreement with a third party who makes a Superior Proposal.

Merger Requires the Approval of Allied Capital Stockholders Holding at Least Two-Thirds of Votes Entitled to Be Cast (page 84)

The affirmative vote of the holders of at least two-thirds of the shares of Allied Capital common stock outstanding and entitled to vote is required to approve the merger and the merger agreement. Stockholders who abstain or who fail to return their proxies, and do not instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or vote at the Allied Capital special meeting, will have the same effect as if they voted "against" the merger agreement and the merger.

Votes Required to Approve the Issuance of Shares of Ares Capital Common Stock (page 87)

The affirmative vote of at least a majority of all of the votes cast on the matter at a meeting at which a quorum is present is required to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement.

Completion of the Merger (page 186)

While there can be no assurances as to the exact timing, or that the merger will be completed at all, Allied Capital and Ares Capital are working to complete the merger in the first quarter of 2010. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 186)

While there can be no assurances as to the exact timing, or that the merger will be completed at all, we are working to complete the merger in the first quarter of 2010. As more fully described in this document and in the merger agreement, the obligations of Allied Capital and Ares Capital to complete the merger are subject to the satisfaction or, where permissible, waiver of the following conditions:

- the approvals of Allied Capital and Ares Capital stockholders are obtained at their respective special meetings;
- the shares of Ares Capital stock to be issued in connection with the merger have been authorized for listing on NASDAQ;
- the registration statement, of which this document forms a part, has become effective and no stop order suspending its effectiveness has been issued and no proceedings for that purpose have been initiated by the SEC;
- no order or law preventing or making illegal the consummation of the merger or any of the other transactions contemplated by the merger agreement is in effect;

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- all regulatory approvals required to consummate the merger and the other transactions contemplated by the merger agreement and all statutory waiting periods required by applicable law have expired;
- the receipt by each of Ares Capital and Allied Capital of a legal opinion with respect to certain U.S. federal income tax consequences of the merger;
- the truth and correctness of the representations and warranties of each other party in the merger agreement, subject to the materiality standards provided in the merger agreement, and the receipt by each party of a certificate from the other party to that effect;
- the performance by each other party in all material respects of their obligations under the merger agreement and the receipt by each party of a certificate from the other party to that effect;
- since the date of the merger agreement, there has not occurred any condition, change or event that, individually or in the aggregate, has had or would reasonably be expected to have, a material adverse effect in respect of the other party, other than certain previously disclosed matters; and
- the absence of certain bankruptcy and insolvency related events with respect to the other party and its consolidated subsidiaries (other than, in the case of Allied Capital, Ciena Capital LLC, or "Ciena").

In addition, the obligation of Ares Capital to complete the merger is subject to the satisfaction or, where permissible, waiver of the following conditions:

- Allied Capital has delivered a certificate stating that it is not and has not been within the preceding five years a "United States real property holding corporation" for U.S. federal income tax purposes; and
- consents in respect of certain outstanding debt of Allied Capital and Ares Capital have been obtained.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived or that the merger will ever be completed.

Termination of the Merger Agreement (page 188)

The merger agreement contains certain termination rights for Allied Capital or Ares Capital, as applicable, including if:

- the parties mutually agree to terminate;
- a government entity that must grant a regulatory approval has issued a final and non-appealable denial;
- a governmental entity has issued a final and non-appealable order or promulgated a law prohibiting or making illegal the merger or any of the other transactions contemplated by the merger agreement;
- the merger has not been completed by June 30, 2010;

the stockholders of Allied Capital fail to approve the merger and the merger agreement;

the stockholders of Ares Capital fail to approve the issuance of Ares Capital common stock in connection with the merger;

a Special Termination Event occurs;

- there is a breach by Allied Capital, on the one hand, or Ares Capital or Merger Sub, on the other, that would result in a failure of the conditions of Ares Capital and Merger Sub or Allied Capital, as the case may be, to close (subject to cure, if curable);

- either Allied Capital or Ares Capital changes its recommendation that its stockholders vote to approve the matters described in this document to be voted on at their respective special meetings;

- either Allied Capital or Ares Capital fails to cause a vote of its respective stockholders to occur in respect of the matters described in this document to be voted on at their respective special meetings prior to June 30, 2010;

- Allied Capital enters into an agreement with respect to a Superior Proposal, provided that prior to doing so it pays Ares Capital a $30 million termination fee;

- a tender or exchange offer or a Takeover Proposal is publicly announced and Allied Capital fails to recommend against such offer or reaffirm its recommendation of the merger;

- Allied Capital or Ares Capital materially breaches its obligation to use reasonable best efforts to obtain stockholder approval or recommend the matters described in this document to be voted on by their respective special meetings; or

- Allied Capital breaches the non-solicitation provisions.

Termination Fee (page 188)

The merger agreement provides that, in connection with the termination of the merger agreement under specified circumstances, Allied Capital may be required to pay Ares Capital a termination fee of $30 million ($15 million if Allied Capital stockholders do not approve the merger and the merger agreement) and Ares Capital may be required to pay Allied Capital a reverse termination fee of $30 million.

Board of Directors and Management of Ares Capital Following Completion of the Merger (page 174)

Upon completion of the merger and subsequent combination, the current directors and officers of Ares Capital are expected to continue in their current positions and Ares Capital's investment adviser, Ares Capital Management, will continue to externally manage it. At the effective time, Ares Capital's board of directors will be increased by at least one member and Ares Capital will submit the name of one member of Allied Capital's board of directors for consideration to Ares Capital's nominating and governance committee to fill the vacancy.

Third Party Consents Required for the Merger (page 173)

Ares Capital's obligation to complete the merger is subject to the prior receipt of all approvals and consents required to be obtained from applicable agents, lenders, noteholders and other parties with respect to (1) Ares Capital's Credit Facility, CP Funding Facility, CP Funding II Facility and Debt Securitization and (2) Allied Capital's private notes and bank facility. If the merger agreement is terminated because the merger has not occurred by June 30, 2010 by reason of the fact that such consents have not been obtained and all of Ares Capital's other closing conditions have been satisfied, then Ares Capital will be required to pay Allied Capital a reverse termination fee of $30 million.

Allied Capital and Ares Capital have each agreed that they will, and will cause their representatives to, reasonably cooperate (to the extent commercially reasonable) in connection with obtaining such financing consents or any restructuring of any outstanding debt of Allied Capital, Ares Capital or their respective consolidated subsidiaries or, in the circumstance where such financing consents cannot be obtained, obtaining alternative financing.

Ares Capital currently intends to (1) increase the maximum amount available under its Credit Facility from $525 million to up to at least $700 million, (2) seek consents permitting the merger under its amortizing CP Funding Facility and its revolving credit CP Funding II Facility, (3) seek rating agency confirmation with respect to its Debt Securitization, (4) refinance or seek consents in respect of the merger with respect to Allied Capital's private notes, (5) assume Allied Capital's public notes pursuant to a supplement indenture satisfactory to the trustee thereof and (6) retire Allied Capital's bank facility.

There can be no assurance that any such confirmations, approvals or consents will be obtained or that any refinancings will be completed on a timely basis or at all or that such approvals, consents or refinanced debt facilities will not impose conditions or requirements that, individually or in the aggregate, would or could reasonably be expected to have a material adverse effect on the financial condition, results of operations, assets or business of Ares Capital following completion of the merger.

Although not a condition to either Allied Capital's or Ares Capital's obligation to complete the merger, certain agreements of Allied Capital and Ares Capital or their controlled affiliates, including with respect to certain managed funds of Allied Capital and its affiliates, will or may require the consent of one or more counterparties in connection with the merger or subsequent combination. The failure to obtain any such consent may permit such counter-parties to terminate, or otherwise increase their rights or Allied Capital or Ares Capital's obligations under, such agreements because the merger may violate an anti-assignment, change of control or similar provision. If this happens, Ares Capital may have to seek to replace that agreement with a new agreement or seek a waiver or amendment to such agreement. Allied Capital and Ares Capital cannot assure you that Ares Capital will be able to replace, amend or obtain a waiver under any such agreement on comparable terms or at all.

The Rights of Allied Capital Common Stockholders Following the Merger Will Be Different (page 421)

The rights of Allied Capital's stockholders are currently governed by Maryland law and Allied Capital's charter and bylaws. When the merger is completed, Allied Capital's stockholders will become stockholders of Ares Capital, a Maryland corporation, and their rights will be governed by Maryland law and Ares Capital's charter and bylaws. The rights of Allied Capital's stockholders and the rights of Ares Capital's stockholders differ in certain respects.

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COMPARATIVE FEES AND EXPENSES

The following tables are intended to assist you in understanding the costs and expenses that an investor in the common stock of Allied Capital and Ares Capital bears directly or indirectly and Ares Capital's costs and expenses that are expected to be incurred in the first year following the merger. Allied Capital and Ares Capital caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this document contains a reference to fees or expenses paid or to be paid by "you," "Allied Capital" or "Ares Capital," stockholders will indirectly bear such fees or expenses as investors in Allied Capital or Ares Capital, as applicable.

Allied Capital and Ares Capital's Expenses

The tables below illustrate the change in operating expenses expected as a result of the merger.

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

	Actual		
	Allied Capital	Ares Capital	Pro Forma Combined(1)
Estimated annual expenses (as a percentage of consolidated net assets(3) attributable to common stock):(4)			
Management fees(5)		2.53%	2.77%
Incentive fees(6)		2.61%	1.42%
Interest payments on borrowed funds(7)	14.32%	2.04%	8.79%(8)
Other expenses(9)	6.75%	1.70%	3.22%
Acquired fund fees and expenses(10)	0.22%	0.03%	0.10%
Total annual expenses (estimated)(11)	21.29%	8.91%	16.30%

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(1) Purchases of shares of common stock of Allied Capital or Ares Capital on the secondary market are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any sales load (underwriting discount or commission) that stockholders may have paid in connection with their purchase of shares of Allied Capital or Ares Capital common stock.

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

(3) "Consolidated net assets attributable to common stock" equals net assets at September 30, 2009.

(4) Allied Capital does not have an investment adviser and is internally managed by its management team under the supervision of its board of directors. Therefore, Allied Capital pays operating costs associated with employing a management team and investment professionals instead of paying investment advisory fees. As a result, the estimate of the annual expenses Allied Capital incurs in

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connection with the employment of such employees is included in the line item "Other expenses" and, accordingly, any comparison of the individual items of Allied Capital and Ares Capital set forth under "Estimated annual expenses" above may not be informative because Allied Capital is internally managed and Ares Capital is externally managed. The pro forma combined company estimated annual expenses are consistent with the information presented in the unaudited pro forma condensed consolidated financial statements included in this document. See "Unaudited Selected Pro Forma Consolidated Financial Data."

(5)

Ares Capital is externally managed by its investment adviser, Ares Capital Management. Following completion of the merger, the combined company will continue to be externally managed by Ares Capital Management and the pro forma combined company management fee has been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. Ares Capital's management fee is currently 1.5% of its total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, Ares Capital has assumed that it maintains no cash or cash equivalents and that the management fee remains at 1.5% as set forth in its current investment advisory and management agreement. Ares Capital may from time to time decide it is appropriate to change the terms of such agreement. Under the Investment Company Act, any material change to its investment advisory and management agreement must be submitted to its stockholders for approval. The 2.53% reflected on the table is calculated on Ares Capital's net assets (rather than its total assets). See "Management of Ares Capital Investment Advisory and Management Agreement."

(6)

This item represents Ares Capital's investment adviser's incentive fees based on annualizing actual amounts earned on its pre-incentive fee net income for the nine months ended September 30, 2009 and assumes that the incentive fees earned at the end of September 30, 2009 will be based on the actual realized capital gains as of September 30, 2009, computed net of realized capital losses and unrealized capital depreciation. It also assumes that this fee will remain constant although it is based on Ares Capital's performance and will not be paid unless Ares Capital achieves certain goals. Ares Capital may have capital gains and interest income that could result in the payment of an incentive fee to its investment adviser in the first year after completion of the merger. Since its inception, the average quarterly incentive fee payable to its investment adviser has been approximately 0.56% of its weighted net assets (2.24% on an annualized basis). The pro forma combined company incentive fees have been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. For more detailed information about incentive fees previously incurred by Ares Capital, please see Note 3 to its consolidated financial statements for the period ended September 30, 2009.

The incentive fee consists of two parts:

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

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

Ares Capital will defer cash payment of any incentive fee otherwise earned by its investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (1) its aggregate distributions to its stockholders and (2) its change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 8.0% of its net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. See "Management of Ares Capital Investment Advisory and Management Agreement."

(7)

"Interest payments on borrowed funds" represents an estimate of annualized interest expenses based on actual interest and credit facility expenses incurred for the nine months ended September 30, 2009. During the nine months ended September 30, 2009, Allied Capital's average borrowings were $1.8 billion and cash paid for interest expense was $141 million and Ares Capital's average borrowings were $865 million and cash paid for interest expense was $15.1 million. Allied Capital had outstanding borrowings of $1.6 billion at September 30, 2009. Ares Capital had outstanding borrowings of $767.9 million at September 30, 2009. The amount of leverage that Allied Capital or Ares Capital may employ at any particular time will depend on, among other things, Allied Capital and Ares Capital's boards of directors' and, in the case of Ares Capital, its investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Ares Capital Ares Capital borrows money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with Ares Capital." See "Risk Factors Risks Relating to Allied Capital Allied Capital's use of leverage magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in Allied Capital."

(8)

This is based on the assumption that borrowings and interest costs after the merger will remain the same as those costs prior to the merger.

(9)

Includes overhead expenses, including, in the case of Ares Capital, payments under its administration agreement based on its allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under such administration agreement. In the case of Allied Capital, such expenses are based on annualized employee, employee stock options and administrative expenses for the nine months ended September 30, 2009. In the case of Ares Capital, such expenses are based on annualized "Other expenses" for the nine months ended September 30, 2009. See "Management of Ares Capital Administration Agreement." For the pro forma combined company, "other expenses" were based on the amount indicated in the unaudited pro forma condensed consolidated financial statements for the nine months ended September 30, 2009. The holders of shares of Allied Capital and Ares Capital common stock (and not the holders of their debt securities or preferred stock, if any) indirectly bear the cost associated with their annual expenses.

(10)

With respect to "Acquired fund fees and expenses," Allied Capital and Ares Capital stockholders indirectly bear the expenses of underlying investment companies managed by third parties in which Allied Capital and Ares Capital invest. This amount includes the fees and expenses of investment companies in which Allied Capital or Ares Capital is invested as of September 30, 2009. Certain of these investment companies are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% of net profits. When applicable, fees and expenses are based on historic fees and expenses for the investment companies. For those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of Allied Capital's average net assets used in calculating this percentage was based on average net assets of $1.3 billion for the nine month period ended September 30, 2009. The amount of Ares Capital's average net assets used in calculating this percentage was based on average net assets of $1.1 billion for the nine month period ended September 30, 2009.

(11) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. Allied Capital and Ares Capital borrow money to leverage and increase their total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies. If the "Total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, Allied Capital's "Total annual expenses" would be 8.13% of its consolidated total assets, Ares Capital's "Total annual expenses" would be 5.28% of its consolidated total assets and the pro forma combined company's "Total annual expenses" would be 8.77% of its consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in Allied Capital, Ares Capital or, following the merger, the combined company's common stock. In calculating the following expense amounts, each of Allied Capital and Ares Capital has assumed that it would have no additional leverage, that none of its assets are cash or cash equivalents and that its annual operating expenses would remain at the levels set forth in the table above. Transaction expenses related to the merger are not included in the following example.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return in(1):				
Allied Capital	$ 207	$ 596	$ 955	$ 1,738
Ares Capital	$ 65	$ 191	$ 314	$ 605
The *pro forma* combined company following the merger	$ 153	$ 412	$ 622	$ 983

(1) The above illustration assumes that Allied Capital, Ares Capital and, following the merger, the combined company will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. In the case of Ares Capital, the expenses you would pay, based on a $1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, $75; 3 years, $220; 5 years, $359; and 10 years, $683. In the case of the pro forma combined company following the merger, the expenses you would pay, based on a $1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, $163; 3 years, $438; 5 years, $659; and 10 years, $1,034. However, cash payment of the capital incentive fee would be deferred if, during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) Ares Capital's aggregate distributions to its stockholders and (b) its change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) was

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less than 8.0% of its net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

The foregoing table is to assist you in understanding the various costs and expenses that an investor in Allied Capital, Ares Capital or, following the merger, the combined company's common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, performance will vary and may result in a return greater or less than 5%. In the case of Ares Capital, the incentive fee under the investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. If Ares Capital were to achieve sufficient returns on its investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher.

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

This example and the expenses in the table above should not be considered a representation of Allied Capital, Ares Capital or, following the merger, the combined company's future expenses as actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

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SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ALLIED CAPITAL

You should read the condensed consolidated financial information below with Allied Capital's consolidated financial statements and notes thereto included herein. Financial information at and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 has been derived from Allied Capital's financial statements that were audited by KPMG LLP. Quarterly financial information is derived from unaudited financial data, but in the opinion of Allied Capital's management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results at and for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Allied Capital" and "Senior Securities of Allied Capital" below for more information.

(in thousands, except per share data)	At and for the Nine Months Ended September 30,		At and for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)						
Operating Data:							
Interest and related portfolio income:							
Interest and dividends	$ 230,017	$ 366,079	$ 457,418	$ 417,576	$ 386,427	$ 317,153	$ 319,642
Fees and other income	22,233	34,105	44,826	44,129	66,131	56,999	47,448
Total interest and related portfolio income	252,250	400,184	502,244	461,705	452,558	374,152	367,090
Expenses:							
Interest	129,023	109,974	148,930	132,080	100,600	77,352	75,650
Employee	32,939	57,439	76,429	89,155	92,902	78,300	53,739
Employee stock options(1)	2,369	9,531	11,781	35,233	15,599		
Administrative	25,509	36,100	49,424	50,580	39,005	69,713	34,686
Impairment of long-lived asset	2,873						
Total operating expenses	192,713	213,044	286,564	307,048	248,106	225,365	164,075
Net investment income before income taxes	59,537	187,140	215,680	154,657	204,452	148,787	203,015
Income tax expense (benefit), including excise tax	4,205	8,141	2,506	13,624	15,221	11,561	2,057
Net investment income	55,332	178,999	213,174	141,033	189,231	137,226	200,958
Net realized and unrealized gains (losses):							
Net realized gains (losses)	(158,255)	47,330	(129,418)	268,513	533,301	273,496	117,240
Net change in unrealized appreciation or depreciation	(380,528)	(687,506)	(1,123,762)	(256,243)	(477,409)	462,092	(68,712)
Total net gains (losses)	(538,783)	(640,176)	(1,253,180)	12,270	55,892	735,588	48,528
Gain on repurchase of debt	83,532						
Loss on extinguishment of debt	(117,497)						
Net increase (decrease) in net assets resulting from operations	$ (517,416)	$ (461,177)	$ (1,040,006)	$ 153,303	$ 245,123	$ 872,814	$ 249,486
Per Share:							
Diluted earnings (loss) per common share	$ (2.89)	$ (2.70)	$ (6.01)	$ 0.99	$ 1.68	$ 6.36	$ 1.88
Net investment income, net realized gains (losses), gain on repurchase of debt and loss on extinguishment of debt per share(2)	$ (0.77)	$ 1.32	$ 0.48	$ 2.65	$ 4.96	$ 2.99	$ 2.40
Dividends per common share(2)	$	$ 0.65	$ 2.60	$ 2.64	$ 2.47	$ 2.33	$ 2.30
Weighted average common shares outstanding diluted	178,815	171,084	172,996	154,687	145,599	137,274	132,458

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(in thousands, except per share data)	At and for the Nine Months Ended September 30, 2009 (unaudited)	At and for the Year Ended December 31, 2008	2007	2006	2005	2004
Balance Sheet Data:						
Portfolio at value	$ 2,511,194	$ 3,492,950	$ 4,780,521	$ 4,496,084	$ 3,606,355	$ 3,013,411
Total assets	2,840,216	3,722,186	5,214,576	4,887,505	4,025,880	3,260,998
Total debt outstanding(3)	1,593,867	1,945,000	2,289,470	1,899,144	1,284,790	1,176,568
Undistributed (distributions in excess of) earnings	47,826	184,715	535,853	502,163	112,252	12,084
Shareholders' equity	1,201,265	1,718,400	2,771,847	2,841,244	2,620,546	1,979,778
Shareholders' equity per common share (net asset value)(4)	$ 6.70	$ 9.62	$ 17.54	$ 19.12	$ 19.17	$ 14.87
Common shares outstanding at end of period	179,362	178,692	158,002	148,575	136,697	133,099
Asset coverage ratio	175%	188%	221%	250%	309%	280%
Debt to equity ratio	1.33	1.13	0.83	0.67	0.49	0.59
Other Data:						
Investments funded	$ 118,095	$ 1,078,171	$ 1,845,973	$ 2,437,828	$ 1,675,773	$ 1,524,523
Principal collections related to investment repayments or sales	479,815	1,037,348	1,211,550	1,055,347	1,503,388	909,189
Realized gains	35,897	150,468	400,510	557,470	343,061	267,702
Realized losses	(194,152)	(279,886)	(131,997)	(24,169)	(69,565)	(150,462)

(in thousands, except per share data)	2009 Qtr 3	Qtr 2	Qtr 1	2008 Qtr 4	Qtr 3	Qtr 2	Qtr 1	2007 Qtr 4	Qtr 3	Qtr 2	Qtr 1
Quarterly Data (unaudited):											
Total interest and related portfolio income	72,438	84,630	95,182	102,060	120,662	134,578	144,944	$ 117,709	$ 118,368	$ 117,676	$ 107,952
Net investment income	9,585	18,233	29,509	34,175	45,595	63,855	69,549	58,040	18,318	25,175	39,500
Net increase (decrease) in net assets resulting from operations	(140,683)	(29,063)	(347,670)	(578,829)	(318,262)	(102,203)	(40,712)	27,527	(96,468)	89,158	133,086
Diluted earnings (loss) per common share	(0.79)	(0.16)	(1.95)	(3.24)	(1.78)	(0.59)	(0.25)	$ 0.18	$ (0.63)	$ 0.57	$ 0.87
Dividends declared per common share(5)				0.65	0.65	0.65	0.65	0.72	0.65	0.64	0.63
Net asset value per common share(4)	6.70	7.49	7.67	9.62	13.51	15.93	16.99	17.54	17.90	19.59	19.58

(1) Effective January 1, 2006, Allied Capital adopted the provisions of ASC Topic 718, *Compensation Stock Compensation*, which codified Statement No. 123 (Revised 2004), *Share-Based Payment*. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Allied Capital" below.

(2) Dividends are based on taxable income, which differs from income for financial reporting purposes. Net investment income and net realized gains are the most significant components of Allied Capital's annual taxable income from which dividends are paid. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Allied Capital" below.

(3) See "Senior Securities of Allied Capital" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Allied Capital" for more information regarding Allied Capital's level of indebtedness.

(4)

Allied Capital determines net asset value per common share as of the last day of the period presented. The net asset values shown are based on outstanding shares at the end of each period presented.

(5) Dividends declared per common share for the fourth quarter of 2007 included the regular quarterly dividend of $0.65 per common share and an extra dividend of $0.07 per common share. Dividends paid in 2008 primarily were paid from taxable income earned in 2007 that was carried over for distribution in 2008.

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SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL

The following selected financial and other data for the years ended December 31, 2008, 2007, 2006 and 2005, and for the period from June 23, 2004 (inception) through December 31, 2004 are derived from Ares Capital's consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this document. The selected financial and other data for the nine months ended September 30, 2009 and other quarterly financial information is derived from Ares Capital's unaudited financial statements, but in the opinion of Ares Capital's management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The data should be read in conjunction with Ares Capital's consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital" and "Senior Securities of Ares Capital," which are included elsewhere in this document.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA
As of and For the Nine Months Ended September 30, 2009, As of and For the Years Ended December 31, 2008, 2007, 2006 and 2005 and As of and For the Period June 23, 2004 (inception) Through December 31, 2004
(dollar amounts in thousands, except per share data and as otherwise indicated)

	As of and For the Nine Months Ended September 30, 2009	As of and For the Year Ended December 31, 2008	As of and For the Year Ended December 31, 2007	As of and For the Year Ended December 31, 2006	As of and For the Year Ended December 31, 2005	As of and For the Period June 23, 2004 (inception) Through December 31, 2004
Total Investment Income	$ 176,008	$ 240,461	$ 188,874	$ 120,020	$ 41,850	$ 4,381
Total Expenses	80,391	113,221	94,751	58,458	14,569	1,666
Net Investment Income Before Income Taxes	95,617	127,240	94,123	61,562	27,282	2,715
Income Tax Expense (Benefit), Including Excise Tax	563	248	(826)	4,931	158	
Net Investment Income	95,054	126,992	94,949	56,631	27,124	2,715
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	38,009	(266,447)	(4,117)	13,064	14,727	475
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	$ 133,063	$ (139,455)	$ 90,832	$ 69,695	$ 41,851	$ 3,190
Per Share Data:						
Net Increase (Decrease) in Stockholder's Equity Resulting from Operations:						
Basic(1):	$ 1.34	$ (1.56)	$ 1.34	$ 1.58	$ 1.75	$ 0.28
Diluted(1):	$ 1.34	$ (1.56)	$ 1.34	$ 1.58	$ 1.75	$ 0.28
Cash Dividend Declared:	$ 1.12	$ 1.68	$ 1.66	$ 1.64	$ 1.30	$ 0.30
Total Assets	$ 2,065,081	$ 2,091,333	$ 1,829,405	$ 1,347,991	$ 613,645	$ 220,456
Total Debt	$ 767,871	$ 908,786	$ 681,528	$ 482,000	$ 18,000	$ 55,500
Total Stockholders' Equity	$ 1,222,591	$ 1,094,879	$ 1,124,550	$ 789,433	$ 569,612	$ 159,708
Other Data:						
Number of Portfolio Companies at Period End(2)	94	91	78	60	38	20
Principal Amount of Investments Purchased(3)	220,141	$ 925,945	$ 1,251,300	$ 1,087,507	$ 504,299	$ 234,102
Principal Amount of Investments Sold and Repayments(4)	271,786	$ 485,270	$ 718,695	$ 430,021	$ 108,415	$ 52,272
Total Return Based on Market Value(5)	91.94 %	(45.25)%	(14.76)%	29.12 %	(10.60)%	31.53 %
Total Return Based on Net Asset Value(6)	12.02 %	(11.17)%	8.98 %	10.73%	12.04 %	(1.80)%
Weighted Average Yield of Debt and Income Producing Equity Securities at Fair Value(7):	12.53 %	12.79 %	11.68 %	11.95%	11.25 %	12.36 %
Weighted Average Yield of Debt and Income Producing Equity Securities at Amortized Cost(7):	11.70 %	11.73 %	11.64 %	11.63%	11.40 %	12.25 %

(1) In accordance with Accounting Standards Codification, or "ASC," 260 (formerly Statement of Financial Accounting Standards No. 128, *Earnings Per Share*) the weighted average shares of common stock outstanding used in computing basic and diluted earnings per common share have been adjusted retroactively by a factor of 1.02% to recognize the bonus element associated with rights to acquire shares of common stock that Ares Capital issued to stockholders of record as of March 24, 2008 in connection with a rights offering.

(2) Includes commitments to portfolio companies for which funding has yet to occur.

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

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

(5) Total return based on market value for the nine months ended September 30, 2009 equals the increase of the ending market value at September 30, 2009 of $11.02 per share over the ending market value at December 31, 2008 of $6.33 per share, plus the declared dividends of $1.12 per share for the nine months ended September 30, 2009, divided by the market value at December 31, 2008. Total return based on market value for the year ended December 31, 2008 equals the decrease of the ending market value at December 31, 2008 of $6.33 per share over the ending market value at December 31, 2007 of $14.63 per share, plus the declared dividends of $1.68 per share for the year ended December 31, 2008, divided by the market value at December 31, 2007. Total return based on market value for the year ended December 31, 2007 equals the decrease of the ending market value at December 31, 2007 of $14.63 per share over the ending market value at December 31, 2006 of $19.11 per share, plus the declared dividends of $1.66 per share for the year ended December 31, 2007, divided by the market value at December 31, 2006. Total return based on market value for the year ended December 31, 2006 equals the increase of the ending market value at December 31, 2006 of $19.11 per share over the ending market value at December 31, 2005 of $16.07 per share, plus the declared dividends of $1.64 per share for the year ended December 31, 2006, divided by the market value at December 31, 2005. Total return based on market value for the year ended December 31, 2005 equals the decrease of the ending market value at December 31, 2005 of $16.07 per share over the ending market value at December 31, 2004 of $19.43 per share, plus the declared dividends of $1.30 per share for the year ended December 31, 2005, divided by the market value at December 31, 2004. Total return based on market value for the period June 23, 2004 (inception) through December 31, 2004 equals the increase of the ending market value at December 31, 2004 of $19.43 per share over the offering price of $15.00 per share, plus the declared dividend of $0.30 per share (includes return of capital of $0.01 per share) for holders of record on December 27, 2004, divided by the offering price. Total return based on market value is not annualized. Ares Capital's shares fluctuate in value. Ares Capital's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(6) Total return based on net asset value for the nine months ended September 30, 2009 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.12 per share for the nine months ended September 30, 2009, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2008 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.68 per share for the year ended December 31, 2008, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2007 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.66 per share for the year ended December 31, 2007, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2006 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.64 per share for the year ended December 31, 2006, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2005 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of $1.30 per share for the year ended December 31, 2005, divided by the beginning net asset value. Total return based on net asset value for the period June 23, 2004 (inception) through December 31, 2004 equals the change in net asset value during the period plus the declared dividend of $0.30 per share (includes return of capital of $0.01 per share) for holders of record on December 27, 2004, divided by the beginning net asset value. Total return based on net asset value is not annualized. Ares Capital's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

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

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

	2009		
	Q3	Q2	Q1
Total Investment Income	$ 60,881	$ 59,111	$ 56,016
Net investment income before net realized and unrealized gain (losses) and incentive compensation	$ 41,133	$ 39,935	$ 37,750
Incentive compensation	$ 8,227	$ 7,987	$ 7,550
Net investment income before net realized and unrealized gain (losses)	$ 32,906	$ 31,948	$ 30,200
Net realized and unrealized gains (losses)	$ 30,370	$ 2,805	$ 4,834
Net increase (decrease) in stockholders' equity resulting from operations	$ 63,276	$ 34,753	$ 35,034
Basic and diluted earnings per common share	$ 0.62	$ 0.36	$ 0.36
Net asset value per share as of the end of the quarter	$ 11.16	$ 11.21	$ 11.20

	2008			
	Q4	Q3	Q2	Q1
Total Investment Income	$ 62,723	$ 62,067	$ 63,464	$ 52,207
Net investment income before net realized and unrealized gain (losses) and incentive compensation	$ 40,173	$ 41,025	$ 45,076	$ 32,466
Incentive compensation	$ 8,035	$ 8,205	$ 9,015	$ 6,493
Net investment income before net realized and unrealized gain (losses)	$ 32,138	$ 32,820	$ 36,061	$ 25,973
Net realized and unrealized gains (losses)	$ (142,638)	$ (74,213)	$ (32,789)	$ (16,807)
Net increase (decrease) in stockholders' equity resulting from operations	$ (110,500)	$ (41,393)	$ 3,272	$ 9,166
Basic and diluted earnings per common share	$ (1.14)	$ (0.43)	$ 0.04	$ 0.13
Net asset value per share as of the end of the quarter	$ 11.27	$ 12.83	$ 13.67	$ 15.17

	2007			
	Q4	Q3	Q2	Q1
Total Investment Income	$ 53,828	$ 47,931	$ 47,399	$ 39,715
Net investment income before net realized and unrealized gain (losses) and incentive compensation	$ 33,677	$ 29,875	$ 31,220	$ 23,699
Incentive compensation	$ 6,573	$ 5,966	$ 6,229	$ 4,755
Net investment income before net realized and unrealized gain (losses)	$ 27,104	$ 23,909	$ 24,991	$ 18,944
Net realized and unrealized gains (losses)	$ (16,353)	$ (984)	$ 8,576	$ 4,645
Net increase (decrease) in stockholders' equity resulting from operations	$ 10,752	$ 22,924	$ 33,567	$ 23,589
Basic and diluted earnings per common share	$ 0.15	$ 0.32	$ 0.48	$ 0.44
Net asset value per share as of the end of the quarter	$ 15.47	$ 15.74	$ 15.84	$ 15.34

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UNAUDITED SELECTED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following tables set forth unaudited pro forma condensed consolidated financial data for Ares Capital and Allied Capital as a consolidated entity. The information as of September 30, 2009 is presented as if the merger had been completed on September 30, 2009 and after giving effect to certain transactions that occurred subsequent to September 30, 2009. The unaudited pro forma condensed consolidated operating data for the nine months ended September 30, 2009 and for the year ended December 31, 2008 are presented as if the merger had been completed January 1, 2008. In the opinion of management, all adjustments necessary to reflect the effect of these transactions have been made. The merger will be accounted for under the acquisition method of accounting as provided by Accounting Standards Codification, or "ASC," 805-10 (previously Statement of Financial Accounting Standards, or "SFAS," No. 141(R)), *Business Combinations*.

The unaudited pro forma condensed consolidated financial data should be read together with the respective historical audited and unaudited consolidated financial statements and financial statement notes of Allied Capital and Ares Capital in this document. The unaudited pro forma condensed consolidated financial data are presented for comparative purposes only and do not necessarily indicate what the future operating results or financial position of Ares Capital will be following completion of the merger. The unaudited pro forma condensed consolidated financial data does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the merger of Allied Capital and Ares Capital or any future merger related restructuring or integration expenses.

(dollar amounts in thousands, except per share data and as otherwise indicated)

	For the Nine Months Ended September 30, 2009	For the Year Ended December 31, 2008
Total Investment Income	$ 428,258	$ 742,705
Total Expenses	281,685	419,671
Net Investment Income Before Income Taxes	146,573	323,034
Income Tax Expense (Benefit), Including Excise Tax	4,768	2,754
Net Investment Income	141,805	320,280
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt	(534,739)	(1,519,627)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations	$ (392,934)	$ (1,199,347)

	As of September 30, 2009
Total Assets	$ 4,164,095
Total Debt	$ 1,760,712
Total Stockholders' Equity	$ 2,251,180

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UNAUDITED PRO FORMA PER SHARE DATA

The following selected unaudited pro forma per share information for the nine months ended September 30, 2009 and for the year ended December 31, 2008 reflects the merger and related transactions as if they had occurred on July 1, 2008. The unaudited pro forma combined net asset value per common share outstanding reflects the merger and related transactions as if they had occurred on September 30, 2009 and certain other transactions that occurred subsequent to September 30, 2009.

Such unaudited pro forma combined per share information is based on the historical financial statements of Ares Capital and Allied Capital and on publicly available information and certain assumptions and adjustments as discussed in the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements." This unaudited pro forma combined per share information is provided for illustrative purposes only and is not necessarily indicative of what the operating results or financial position of Ares Capital or Allied Capital would have been had the merger and related transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position. The following should be read in connection with the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements" and other information included in or incorporated by reference into this document.

	As of and For the Nine Months Ended September 30, 2009				For the Year Ended December 31, 2008			
	Ares Capital	Allied Capital	Pro forma Combined Ares Capital	Per Equivalent Allied Capital Share(3)	Ares Capital	Allied Capital	Pro forma Combined Ares Capital	Per Equivalent Allied Capital Share(3)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:								
Basic	$ 1.34	$ (2.89)	$ (2.50)	$ (0.81)	$ (1.56)	$ (6.01)	$ (8.11)	$ (2.63)
Diluted	$ 1.34	$ (2.89)	$ (2.50)	$ (0.81)	$ (1.56)	$ (6.01)	$ (8.11)	$ (2.63)
Cash Dividends Declared(1)	$ 1.12	$	$ 1.12	$ 0.36	$ 1.68	$ 2.60	$ 1.68	$ 0.55
Net Asset Value per Share(2)	$ 11.16	$ 6.70	$ 13.41	$ 4.36	$ 11.27	$ 9.62		

(1) The cash dividends declared per share represent the actual dividends declared per share for the period presented. The pro forma combined dividends declared is the dividends per share as declared by Ares Capital.

(2) The pro forma combined net asset value per share is computed by dividing the pro forma combined net assets as of September 30, 2009 by the pro forma combined number of shares outstanding.

(3) The Allied Capital equivalent pro forma per share amount is calculated by multiplying the combined pro forma share amounts by the common stock exchange ratio of 0.325.

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RISK FACTORS

In addition to the other information included in this document, stockholders should consider the matters described below in determining whether to approve the merger and the merger agreement, in the case of Allied Capital stockholders, and approve the issuance of Ares Capital common stock in connection with the merger, in the case of Ares Capital stockholders. The risks set out below are not the only risks Ares Capital, Allied Capital and, following the merger and subsequent combination, the combined company face. Additional risks and uncertainties not currently known to Ares Capital or Allied Capital or that they currently deem to be immaterial also may materially adversely affect their or, following the merger and subsequent combination, the combined company's business, financial condition or operating results. If any of the following events occur, Ares Capital, Allied Capital or, following the merger and subsequent combination, the combined company's business, financial condition or results of operations could be materially adversely affected.

Risks Relating to the Merger

Because the market price of Ares Capital common stock will fluctuate, Allied Capital common stockholders cannot be sure of the market value of the merger consideration they will receive until the closing date.

The exchange ratio of 0.325 of a share of Ares Capital common stock for each share of Allied Capital common stock was fixed on October 26, 2009, the date of the signing of the merger agreement, and is not subject to adjustment based on changes in the trading price of Ares Capital or Allied Capital common stock before the closing of the merger.

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

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

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

See "Special Note Regarding Forward-Looking Statements" for other factors that could cause the price of Allied Capital and Ares Capital common stock to change.

These factors are generally beyond the control of either Ares Capital or Allied Capital. It should be noted that during the 12-month period ending [ ], 20[ ], the closing price per share of Ares Capital common stock varied from a low of $[ ] to a high of $[ ]. However, historical trading prices are not necessarily indicative of future performance. You should obtain current market quotations for shares of Ares Capital common stock and for shares of Allied Capital common stock prior to voting your shares.

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

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

If the merger is consummated, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof and assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out), Ares Capital stockholders will own approximately 65% of the combined company's outstanding common stock and Allied Capital stockholders will own approximately 35% of the combined company's outstanding common stock. In addition, both prior to and after completion of the merger, Ares Capital may issue additional shares of common stock (including, subject to certain restrictions under the Investment Company Act, at prices below Ares Capital common stock's then current net asset value per share), all of which would further reduce the percentage ownership of the combined company held by former Allied Capital stockholders and current Ares Capital stockholders. In addition, the issuance or sale by Ares Capital of shares of its common stock at a discount to net asset value poses a risk of dilution to stockholders.

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

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

Ares Capital also expects to achieve certain cost savings and synergies from the merger when the two companies have fully integrated their portfolios. It is possible that the estimates of the potential cost savings and synergies could turn out to be incorrect. The cost savings and synergies estimates also assume Ares Capital's ability to combine the businesses of Ares Capital and Allied Capital in a manner that permits those cost savings and synergies to be fully realized. If the estimates turn out to be incorrect or Ares Capital is not able to successfully combine the business of the two companies, the anticipated cost savings and synergies may not be fully realized or realized at all or may take longer to realize than expected.

Ares Capital's inability to obtain rating agency confirmation and the third party consents of financing providers to Allied Capital and Ares Capital necessary to complete the transaction could delay or prevent the completion of the merger.

Ares Capital's obligation to complete the merger is subject to the prior receipt of all approvals and consents required to be obtained from applicable agents, lenders, noteholders and other parties with respect to (1) Ares Capital's Credit Facility, CP Funding Facility, CP Funding II Facility and Debt Securitization and (2) Allied Capital's private notes and bank facility. If the merger agreement is terminated because the merger has not occurred by June 30, 2010 by reason of the fact that such consents have not been obtained and all of Ares Capital's other closing conditions have been satisfied, then Ares Capital will be required to pay Allied Capital a reverse termination fee of $30 million.

Ares Capital currently intends to (1) increase the maximum amount available under its Credit Facility from $525 million to up to at least $700 million, (2) seek consents permitting the merger under its CP Funding Facility and its CP Funding II Facility, (3) seek rating agency confirmation with respect to its Debt Securitization, (4) refinance or seek consents in respect of the merger with respect to Allied Capital's private notes, (5) assume Allied Capital's public notes pursuant to a supplemental indenture satisfactory to the trustee thereof and (6) retire Allied Capital's bank facility.

Although Ares Capital expects to obtain in a timely manner the confirmations, consents and approvals necessary to complete the pending merger and/or to engage in certain refinancing transactions in connection therewith, if Ares Capital is unable to timely obtain such confirmations, consents, approvals or refinancings, the closing of the merger could be significantly delayed or the merger may not occur at all.

The merger or subsequent combination may trigger certain "change of control" provisions and other restrictions in contracts of Allied Capital and Ares Capital and the failure to obtain any required consents or waivers could adversely impact the combined company.

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

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

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

Several lawsuits have been filed against Allied Capital, members of Allied Capital's board of directors, Ares Capital and Merger Sub challenging the merger. An adverse ruling in any such lawsuit may prevent the merger from becoming effective within the expected timeframe or at all. If the merger is consummated, these lawsuits and other legal proceedings could have a material impact on the results of operations, cash flows or financial condition of the combined company.

Allied Capital and Ares Capital are aware that a number of lawsuits have been filed by stockholders of Allied Capital challenging the merger. The suits are filed either as putative stockholder class actions, shareholder derivative actions or both. All of the actions assert similar claims against the members of Allied Capital's board of directors alleging that the merger agreement is the product of a flawed sales process and that Allied Capital's directors breached their fiduciary duties by agreeing to a structure that was not designed to maximize the value of Allied Capital's stockholders and by failing to adequately value and obtain fair consideration for Allied Capital's shares. They also claim that Ares Capital (and, in several cases, Merger Sub, and, in several other cases, Allied Capital) aided and abetted the directors' alleged breaches of fiduciary duties. All of the actions demand, among other things, a preliminary and permanent injunction enjoining the merger and rescinding the transaction or any part thereof that may be implemented. Such legal proceedings could delay or prevent the transaction from becoming effective within the agreed upon timeframe or at all, and, if the merger is consummated, may be material to the results of operations, cash flows or financial condition of the combined company.

Allied Capital is also involved in various other legal proceedings. In addition, Allied Capital's portfolio company, Ciena, is the subject of ongoing governmental investigations, audits and reviews being conducted by the Small Business Administration, the United States Secret Service, the U.S. Department of Agriculture and the U.S. Department of Justice. Neither Ares Capital nor Allied Capital can predict the eventual outcome of these investigations, audits and reviews or other legal proceedings and the ultimate outcome of such matters could, upon consummation of the merger, be material to the results of operations, cash flows or financial condition of the combined company. It is possible that third parties could try to seek to impose liability against the combined company in connection with these matters. See "Business of Allied Capital Legal Proceedings."

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

Neither Allied Capital nor Ares Capital has obtained an updated opinion as of the date of this document from their respective financial advisors and neither anticipates obtaining an updated opinion prior to closing. Changes in the operations and prospects of Allied Capital or Ares Capital, general market and economic conditions and other factors that may be beyond the control of Allied Capital or Ares Capital, and on which their respective financial advisors' opinions were based, may significantly alter the value of Allied Capital or the prices of shares of Ares Capital common stock or Allied Capital common stock by the time the merger is completed. The opinions do not speak as of the time the merger will be completed or as of any date other than the date of such opinions. Because neither Allied Capital nor Ares Capital currently anticipates asking their respective financial advisors to update their opinions, the opinions will not address the fairness of the exchange ratio from a financial point of view at the time the merger is completed. The recommendations of the boards of directors of Allied Capital and Ares Capital that their respective stockholders vote "FOR" approval of the matters described in this document are made as of the date of this document. For a description of the opinions that Allied Capital received from its financial advisors, see "The Merger Opinion of Allied Capital's

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Financial Advisors." For a description of the opinion that Ares Capital received from its financial advisor, see "The Merger Opinion of Ares Capital's Financial Advisor."

If the merger does not close, neither Ares Capital nor Allied Capital will benefit from the expenses incurred in its pursuit.

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

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

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

- Allied Capital's and Ares Capital's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger;

- the market price of Allied Capital common stock and Ares Capital common stock might decline to the extent that the market price prior to termination reflects a market assumption that the merger will be completed;

- in the case of Allied Capital, it may not be able to find a party willing to pay an equivalent or more attractive price than the price Ares Capital has agreed to pay in the merger; and

- the payment of any termination fee or reverse termination fee, if required under the circumstances, could adversely affect the financial condition and liquidity of Allied Capital or Ares Capital.

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

No assurance can be given that the merger will be completed. The merger agreement provides for the payment by Allied Capital to Ares Capital of a termination fee of $30 million if the merger is terminated by Allied Capital or Ares Capital under certain circumstances ($15 million if Allied Capital stockholders do not approve the merger and the merger agreement). In addition, the merger agreement provides for a payment by Ares Capital to Allied Capital of a reverse termination fee of $30 million under certain other circumstances. See "Description of the Merger Agreement Termination of the Merger Agreement" for a discussion of the circumstances that could result in the payment of a termination fee.

The merger agreement limits Allied Capital's ability to pursue alternatives to the merger.

The merger agreement contains provisions that limit Allied Capital's ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of Allied Capital. These provisions, which are typical for transactions of this type, and include a $30 million termination fee payable under certain circumstances, might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Allied Capital from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Allied Capital than it might otherwise have proposed to pay.

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

The merger is subject to closing conditions, including certain approvals of Allied Capital's and Ares Capital's respective stockholders that, if not satisfied, will prevent the merger from being completed. The closing condition that Allied Capital's stockholders approve the merger and the merger agreement may not be waived under applicable law and must be satisfied for the merger to be completed. Allied Capital currently expects that all directors and executive officers of Allied Capital will vote their shares of Allied Capital common stock in favor of the proposals presented at the Allied Capital special meeting. If Allied Capital's stockholders do not approve the merger and the merger agreement and the merger is not completed, the resulting failure of the merger could have a material adverse impact on Allied Capital's business and operations and may result in the payment by Allied Capital to Ares Capital of a $15.0 million termination fee. In addition to the required approvals of Allied Capital's and Ares Capital's stockholders, the merger is subject to a number of other conditions beyond Allied Capital's control that may prevent, delay or otherwise materially adversely affect its completion. Neither Allied Capital nor Ares Capital can predict whether and when these other conditions will be satisfied.

Certain persons related to Allied Capital have interests in the merger that differ from the interests of Allied Capital stockholders.

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

Based on the assumptions set forth in "The Merger Interests of Certain Persons Related to Allied Capital in the Merger," Allied Capital's named executive officers may be entitled to receive aggregate payments of up to approximately $[ ] for accelerated vesting and payout of stock options upon completion of the merger. The maximum amounts that would be payable to Allied Capital's named executive officers in the aggregate under each of their current employment agreements or retention agreements, assuming that certain conditions regarding change of control and termination are met, would be up to approximately $[ ]. Certain existing executive officers of Allied Capital may, however, become paid employees of Ares Capital, one of its portfolio companies or subsidiaries or its investment adviser. See "The Merger Interests of Certain Persons Related to Allied Capital in the Merger" for a further description of these interests, including the payments that each named executive officer is or may be entitled to receive upon completion of the merger.

Allied Capital will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger may have an adverse effect on Allied Capital and, consequently, on the combined company following completion of the merger. These uncertainties may impair Allied Capital's ability to retain and motivate key personnel until the merger is consummated and could cause those that deal with Allied Capital to seek to change their existing business relationships with Allied Capital. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future following completion of the merger. If key Allied Capital employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain affiliated with the combined company

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following completion of the merger, the combined company's business following the merger could be harmed. In addition, the merger agreement restricts Allied Capital from taking actions that it might otherwise consider to be in its best interests. These restrictions may prevent Allied Capital from pursuing certain business opportunities that may arise prior to the completion of the merger. Please see the section entitled "Description of the Merger Agreement Conduct of Business Pending Completion of the Merger" for a description of the restrictive covenants to which Allied Capital is subject.

The shares of Ares Capital common stock to be received by Allied Capital common stockholders as a result of the merger will have different rights associated with them than shares of Allied Capital common stock currently held by them.

The rights associated with Allied Capital common stock are different from the rights associated with Ares Capital common stock. See the section of this document entitled "Comparison of Stockholder Rights."

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

The businesses of Ares Capital and Allied Capital differ in some respects and, accordingly, the results of operations of the combined company and the market price of Ares Capital common stock after the merger may be affected by factors different from those currently affecting the independent results of operations of each of Ares Capital or Allied Capital.

Allied Capital stockholders who hold their shares in certificated form and who do not timely surrender their Allied Capital common stock certificates for Ares Capital common stock after the completion of the merger will be deemed to have elected to receive dividends and other distributions declared after the completion of the merger with respect to Ares Capital common stock in the form of Ares Capital common stock in accordance with Ares Capital's dividend reinvestment plan and, as a result, may suffer adverse tax consequences.

As soon as reasonably practicable after completion of the merger, the exchange agent will mail a letter of transmittal to each record holder of Allied Capital common stock who holds their shares in certificated form. This mailing will contain instructions on how to surrender Allied Capital common stock certificates in exchange for statements indicating book-entry ownership of Ares Capital common stock and a check in the amount of cash to be paid instead of fractional shares. Until Allied Capital common stock is surrendered for exchange, any dividends or other distributions declared after the completion of the merger with respect to Ares Capital common stock into which shares of Allied Capital common stock may have been converted will accrue, without interest, but will not be paid. Ares Capital will pay to such former Allied Capital stockholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their Allied Capital stock certificates.

In addition, any such unpaid dividends or other distributions will be payable in the form of shares of Ares Capital common stock in accordance with Ares Capital's dividend reinvestment plan for stockholders who have not opted out of the plan. Because stockholders who receive distributions in the form of stock generally will be subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their distributions in cash, Allied Capital stockholders who do not timely surrender their Allied Capital common stock certificates for Ares Capital common stock after the completion of the merger may suffer adverse tax consequences attributable to non-cash income realized with respect to any dividends.

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Risks Relating to Ares Capital

Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States, which has had, and may in the future have, a negative impact on Ares Capital's business and operations.

Beginning in 2007, the U.S. capital markets entered into a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While these conditions appear to be improving, they could continue for a prolonged period of time or worsen in the future. While these conditions persist, Ares Capital and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital in order to grow. Equity capital may be difficult to raise because, subject to some limited exceptions, as a BDC, Ares Capital is generally not able to issue additional shares of Ares Capital common stock at a price less than net asset value without first obtaining approval for such issuance from Ares Capital's stockholders and its independent directors. At Ares Capital's 2009 annual stockholders meeting, subject to certain determinations required to be made by Ares Capital's board of directors, Ares Capital stockholders approved its ability to sell or otherwise issue shares of Ares Capital common stock, not exceeding 25% of its outstanding common stock at the time of such issuance, at a price below its then current net asset value per share during a period beginning on May 4, 2009 and expiring on the earlier of the anniversary of the date of the 2009 annual stockholders meeting and the date of the Ares Capital 2010 annual stockholders meeting, which is expected to be held in May 2010. In addition, Ares Capital's ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that Ares Capital's asset coverage, as defined in the Investment Company Act, must equal at least 200% immediately after each time Ares Capital incurs indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on Ares Capital's business, financial condition and results of operations.

Moreover, recent market conditions have made, and may in the future make, it difficult to extend the maturity of or refinance Ares Capital's existing indebtedness and any failure to do so could have a material adverse effect on Ares Capital's business. The illiquidity of Ares Capital's investments may make it difficult for Ares Capital to sell such investments if required. As a result, Ares Capital may realize significantly less than the value at which Ares Capital has recorded its investments.

Capital markets volatility also affects Ares Capital's investment valuations. While most of Ares Capital's investments are not publicly traded, applicable accounting standards require Ares Capital to assume as part of its valuation process that its investments are sold in a principal market to market participants (even if Ares Capital plans on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect Ares Capital's valuations.

Given the recent extreme volatility and dislocation in the capital markets, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. As a result of the recent significant changes in the capital markets affecting Ares Capital's ability to raise capital, the pace of Ares Capital's investment activity has slowed. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, has had, and may in the future have, a negative effect on the valuations of Ares Capital's investments and on the potential for liquidity events involving Ares Capital's investments. An inability to raise capital, and any required sale of Ares Capital's investments for liquidity purposes, could have a material adverse impact on Ares Capital's business, financial condition or results of operations.

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

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

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

Ares Capital depends on the diligence, skill and network of business contacts of Ares Capital Management's key personnel, including its investment committee. Ares Capital also depends, to a significant extent, on Ares Capital Management's access to the investment professionals of Ares and the information and deal flow generated by Ares' investment professionals in the course of their investment and portfolio management activities. Ares Capital's future success depends on the continued service of Ares Capital Management's key personnel, including its investment committee. The departure of any of Ares Capital Management's key personnel, including members of its investment committee, or of a significant number of the investment professionals or partners of Ares, could have a material adverse effect on Ares Capital's business, financial condition or results of operations. In addition, Ares Capital cannot assure you that Ares Capital Management will remain Ares Capital's investment adviser or that Ares Capital will continue to have access to Ares' investment professionals or its information and deal flow.

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

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

Accomplishing this result on a cost-effective basis is largely a function of Ares Capital Management's structuring of the investment process and its ability to provide competent, attentive and efficient services to Ares Capital. Ares Capital's executive officers and the members of Ares Capital Management's investment committee have substantial responsibilities in connection with their roles at Ares and with the other Ares funds, as well as responsibilities under the investment advisory and management agreement. They may also be called upon to provide managerial assistance to certain of Ares Capital's portfolio companies on behalf of Ares Capital's administrator. These demands on their time, which will increase as the number of investments grow, may distract them or slow the rate of investment. In order to grow, Ares Capital Management will need to hire, train, supervise and manage new employees. However, Ares Capital cannot assure you that any such employees will be retained. Any failure to manage Ares Capital's future growth effectively could have a material adverse effect on Ares Capital's business, financial condition and results of operations.

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

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

Ares Capital will need to periodically access the capital markets to raise cash to fund new investments. Ares Capital has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs.

Among other things, in order to maintain Ares Capital's RIC status, Ares Capital must distribute to its stockholders on a timely basis generally an amount equal to at least 90% of Ares Capital's investment company taxable income and, as a result, such distributions will not be available to fund investment originations. Ares Capital must continue to borrow from financial institutions and issue additional securities to fund Ares Capital's growth. Unfavorable economic or capital market conditions may increase Ares Capital's funding costs, limit Ares Capital's access to the capital markets or could result in a decision by lenders not to extend credit to Ares Capital. An inability to successfully access the capital markets could limit Ares Capital's ability to grow its business and fully execute its business strategy and could decrease Ares Capital's earnings, if any.

In addition, with certain limited exceptions, Ares Capital is only allowed to borrow amounts or issue debt securities or preferred stock such that Ares Capital's asset coverage, as defined in the Investment Company Act, equals at least 200% immediately after such borrowing, which, in certain circumstances, may restrict Ares Capital's ability to borrow or issue debt securities or preferred stock. The amount of leverage that Ares Capital employs will depend on its investment adviser's and Ares Capital's board of directors' assessments of market and other factors at the time of any proposed borrowing or issuance of debt securities or preferred stock. Ares Capital cannot assure you that it will be able to maintain its current facilities or obtain other lines of credit at all or on terms acceptable to Ares Capital.

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

Ares Capital may issue debt securities or preferred stock, which Ares Capital refers to collectively as "senior securities," or borrow money from banks or other financial institutions, up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, Ares Capital is permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that Ares Capital's asset coverage, as defined in the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of Ares Capital's assets declines, Ares Capital may be unable to satisfy this test, which may prohibit it from paying dividends and could prevent Ares Capital from maintaining its status as a RIC or may prohibit Ares Capital from repurchasing shares of its common stock. If Ares Capital cannot satisfy this test, Ares Capital may be required to sell a portion of its investments at a time when such sales may be disadvantageous and, depending on the nature of its leverage, repay a portion of its indebtedness. As of September 30, 2009, Ares Capital's asset coverage for senior securities was 259%.

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

At Ares Capital's 2009 annual stockholders meeting, subject to the board of directors determination described above, Ares Capital stockholders approved its ability to sell or otherwise issue shares of Ares Capital common stock, not exceeding 25% of its outstanding common stock at the time of such issuance, at a price below its then current net asset value per share during a period beginning on May 4, 2009 and expiring on the earlier of the anniversary of the date of the 2009 annual stockholders meeting and the date of the Ares Capital 2010 annual stockholders meeting, which is expected to be held in May 2010.

To generate cash for funding new investments, Ares Capital has also securitized, and may in the future seek to securitize, its loans. To securitize loans, Ares Capital may create a separate, wholly owned subsidiary and contribute or sell a pool of loans to such subsidiary (or one of its subsidiaries). Such subsidiary may then sell equity, issue debt or sell interests in the pool of loans, on a limited-recourse basis, the payments on which are generally limited to the pool of loans and the proceeds therefrom. Ares Capital may also retain a portion of the equity interests in the securitized pool of loans. Any retained equity would be exposed to losses on the related pool of loans before any of the related debt securities. An inability to successfully securitize Ares Capital's loan portfolio could limit Ares Capital's ability to raise capital and grow its business and fully execute its business strategy. The securitization market is subject to changing market conditions (including the recent, unprecedented dislocation of the securitization and finance markets generally) and Ares Capital may not be able to access this market when Ares Capital would otherwise deem appropriate. Moreover, the successful securitization of Ares Capital's loan portfolio might expose Ares Capital to losses as the residual loans in which Ares Capital does not sell interests may be those that are riskier and more apt to generate losses. The Investment Company Act may also impose restrictions on the structure of any securitization.

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

As of September 30, 2009, Ares Capital had $271.1 million of outstanding borrowings under Ares Capital's Credit Facility, $223 million of outstanding borrowings under the CP Funding Facility and $273.8 million of CLO Notes. In order for Ares Capital to cover its annual interest payments on indebtedness, Ares Capital must achieve annual returns on Ares Capital's September 30, 2009 total assets of at least 1.21%. The weighted average interest rate charged on Ares Capital's borrowings as of September 30, 2009 was 2.02%. Ares Capital intends to continue borrowing under its credit facilities in the future and Ares Capital may increase the size of its credit facilities or issue debt securities or other evidences of indebtedness (although there can be no assurance that it will be successful in doing so). Ares Capital's ability to service its debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that Ares Capital employs at any particular time will depend on its investment adviser's and its board of directors' assessment of market and other factors at the time of any proposed borrowing.

Ares Capital's credit facilities and CLO Notes impose financial and operating covenants that restrict Ares Capital's business activities, including limitations that could hinder Ares Capital's ability to finance additional loans and investments or to make the distributions required to maintain its status as a RIC. A failure to renew Ares Capital's credit facilities or to add new or replacement debt facilities could have a material adverse effect on Ares Capital's business, financial condition or results of operations.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in Ares Capital's securities. Ares Capital currently borrows under Ares Capital's credit facilities and, in the future, may borrow from or issue debt securities to banks, insurance companies and other lenders. Holders of such debt securities have fixed dollar claims on Ares Capital's consolidated assets that are superior to the claims of its common stockholders or any preferred stockholders. If the value of Ares Capital's consolidated assets increases, then leveraging would cause the net asset value per share of its common stock to increase more sharply than it would have had Ares Capital not leveraged.

Conversely, if the value of Ares Capital's consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had Ares Capital not leveraged. Similarly, any increase in Ares Capital's consolidated income in excess of consolidated interest payable on the borrowed funds would cause Ares Capital's net income to increase more than it would without the leverage, while any decrease in Ares Capital's consolidated income would cause net income to decline more sharply than it would have had Ares Capital not borrowed. Such a decline could negatively affect Ares Capital's ability to make common stock dividend payments. There can be no assurance that a leveraging strategy will be successful.

The following table illustrates the effect on return to a holder of Ares Capital common stock of the leverage created by Ares Capital's use of borrowing at the interest rate of 2.02% and assumes (1) Ares Capital's total value of net assets as of September 30, 2009; (2) $767.9 million debt outstanding as of September 30, 2009 and (3) hypothetical annual returns on Ares Capital's portfolio of minus 15 to plus 15 percent.

Assumed Return on Portfolio (Net of Expenses)(1)	-15%	-10%	-5%	0%	5%	10%	15%
Corresponding Return to Common Stockholders(2)	-27%	-18%	-10%	-1%	7%	16%	24%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, Ares Capital's projected or actual performance. Actual returns may be greater or less than those appearing in the table.

(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of Ares Capital's assets at September 30, 2009 to obtain an assumed return to Ares Capital. From this amount, the interest expense calculated by multiplying the interest rate of 2.02% times the $767.9 million debt is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of Ares Capital's net assets as of September 30, 2009 to determine the "Corresponding Return to Common Stockholders."

In addition to regulatory requirements that restrict Ares Capital's ability to raise capital, its Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes contain various covenants which, if not complied with, could accelerate repayment under the Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes, thereby materially and adversely affecting Ares Capital's liquidity, financial condition and results of operations.

The agreements governing Ares Capital's Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes require Ares Capital to comply with certain financial and operational covenants. These covenants include:

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

As of the date of this document, Ares Capital is in compliance with the covenants of Ares Capital's Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes. However, Ares Capital's continued compliance with these covenants depends on many factors, some of which are beyond Ares Capital's control. For example, depending on the condition of the public debt and equity markets and pricing levels, net unrealized depreciation in Ares Capital's portfolio may increase in the future. Any such increase could result in Ares Capital's inability to comply with its obligation to restrict

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the level of indebtedness that Ares Capital is able to incur in relation to the value of its assets or to maintain a minimum level of stockholders' equity.

Accordingly, although Ares Capital believes it will continue to be in compliance, there are no assurances that Ares Capital will continue to comply with the covenants in its Credit Facility, CP Funding Facility, CP Funding II Facility and CLO Notes. Failure to comply with these covenants would result in a default under its Credit Facility, CP Funding Facility, CP Funding II Facility or CLO Notes, which, if Ares Capital were unable to obtain a waiver from the lenders under its Credit Facility, the purchasers under its CP Funding Facility or CP Funding II Facility or the trustee or holders of CLO Notes, respectively, could accelerate repayment under its Credit Facility, CP Funding Facility, CP Funding II Facility or CLO Notes, respectively, and thereby have a material adverse impact on Ares Capital's business, financial condition and results of operations.

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

A number of entities compete with Ares Capital to make the types of investments that Ares Capital makes in middle-market companies. Ares Capital competes with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high yield investors, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of Ares Capital's competitors are substantially larger and have considerably greater financial, technical and marketing resources than Ares Capital does. Some competitors may have a lower cost of funds and access to funding sources that are not available to Ares Capital. In addition, some of Ares Capital's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than Ares Capital. Furthermore, many of Ares Capital's competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on Ares Capital as a BDC and that the Code imposes on Ares Capital as a RIC. Ares Capital cannot assure you that the competitive pressures it faces will not have a material adverse effect on Ares Capital's business, financial condition and results of operations. Also, as a result of this competition, Ares Capital may not be able to pursue attractive investment opportunities from time to time.

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

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

Ares Capital may be subject to certain corporate-level taxes regardless of whether Ares Capital continues to qualify as a RIC.

Ares Capital has elected to be treated as a RIC under Subchapter M of the Code and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. As a RIC, Ares Capital generally will not pay corporate-level U.S. federal income taxes on its income and gain that it distributes to its stockholders as dividends on a timely basis. To qualify as a RIC under the Code, Ares

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Capital must meet certain income source, asset diversification and annual distribution requirements. Ares Capital may also be subject to certain U.S. federal excise taxes, as well as state, local and foreign taxes.

The annual distribution requirement for a RIC is satisfied if Ares Capital distributes to its stockholders on a timely basis generally an amount equal to at least 90% of Ares Capital's investment company taxable income for each year. Because Ares Capital uses debt financing, Ares Capital is subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under Ares Capital's indebtedness that could, under certain circumstances, restrict Ares Capital from making distributions necessary to qualify as a RIC. If Ares Capital is unable to obtain cash from other sources, Ares Capital may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. In that event, the resulting corporate-level taxes could substantially reduce Ares Capital's net assets, the amount of income available for distribution and the amount of Ares Capital's distributions. Because Ares Capital must make distributions to its stockholders as described above, such amounts, to the extent a stockholder is not participating in Ares Capital's dividend reinvestment plan, will not be available to fund investment originations. Ares Capital will be subject to corporate-level U.S. federal income tax on any undistributed income or gain.

To qualify as a RIC, Ares Capital must also meet certain annual income source requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in Ares Capital's having to (1) dispose of certain investments quickly or (2) raise additional capital to prevent the loss of RIC status. Because most of Ares Capital's investments are in private companies and are generally illiquid, any such dispositions may be at disadvantageous prices and may result in losses. Also, the rules applicable to Ares Capital's qualification as a RIC under the Code are complex with many areas of uncertainty. Accordingly, no assurance can be given that Ares Capital has qualified or will qualify as a RIC. If Ares Capital fails to qualify as a RIC for any reason and becomes subject to regular "C" corporation income tax, the resulting corporate taxes could substantially reduce Ares Capital's net assets, the amount of income available for distribution and the amount of Ares Capital's distributions. Such a failure would have a material adverse effect on Ares Capital and its stockholders. See "Certain Material U.S. Federal Income Tax Consequences of the Merger U.S. Federal Income Taxation of an Investment in Ares Capital Common Stock Qualification as a Regulated Investment Company."

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

For U.S. federal income tax purposes, Ares Capital includes in income certain amounts that it has not yet received in cash, such as original issue discount, which may arise if Ares Capital receives warrants in connection with the making of a loan or possibly in other circumstances, or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount or increases in loan balances are included in income before Ares Capital receives any corresponding cash payments. Ares Capital also may be required to include in income certain other amounts that Ares Capital will not receive in cash, including, for example, non-cash income from payment-in-kind securities, deferred payment securities and hedging and foreign currency transactions.

Since, in certain cases, Ares Capital may recognize income before or without receiving cash representing such income, Ares Capital may have difficulty meeting the U.S. federal income tax requirement to distribute generally an amount equal to at least 90% of its investment company taxable income to maintain its status as a RIC. Accordingly, Ares Capital may have to sell some of its investments at times Ares Capital would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If Ares Capital is not able to obtain cash from other sources, Ares Capital may fail to qualify as a RIC and thus be subject to additional corporate-level taxes. See "Certain Material U.S. Federal Income Tax Consequences of the Merger U.S. Federal Income Taxation of an Investment in Ares Capital Common Stock Qualification as a Regulated Investment Company."

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

Ares Capital may in the future determine to fund a portion of its investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in Ares Capital in the same way as Ares Capital's borrowings.

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

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

General interest rate fluctuations may have a substantial negative impact on Ares Capital's investments and investment opportunities and, accordingly, may have a material adverse effect on Ares Capital's investment objective and rate of return on invested capital. Because Ares Capital borrows money and may issue debt securities or preferred stock to make investments, Ares Capital's net investment income is dependent upon the difference between the rate at which Ares Capital borrows funds or pays interest or dividends on such debt securities or preferred stock and the rate at which Ares Capital invests these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on Ares Capital's net investment income. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. Ares Capital has entered into certain hedging transactions, such as interest rate swap agreements, to mitigate its exposure to adverse fluctuations in interest rates, and Ares Capital may continue to do so in the future. However, Ares Capital cannot assure you that such transactions will be successful in mitigating Ares Capital's exposure to credit risk. Hedging transactions may also limit Ares Capital's ability to participate in the benefits of lower interest rates with respect to Ares Capital's portfolio investments. Although Ares Capital has no policy governing the maturities of its investments, under current market conditions, Ares Capital expects that it will invest in a portfolio of debt generally having maturities of up to 10 years. This means that Ares Capital is subject to greater risk (other things being equal) than a fund invested solely in shorter-term securities. A decline in the prices of the debt Ares Capital owns could adversely affect the trading price of its shares. Also, an increase in interest rates available to investors could make investment in Ares Capital common stock less attractive if Ares Capital is not able to increase its dividend rate, which could reduce the value of its common stock.

Many of Ares Capital's portfolio investments are not publicly traded and, as a result, there is uncertainty as to the value of Ares Capital's portfolio investments.

A large percentage of Ares Capital's portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. Ares Capital values these investments quarterly at fair value as determined in good faith by its board of directors based on the input of Ares Capital's management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing six-month period. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of Ares Capital's valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, Ares Capital may use additional independent valuation firms to value Ares Capital's investments more frequently as determined in good faith by its board of directors to the extent necessary to reflect significant events affecting the value of Ares Capital's investments. The types of factors that may be considered in valuing Ares Capital's investments include the enterprise value of the portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, Ares Capital's determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that Ares Capital may ultimately realize. Ares Capital's net asset value per share could be adversely affected if Ares Capital's determinations regarding the fair value of these investments are materially higher than the values that Ares Capital realizes upon disposition of such investments.

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

As Ares Capital generally makes investments in private companies, substantially all of these investments are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of Ares Capital's investments may make it difficult for Ares Capital to sell such investments if the need arises. In addition, if Ares Capital is required to liquidate all or a portion of Ares Capital's portfolio quickly, Ares Capital may realize significantly less than the value at which Ares Capital has recorded its investments. In addition, Ares Capital may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent that Ares Capital or an affiliated manager of Ares has material non-public information regarding such portfolio company.

Ares Capital may experience fluctuations in its quarterly results.

Ares Capital could experience fluctuations in its quarterly operating results due to a number of factors, including the interest rates payable on the debt investments Ares Capital makes, the default rates on such investments, the level of its expenses, variations in and the timing of the recognition of realized and unrealized gains or losses and the degree to which Ares Capital encounters competition in its markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

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

Certain of Ares Capital's executive officers and directors, and members of the investment committee of Ares Capital's investment adviser, serve or may serve as officers, directors or principals of other entities and affiliates of Ares Capital's investment adviser and investment funds managed by Ares Capital's affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of Ares Capital or its stockholders or that may require them to devote time to services for other entities, which could interfere with the time available to provide services to Ares Capital. For example, Messrs. Ressler, Rosenthal, Kissick and Sachs each will continue to have significant responsibilities for other Ares funds. Messrs. Ressler and Rosenthal are required to devote a substantial majority of their business time, and Mr. Kissick is required to devote a majority of his business time, to the affairs of ACOF (as defined below). However, Ares believes that the efforts of Messrs. Ressler, Rosenthal and Kissick relative to Ares Capital and ACOF are synergistic with and beneficial to the affairs of each of Ares Capital and ACOF.

Although other Ares funds generally have different primary investment objectives than Ares Capital, they may from time to time invest in asset classes similar to those targeted by Ares Capital. In addition, Ares is not restricted from raising an investment fund with investment objectives similar to that of Ares Capital. Any such funds may also, from time to time, invest in asset classes similar to those targeted by Ares Capital. Ares Capital Management endeavors to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to Ares Capital. Nevertheless, it is possible that Ares Capital may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares Capital Management. In addition, there may be conflicts in the allocation of investment opportunities among Ares Capital and the funds managed by it or one or more of its controlled affiliates, including IHAM, or among the funds they manage. Ares Capital may or may not participate in investments made by funds managed by Ares Capital or one or more of its controlled affiliates.

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

Ares Capital pays management and incentive fees to Ares Capital Management, and reimburses Ares Capital Management for certain expenses it incurs. In addition, investors in Ares Capital common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments.

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

The part of the incentive fee payable by Ares Capital that relates to Ares Capital's pre-incentive fee net investment income is computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

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

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

Pursuant to a separate amended and restated administration agreement, referred to herein as Ares Capital's "administration agreement," Ares Operations, an affiliate of Ares Capital Management, furnishes Ares Capital with administrative services and Ares Capital pays Ares Operations its allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under the administration agreement, including Ares Capital's allocable portion of the cost of its officers and their respective staffs.

Ares Capital's portfolio company, IHAM, is party to a services agreement with Ares Capital Management, pursuant to which Ares Capital Management provides IHAM with the facilities, investment advisory services and administrative services necessary for the operations of IHAM. IHAM reimburses Ares Capital Management for the costs associated with such services, including Ares Capital Management's allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under such services agreement.

Ares Capital rents office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, Ares Capital has entered into a sublease with Ares Management whereby Ares Management subleases approximately 25% of the office space for a fixed rent equal to 25% of the basic annual rent payable by Ares Capital under this lease, plus certain additional costs and expenses.

As a result of the arrangements described above, there may be times when the management team of Ares Management has interests that differ from those of Ares Capital's stockholders, giving rise to a conflict.

Ares Capital's stockholders may have conflicting investment, tax and other objectives with respect to their investments in Ares Capital. The conflicting interests of individual stockholders may relate to or arise from, among other things, the nature of Ares Capital's investments, the structure or the acquisition of Ares Capital's investments, and the timing of disposition of Ares Capital's investments. As a consequence, conflicts of interest may arise in connection with decisions made by Ares Capital's investment adviser, including with respect to the nature or structuring of Ares Capital's investments, that may be more beneficial for one stockholder than for another stockholder, especially with respect to stockholders' individual tax situations. In selecting and structuring investments appropriate for Ares Capital, Ares Capital's investment adviser will consider the investment and tax objectives of Ares Capital and its stockholders, as a whole, not the investment, tax or other objectives of any stockholder individually.

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

Ares Capital's investment adviser has not assumed any responsibility to Ares Capital other than to render the services described in the investment advisory and management agreement, and it will not be responsible for any action of Ares Capital's board of directors in declining to follow Ares Capital's investment adviser's advice or recommendations. Pursuant to the investment advisory and management agreement, Ares Capital's investment adviser and its managing members, officers and employees will not be liable to Ares Capital for their acts under the investment advisory and management agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. Ares Capital has agreed to indemnify, defend and protect Ares Capital's investment adviser and its managing members, officers and employees with respect to all damages, liabilities, costs and expenses resulting from acts of Ares Capital's investment adviser not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead Ares Capital's investment adviser to act in a riskier manner when acting on Ares Capital's behalf than it would when acting for its own account. See "Risk Factors Risks Relating to Ares Capital Ares Capital's investment adviser's incentive fee may induce Ares Capital Management to make certain investments, including speculative investments."

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

Ares Capital's investment adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of Ares Capital's pre-incentive fee net investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. Ares Capital's pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that Ares Capital may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on Ares Capital's statement of operations for that quarter. Thus, Ares Capital may be required to pay Ares Capital's manager incentive compensation for a fiscal quarter even if there is a decline in the value of its portfolio or Ares Capital incurs a net loss for that quarter.

Under the investment advisory and management agreement, Ares Capital will defer cash payment of any incentive fee otherwise earned by Ares Capital's investment adviser if, during the most recent four full calendar quarter periods ending on or prior to the date such payment is to be made, the sum of (a) Ares Capital's aggregate distributions to Ares Capital's stockholders and (b) Ares Capital's change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 8.0% of Ares Capital's net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any deferred incentive fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

Changes in laws or regulations governing Ares Capital's operations, or changes in the interpretation thereof, and any failure by Ares Capital to comply with laws or regulations governing Ares Capital's operations may adversely affect Ares Capital's business.

Ares Capital and its portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations, or their interpretation, or any failure by Ares Capital to comply with these laws or regulations may adversely affect Ares Capital's business.

Ares Capital may not replicate Ares' historical success and Ares Capital's ability to enter into transactions with Ares and Ares Capital's other affiliates is restricted.

Ares Capital's primary focus in making investments differs from those of other private funds that are or have been managed by Ares' investment professionals. Further, investors in Ares Capital are not acquiring an interest in other Ares managed funds. Accordingly, Ares Capital cannot assure you that Ares Capital will replicate Ares' historical success, and Ares Capital cautions you that its investment returns could be substantially lower than the returns achieved by those private funds.

Further, Ares Capital and certain if its controlled affiliates are prohibited under the Investment Company Act from knowingly participating in certain transactions with Ares Capital's upstream affiliates, Ares Capital's investment adviser and its affiliates without the prior approval of Ares Capital's independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of Ares Capital's outstanding voting securities is Ares Capital's upstream affiliate for purposes of the Investment Company Act and Ares Capital is generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of Ares Capital's independent directors. The Investment Company Act also prohibits "joint" transactions with an upstream affiliate, or Ares Capital's investment adviser or its affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of Ares Capital's independent directors. In addition, Ares Capital and certain of its controlled affiliates are prohibited from buying or selling any security from or to, or entering into joint transactions with, Ares Capital's investment adviser and its affiliates, or any person who owns more than 25% of Ares Capital's voting securities or is otherwise deemed to control, be controlled by, or be under common control with Ares Capital, absent the prior approval of the SEC through an exemptive order (other than in certain limited situations pursuant to current regulatory guidance). The analysis of whether a particular transaction constitutes a joint transaction requires a review of the relevant facts and circumstances then existing.

Ares Capital has applied for an exemptive order from the SEC that would permit Ares Capital and certain of its controlled affiliates to co-invest with funds managed by Ares. Any such order will be subject to certain terms and conditions and there can be no assurance that such order will be granted by the SEC. Accordingly, Ares Capital cannot assure you that it or its controlled affiliates will be permitted to co-invest with funds managed by Ares, other than in the limited circumstances currently permitted by regulatory guidance or in the absence of a joint transaction.

Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of Ares Capital's portfolio investments, reducing Ares Capital's net asset value through increased net unrealized depreciation.

As a BDC, Ares Capital is required to carry Ares Capital's investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of Ares Capital's board of directors. Ares Capital may take into account the following types of factors, if relevant, in determining the fair value of Ares Capital's investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), 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 publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, Ares Capital uses the pricing indicated by the external event to corroborate Ares Capital's valuation. Decreases in the market values or fair values of Ares Capital's investments are recorded as unrealized depreciation. Unprecedented declines in prices and liquidity in the corporate debt markets resulted in significant net unrealized depreciation in Ares Capital's

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portfolio in the recent past. The effect of all of these factors on Ares Capital's portfolio has reduced Ares Capital's net asset value by increasing net unrealized depreciation in Ares Capital's portfolio. Depending on market conditions, Ares Capital could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse impact on Ares Capital's business, financial condition and results of operations.

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

As of the date of this document, the economy recently has been in the midst of a recession and in the difficult part of a credit cycle with industry defaults increasing. Many of Ares Capital's portfolio companies may be materially and adversely affected by the credit cycle and, in turn, may be unable to satisfy their financial obligations (including their loans to Ares Capital) over the coming months.

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

A portfolio company's failure to satisfy financial or operating covenants imposed by Ares Capital or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross defaults under other agreements and jeopardize Ares Capital's portfolio company's ability to meet its obligations under the debt that Ares Capital holds and the value of any equity securities Ares Capital owns. Ares Capital may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

Investments in privately held middle-market companies involve significant risks.

Ares Capital primarily invests in privately held U.S. middle-market companies. Investments in privately held middle-market companies involve a number of significant risks, including the following:

- these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of Ares Capital realizing any guarantees Ares Capital may have obtained in connection with its investment;

- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

- they typically depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on Ares Capital's portfolio company and, in turn, on Ares Capital;

- there is generally little public information about these companies. These companies and their financial information are not subject to the Sarbanes Oxley Act of 2002 and other rules that

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govern public companies, and Ares Capital may be unable to uncover all material information about these companies, which may prevent Ares Capital from making a fully informed investment decision and cause Ares Capital to lose money on its investments;

they generally have less predictable operating results, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, Ares Capital's executive officers, directors and Ares Capital's investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from Ares Capital's investments in the portfolio companies; and

they may have difficulty accessing the capital markets to meet future capital needs.

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

The debt that Ares Capital invests in is typically not initially rated by any rating agency, but Ares Capital believes that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service or lower than "BBB-" by Standard & Poor's). Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Ares Capital's mezzanine investments may result in an above average amount of risk and volatility or loss of principal. Ares Capital also invests in assets other than mezzanine investments, including first and second lien loans, high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments. These investments will entail additional risks that could adversely affect Ares Capital's investment returns. In addition, to the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates. Also, such debt could subject Ares Capital to phantom income, and since Ares Capital generally does not receive any cash prior to maturity of the debt, the investment is of greater risk.

Investments in equity securities involve a substantial degree of risk.

Ares Capital may purchase common and other equity securities. Although common stocks have historically generated higher average total returns than fixed income securities over the long term, common stocks also have experienced significantly more volatility in those returns and in recent years have significantly under performed relative to fixed income securities. The equity securities Ares Capital acquires may fail to appreciate and may decline in value or become worthless and Ares Capital's ability to recover its investment will depend on its portfolio company's success. Investments in equity securities involve a number of significant risks, including:

any equity investment Ares Capital makes in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;

to the extent that the portfolio company requires additional capital and is unable to obtain it, Ares Capital may not recover its investment in equity securities; and

in some cases, equity securities in which Ares Capital invests will not pay current dividends, and Ares Capital's ability to realize a return on its investment, as well as to recover its investment, will be dependent on the success of Ares Capital's portfolio companies. Even if the portfolio companies are successful, Ares Capital's ability to realize the value of its investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or Ares Capital can sell its equity investments. In addition, the equity securities Ares Capital receives or invests in may be subject to restrictions on resale during periods in which it could be advantageous to sell.

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There are special risks associated with investing in preferred securities, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If Ares Capital owns a preferred security that is deferring its distributions, Ares Capital may be required to report income for tax purposes although it has not yet received such income;

- preferred securities are subordinated to debt in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than debt;

- preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities; and

- generally, preferred security holders have no voting rights with respect to the issuing company, subject to limited exceptions.

Additionally, when Ares Capital invests in first and second lien senior loans or mezzanine debt, Ares Capital may acquire warrants or other equity securities as well. Ares Capital's goal is ultimately to dispose of such equity interests and realize gains upon its disposition of such interests. However, the equity interests Ares Capital receives may not appreciate in value and, in fact, may decline in value. Accordingly, Ares Capital may not be able to realize gains from its equity interests, and any gains that Ares Capital does realize on the disposition of any equity interests may not be sufficient to offset any other losses it experiences.

Ares Capital may invest, to the extent permitted by law, in the equity securities of investment funds that are operating pursuant to certain exceptions to the Investment Company Act and in advisers to similar investment funds, and, to the extent Ares Capital so invests, will bear its ratable share of any such company's expenses, including management and performance fees. Ares Capital will also remain obligated to pay management and incentive fees to Ares Capital Management with respect to the assets invested in the securities and instruments of such companies. With respect to each of these investments, each of Ares Capital's common stockholders will bear his or her share of the management and incentive fee of Ares Capital Management as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers.

There may be circumstances where Ares Capital's debt investments could be subordinated to claims of other creditors or Ares Capital could be subject to lender liability claims.

If one of Ares Capital's portfolio companies were to go bankrupt, even though Ares Capital may have structured its interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize Ares Capital's debt holding as an equity investment and subordinate all or a portion of Ares Capital's claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, Ares Capital could become subject to a lender's liability claim, if, among other things, Ares Capital actually renders significant managerial assistance.

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

Ares Capital's portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, Ares Capital's investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which Ares Capital is entitled to receive payments in respect of its investments. These debt instruments usually prohibit the portfolio companies from paying interest on or repaying Ares Capital's investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to Ares Capital's investment in that portfolio company typically are entitled to receive payment in full before Ares Capital receives any distribution in respect of its investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to Ares Capital. In the case of securities ranking equally with Ares Capital's investments, Ares Capital would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights Ares Capital may have with respect to the collateral securing any junior priority loans Ares Capital makes to its portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements that Ares Capital enters into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, Ares Capital may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. Ares Capital may not have the ability to control or direct such actions, even if as a result its rights as junior lenders are adversely affected.

When Ares Capital is a debt or minority equity investor in a portfolio company, Ares Capital may not be in a position to exert influence on the entity, and management of the company may make decisions that could decrease the value of Ares Capital's portfolio holdings.

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

Ares Capital's portfolio companies may be highly leveraged.

Some of Ares Capital's portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to Ares Capital as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

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

The incentive fee payable by Ares Capital to Ares Capital Management may create an incentive for Ares Capital Management to make investments on Ares Capital's behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to Ares Capital's investment adviser is determined, which is calculated as a percentage of the return on invested capital, may encourage Ares Capital's investment adviser to use leverage to increase the return on Ares Capital's investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of Ares Capital common stock, including investors in offerings of common stock, securities convertible into Ares Capital common stock or warrants representing rights to purchase Ares Capital common stock or securities convertible into Ares Capital common stock pursuant to this document. In addition, the investment adviser will receive the incentive fee based, in part, upon net capital gains realized on Ares

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Capital's investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in Ares Capital's investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. The part of the incentive fee payable by Ares Capital that relates to Ares Capital's pre-incentive fee net investment income will be computed and paid on income that may include interest that is accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. The investment adviser is not under any obligation to reimburse Ares Capital for any part of the incentive fee it received that was based on such accrued interest that Ares Capital never actually receives.

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

Ares Capital's investments in foreign debt may involve significant risks in addition to the risks inherent in U.S. investments. Ares Capital may expose itself to risks if it engages in hedging transactions.

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

Although most of Ares Capital's investments will be U.S. dollar denominated, Ares Capital's investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. Ares Capital may employ hedging techniques to minimize these risks, but Ares Capital cannot assure you that such strategies will be effective.

Ares Capital has and may in the future enter into hedging transactions, which may expose it to risks associated with such transactions. Ares Capital may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of Ares Capital's portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may include counter party credit risk. Hedging against a decline in the values of Ares Capital's portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is

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so generally anticipated that Ares Capital is not able to enter into a hedging transaction at an acceptable price.

The success of Ares Capital's hedging transactions will depend on Ares Capital's ability to correctly predict movements, currencies and interest rates. Therefore, while Ares Capital may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if Ares Capital had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, Ares Capital may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent Ares Capital from achieving the intended hedge and expose Ares Capital to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. See also "Risk Factors Risk Relating to Ares Capital Ares Capital is exposed to risks associated with changes in interest rates."

Ares Capital's shares of common stock have recently traded at a discount from net asset value and may do so again in the future, which could limit Ares Capital's ability to raise additional equity capital.

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that Ares Capital's net asset value per share may decline. It is not possible to predict whether any shares of common stock offered hereby will trade at, above, or below net asset value. As of the date of this document, the stocks of BDCs as an industry, including at times shares of Ares Capital common stock, have been trading below net asset value and at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. When Ares Capital common stock is trading below its net asset value per share, Ares Capital will generally not be able to issue additional shares of Ares Capital common stock at its market price without first obtaining approval for such issuance from its stockholders and independent directors.

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

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

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

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

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

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

Ares Capital has also adopted measures that may make it difficult for a third party to obtain control of Ares Capital, including provisions of Ares Capital's charter classifying its board of directors in three classes serving staggered three-year terms, and provisions of Ares Capital's charter authorizing its board of directors to classify or reclassify shares of Ares Capital's stock in one or more classes or series, to cause the issuance of additional shares of Ares Capital's stock, and to amend Ares Capital's charter, without stockholder approval, to increase or decrease the number of shares of stock that Ares Capital has authority to issue. These provisions, as well as other provisions of Ares Capital's charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of Ares Capital's stockholders.

Investing in Ares Capital's securities may involve an above average degree of risk.

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

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

The capital and credit markets have experienced a period of extreme volatility and disruption since 2007. The market price and liquidity of the market for shares of Ares Capital common stock may be significantly affected by numerous factors, some of which are beyond Ares Capital's control and may not be directly related to Ares Capital's operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of publicly traded RICs, business development companies or other companies in Ares Capital's sector, which are not necessarily related to the operating performance of these companies;
- price and volume fluctuations in the overall stock market from time to time;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- loss of RIC status;
- changes in Ares Capital's earnings or variations in its operating results;

- changes in the value of Ares Capital's portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of Ares Capital Management's key personnel;
- operating performance of companies comparable to Ares Capital;
- short-selling pressure with respect to shares of Ares Capital common stock or BDCs generally;
- general economic trends and other external factors; and
- loss of a major funding source.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If Ares Capital's stock price fluctuates significantly, Ares Capital may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from Ares Capital's business.

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

At Ares Capital's 2009 Annual Stockholders Meeting, Ares Capital's stockholders approved two proposals designed to allow Ares Capital to access the capital markets in ways that it would otherwise be unable to as a result of restrictions that, absent stockholder approval, apply to BDCs under the Investment Company Act. Specifically, Ares Capital's stockholders have authorized Ares Capital to sell or otherwise issue (1) shares of Ares Capital common stock below its then current net asset value per share in one or more offerings subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of Ares Capital's then outstanding common stock) and (2) warrants or securities to subscribe for or convertible into shares of Ares Capital common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of Ares Capital's then outstanding common stock and that the exercise or conversion price thereof is not, at the date of issuance, less than the greater of the market value per share and the net asset value per share of Ares Capital common stock). Any decision to sell shares of Ares Capital common stock below its then current net asset value per share or securities to subscribe for or convertible into shares of Ares Capital common stock would be subject to the determination by Ares Capital's board of directors that such issuance is in Ares Capital's and its stockholders' best interests.

If Ares Capital was to sell shares of its common stock below its then current net asset value per share, such sales would result in an immediate dilution to the net asset value per share of Ares Capital common stock. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of Ares Capital common stock and a proportionately greater decrease in the stockholders' interest in Ares Capital's earnings and assets and their voting interest in Ares Capital than the increase in Ares Capital's assets resulting from such issuance. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

In addition, if Ares Capital issues warrants or securities to subscribe for or convertible into shares of Ares Capital common stock, subject to certain limitations, the exercise or conversion price per share could be less than net asset value per share at the time of exercise or conversion (including through the operation of anti-dilution protections). Because Ares Capital would incur expenses in connection with any issuance of such securities, such issuance could result in a dilution of the net asset value per share at the time of exercise or conversion. This dilution would include reduction in net asset value per share as a result of the proportionately greater decrease in the stockholders' interest in Ares Capital's earnings and assets and their voting interest than the increase in Ares Capital's assets resulting from such issuance.

Further, if current stockholders of Ares Capital do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value per share, their voting power will be diluted.

In addition, Ares Capital common stock will suffer immediate dilution of their voting power if the merger is consummated. See "Risk Factors Risks Related to the Merger Allied Capital stockholders and Ares Capital stockholders will experience a reduction in percentage ownership and voting power with respect to their shares as a result of the merger."

Ares Capital stockholders will experience dilution in their ownership percentage if they do not participate in Ares Capital's dividend reinvestment plan.

All dividends declared in cash payable to stockholders that are participants in Ares Capital's dividend reinvestment plan are automatically reinvested in shares of Ares Capital common stock. As a result, stockholders that do not participate in the Ares Capital dividend reinvestment plan will experience dilution in their ownership percentage of Ares Capital common stock over time.

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

In order to satisfy the annual distribution requirement applicable to RICs, Ares Capital has the ability to declare a large portion of a dividend in shares of Ares Capital common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion can be as low as 10% for Ares Capital's taxable years ending on or before December 31, 2009) and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would be taxed on 100% of the dividend in the same manner as a cash dividend, even though most of the dividend was paid in shares of Ares Capital common stock.

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

Sales of substantial amounts of Ares Capital common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for Ares Capital common stock. If this occurs and continues, it could impair Ares Capital's ability to raise additional capital through the sale of securities should Ares Capital desire to do so.

Risks Relating to Allied Capital

Allied Capital's use of leverage magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in Allied Capital.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in Allied Capital's securities. Allied Capital borrows from, and issues senior debt securities to, banks, insurance companies and other lenders or investors. Holders of these senior securities have fixed dollar claims on Allied Capital's consolidated assets that are superior to the claims of Allied Capital's common stockholders. In the case of the holders of Allied Capital's private notes and the lenders under Allied Capital's bank facility, these claims are secured by a substantial portion of Allied Capital's assets. If the value of Allied Capital's consolidated assets increases, then leveraging would cause the net asset value attributable to Allied Capital common stock to increase more sharply than it would have had Allied Capital not leveraged.

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Conversely, if the value of Allied Capital's consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had Allied Capital not leveraged. Similarly, any increase in Allied Capital's consolidated income in excess of consolidated interest payable on the borrowed funds would cause Allied Capital's net income to increase more than it would without the leverage, while any decrease in Allied Capital's consolidated income would cause net income to decline more sharply than it would have had Allied Capital not borrowed. Leverage is generally considered a speculative investment technique. Allied Capital and, indirectly, Allied Capital's stockholders will bear the cost associated with Allied Capital's leverage activity.

Allied Capital's bank facility and private notes payable contain financial and operating covenants that restrict certain of Allied Capital's business activities, including Allied Capital's ability to declare dividends. Breach of any of those covenants could cause a default under those instruments. Such a default, if not cured or waived, could have a material adverse effect on Allied Capital.

At September 30, 2009, Allied Capital had $1.6 billion of outstanding indebtedness bearing a weighted average annual interest cost of 10.7% and a debt to equity ratio of 1.33 to 1.00. If Allied Capital's portfolio of investments fails to produce adequate returns, Allied Capital may be unable to make interest or principal payments on Allied Capital's indebtedness when they are due. In order for Allied Capital to cover annual interest payments on indebtedness, Allied Capital must achieve annual returns on Allied Capital's assets of at least 6.12% as of September 30, 2009.

Illustration. The following table illustrates the effect of leverage on returns from an investment in Allied Capital common stock assuming various annual returns net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation (1) assumes $2.8 billion in total assets, (2) an average cost of funds of 10.7%, (3) $1.6 billion in debt outstanding and (4) $1.2 billion of stockholders' equity.

Assumed Return on Portfolio (Net of Expenses)	-15%	-10%	-5%	0%	5%	10%	15%
Corresponding Return to Common Stockholders	-49.7%	-37.8%	-26.0%	-14.2%	-2.4%	9.5%	21.3%

Regulations governing Allied Capital's operation as a BDC affect its ability to, and the way in which it, raises additional debt and equity capital.

Allied Capital will continue to need capital to fund growth in its investments. Under the Investment Company Act, Allied Capital is not permitted to issue indebtedness unless immediately after such borrowing Allied Capital has an asset coverage for total borrowings of at least 200%. As of September 30, 2009, Allied Capital's asset coverage was 175%. There can be no assurance as to when Allied Capital will be able to satisfy the asset coverage requirements of the Investment Company Act, if at all, and Allied Capital's failure to do so would have a material adverse impact on Allied Capital's liquidity, financial condition, results of operations and ability to pay dividends.

Allied Capital generally is not able to issue and sell its common stock at a price below net asset value per share. Allied Capital may, however, sell its common stock, warrants, options or rights to acquire its common stock at a price below the current net asset value per share of its common stock if Allied Capital's board of directors determines that such sale is in Allied Capital's best interests and the best interests of its stockholders and its stockholders approve such sale. In any such case, the price at which Allied Capital's securities are to be issued and sold may not be less than the price which, in the determination of Allied Capital's board of directors, closely approximates the market value of such securities (less any commission or discount). If Allied Capital common stock continues to trade at a discount to net asset value, this restriction could adversely affect its ability to raise capital. Shares of many BDCs, including shares of Allied Capital common stock, have been trading at discounts to their net asset values. As of September 30, 2009, Allied Capital's net asset value per share was $6.70. The closing price of Allied Capital's shares on the NYSE at [ ], 20[ ] was $[ ]. If Allied Capital's common stock continues trading below net asset value, the higher cost of equity capital may result in it being unattractive to raise new equity, which may limit Allied Capital's ability to grow. The risk of trading below net asset value is separate and distinct from the risk that Allied Capital's net asset value per share may decline.

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

At September 30, 2009, Allied Capital's long-term debt carries a non-investment grade credit rating of "B1" by Moody's Investors Service, "BB+" by Standard & Poor's and "BB" by Fitch Ratings. Allied Capital's credit ratings are an assessment of Allied Capital's ability to pay its obligations. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of its publicly issued debt securities. There can be no assurance that the long-term debt ratings will be maintained.

Allied Capital's independent registered public accounting firm has expressed substantial doubt about its ability to continue as a going concern.

Prior to its debt restructuring, certain events of default occurred under Allied Capital's bank facility and its private notes. These events of default provided the respective lenders the right to declare immediately due and payable unpaid amounts approximating $1.1 billion at June 30, 2009. Had the lenders accelerated these obligations, Allied Capital would not have had available cash resources to satisfy all of the obligations under the bank facility and the private notes. These factors raised substantial doubt about Allied Capital's ability to continue as a going concern. In its audit report on Allied Capital's financial statements for its fiscal year ended December 31, 2008, Allied Capital's independent registered public accounting firm included an explanatory paragraph indicating that Allied Capital's consolidated financial statements were prepared assuming that Allied Capital will continue as a going concern.

The U.S. capital markets are currently in a period of disruption and the United States and global economies are in a severe recession and Allied Capital does not expect these conditions to improve in the near future. These market conditions have materially and adversely affected the debt and equity capital markets in the United States, which has had and could continue to have a negative impact on Allied Capital's business and operations.

The U.S. capital markets have been experiencing extreme volatility and disruption for more than 12 months as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. These events have contributed to worsening general economic conditions that are materially and adversely impacting the broader financial and credit markets and reducing the availability of credit and equity capital for the markets as a whole and financial services firms in particular. Allied Capital believes these conditions may continue for a prolonged period of time or worsen in the future. A prolonged period of market illiquidity will continue to have an adverse effect on Allied Capital's business, financial condition and results of operations. Unfavorable economic conditions also could increase Allied Capital's funding costs, limit Allied Capital's access to the capital markets or result in a decision by lenders not to extend credit to Allied Capital. Equity capital may be difficult to raise because, subject to some limited exceptions, Allied Capital generally is not able to issue and sell its common stock at a price below its net asset value per share. In addition, the debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions. These events and the inability to raise capital has significantly limited Allied Capital's investment originations and ability to grow and negatively impacted Allied Capital's operating results.

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Economic recessions, including the current global recession, could impair Allied Capital's portfolio companies and harm Allied Capital's operating results.

Many of the companies in which Allied Capital has made or will make investments are susceptible to economic slowdowns or recessions. An economic recession, including the current and any future recessions or economic slowdowns, may affect the ability of a company to repay Allied Capital's loans or engage in a liquidity event such as a sale, recapitalization or initial public offering. Allied Capital's non-performing assets are likely to increase and the value of Allied Capital's portfolio is likely to decrease during these periods. Current adverse economic conditions also have decreased the value of any collateral securing Allied Capital's loans and a prolonged recession or depression may further decrease such value. These conditions are contributing to and, if prolonged, could lead to further losses of value in Allied Capital's portfolio and a decrease in Allied Capital's revenues, net income, assets and net worth.

Declining asset values and illiquidity in the corporate debt markets have adversely affected, and may continue to adversely affect, the fair value of Allied Capital's portfolio investments, reducing the value of Allied Capital's assets.

As a BDC, Allied Capital is required to carry Allied Capital's investments at market value or, if no market value is readily available, at fair value as determined in good faith by Allied Capital's board of directors. Decreases in the values of Allied Capital's investments are recorded as unrealized depreciation. The unprecedented declines in asset values and liquidity in the corporate debt markets have resulted in significant net unrealized depreciation in Allied Capital's portfolio. Conditions in the debt and equity markets may continue to deteriorate and pricing levels may continue to decline. As a result, Allied Capital has incurred and, depending on market conditions, Allied Capital may incur further unrealized depreciation in future periods, which could have a material adverse impact on Allied Capital's business, financial condition and results of operations.

Substantially all of Allied Capital's portfolio investments, which are generally illiquid, are recorded at fair value as determined in good faith by Allied Capital's board of directors and, as a result, there is uncertainty regarding the value of Allied Capital's portfolio investments.

At September 30, 2009, portfolio investments recorded at fair value were 88% of Allied Capital's total assets. Pursuant to the requirements of the Investment Company Act, Allied Capital values substantially all of its investments at fair value as determined in good faith by Allied Capital's board of directors on a quarterly basis. Since there is typically no market quotation in an active market for the investments in Allied Capital's portfolio, Allied Capital's board of directors determines in good faith the fair value of these investments pursuant to a valuation policy and a consistently applied valuation process.

There is no single approach for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments Allied Capital makes. In determining fair value in good faith, Allied Capital generally obtains financial and other information from portfolio companies, which may represent unaudited, projected or pro forma financial information. Unlike banks, Allied Capital is not permitted to provide a general reserve for anticipated loan losses; Allied Capital is instead required by the Investment Company Act to specifically value each individual investment on a quarterly basis. Allied Capital will record unrealized depreciation on investments when it determines that the fair value of a security is less than its cost basis and unrealized appreciation when it determines that the fair value of a security is greater than its cost basis. Without a market quotation in an active market and because of the inherent uncertainty of valuation, the fair value of Allied Capital's investments determined in good faith by Allied Capital's board of directors may differ significantly from the values that would have been used had a ready

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market existed for the investments and the differences could be material. Allied Capital's net asset value could be affected if Allied Capital's determination of the fair value of Allied Capital's investments is materially different than the value that Allied Capital ultimately realizes.

Allied Capital's portfolio of investments is illiquid.

Allied Capital generally acquires its investments directly from the issuer in privately negotiated transactions. The majority of the investments in Allied Capital's portfolio are subject to certain restrictions on resale or otherwise have no established trading market. Allied Capital typically exits its investments when the portfolio company has a liquidity event such as a sale, recapitalization or initial public offering. The illiquidity of Allied Capital's investments may adversely affect its ability to dispose of debt and equity securities at times when Allied Capital may need to or when it may be otherwise advantageous for Allied Capital to liquidate such investments. In addition, if Allied Capital were forced to immediately liquidate some or all of the investments in its portfolio, the proceeds of such liquidation could be significantly less than the current value of such investments.

Allied Capital's business of making private equity investments and positioning them for liquidity events also may be affected by current and future market conditions. Current economic and capital markets conditions in the United States have severely reduced capital availability, senior lending activity and middle-market merger and acquisition activity. The absence of an active senior lending environment and the slowdown or stalling in middle-market merger and acquisition activity has slowed the amount of private equity investment activity generally. As a result, Allied Capital's investment activity has also significantly slowed. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, has had, and may continue to have, a negative effect on the valuations of Allied Capital's investments and on the potential for liquidity events involving such investments. This could affect the timing of exit events in Allied Capital's portfolio, reduce the level of net realized gains from exit events in a given year and negatively affect the amount of gains or losses upon exit.

Investing in private companies involves a high degree of risk.

Allied Capital's portfolio primarily consists of long-term loans to, and investments in, middle-market private companies. Investments in private businesses involve a high degree of business and financial risk, which can result in substantial losses for Allied Capital in those investments and, accordingly, should be considered speculative. There is generally no publicly available information about the companies in which Allied Capital invests and Allied Capital relies significantly on the diligence of its employees and agents to obtain information in connection with its investment decisions. If Allied Capital is unable to identify all material information about these companies, among other factors, Allied Capital may fail to receive the expected return on its investment or lose some or all of the money invested in these companies. In addition, these businesses may have shorter operating histories, narrower product lines, smaller market shares and less experienced management than their competition and may be more vulnerable to customer preferences, market conditions, loss of key personnel or economic downturns, which may adversely affect the return on, or the recovery of, Allied Capital's investment in such businesses. As an investor, Allied Capital is subject to the risk that a portfolio company may make a business decision that does not serve its interest, which could decrease the value of Allied Capital's investment. Deterioration in a portfolio company's financial condition and prospects may be accompanied by deterioration in the collateral for a loan, if any.

Allied Capital's borrowers may default on their payments, which may have a negative effect on Allied Capital's financial performance.

Allied Capital makes long-term loans and invests in equity securities primarily in private middle-market companies, which may involve a higher degree of repayment risk. Allied Capital primarily

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invests in companies that may have limited financial resources, may be highly leveraged and may be unable to obtain financing from traditional sources. Numerous factors may affect a borrower's ability to repay its loan, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. A portfolio company's failure to satisfy financial or operating covenants imposed by Allied Capital or other lenders could lead to defaults and, potentially, termination of its loans or foreclosure on its secured assets, which could trigger cross defaults under other agreements and jeopardize the ability of Allied Capital's portfolio company to meet its obligations under the loans or debt securities that Allied Capital holds. In addition, Allied Capital's portfolio companies may have, or may be permitted to incur, other debt that ranks senior to or equally with Allied Capital's securities. This means that payments on such senior-ranking securities may have to be made before Allied Capital receives any payments on Allied Capital's subordinated loans or debt securities. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in any related collateral and may have a negative effect on Allied Capital's financial results.

Allied Capital may be unable to fund its commitments to its portfolio companies as they become due, which may have a material adverse effect on Allied Capital's business.

Allied Capital has outstanding investment commitments that at September 30, 2009 totaled $543.9 million. Allied Capital's asset coverage is less than the 200% required by the Investment Company Act for Allied Capital to issue new debt. As a result, Allied Capital is currently unable to borrow additional money to fund these commitments. In addition, because Allied Capital's common stock trades at a price that is less than Allied Capital's net asset value per share, Allied Capital may not be able to raise funds through additional equity offerings in order to fund these commitments. To the extent Allied Capital is unable to fund these commitments, it could have a material adverse effect on its portfolio companies and, as a result, have a material adverse effect on Allied Capital's results of operations.

Allied Capital's private finance investments may not produce current returns or capital gains.

Allied Capital's private finance portfolio includes loans and debt securities that require the payment of interest currently and equity securities such as conversion rights, warrants or options, minority equity co-investments or more significant equity investments in the case of buyout transactions. Allied Capital's private finance debt investments are generally structured to generate interest income from the time they are made and Allied Capital's equity investments may also produce a realized gain. Allied Capital cannot be sure that its portfolio will generate a current return or capital gains.

Allied Capital's financial results could be negatively affected if a significant portfolio company fails to perform as expected.

Allied Capital's total investment in its portfolio companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more portfolio companies fails to perform as expected, Allied Capital's financial results could be more negatively affected and the magnitude of the loss could be more significant than if Allied Capital had made smaller investments in more portfolio companies.

At September 30, 2009, Allied Capital's investment in Ciena totaled $547.6 million at cost and $102.2 million at value, after the effect of unrealized depreciation of $445.3 million. Other assets includes additional amounts receivable from or related to Ciena totaling $112.7 million, which have a value of $2.0 million at September 30, 2009. During the three months ended September 30, 2009, Allied Capital funded the remaining $46.0 million of standby letters of credit issued in connection with term securitization transactions completed by Ciena. In addition, Allied Capital has issued a performance guarantee in connection with Ciena's non-recourse warehouse facility. On September 30, 2008, Ciena voluntarily filed for bankruptcy.

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Ciena has been a participant in the 7(a) Guaranteed Loan Program of the Small Business Administration, or "SBA," and its wholly owned subsidiary is licensed by the SBA as a Small Business Lending Company. Ciena remains subject to SBA rules and regulations. The Office of the Inspector General of the SBA, or "OIG," and the United States Secret Service are conducting ongoing investigations of allegedly fraudulently obtained SBA-guaranteed loans issued by Ciena. Ciena is also subject to other SBA and OIG audits, investigations and reviews.

In addition, the Office of the Inspector General of the U.S. Department of Agriculture is conducting an investigation of Ciena's lending practices under the Business and Industry Loan program. The OIG and the U.S. Department of Justice are also conducting a civil investigation of Ciena's lending practices in various jurisdictions. These investigations, audits and reviews are ongoing. These investigations, audits and reviews have had and may continue to have a material adverse impact on Ciena and, as a result, could negatively affect Allied Capital's financial results. Allied Capital is unable to predict the outcome of these inquiries and it is possible that third parties could try to seek to impose liability against Allied Capital in connection with certain defaulted loans in Ciena's portfolio.

Allied Capital operates in a competitive market for investment opportunities.

Allied Capital competes for investments with a large number of private equity funds and mezzanine funds, other BDCs, investment banks, other equity and non-equity based investment funds and other sources of financing, including specialty finance companies and traditional financial services companies such as commercial banks. Some of Allied Capital's competitors have greater resources than Allied Capital does. Increased competition would make it more difficult for Allied Capital to purchase or originate investments at attractive prices. As a result of this competition, sometimes Allied Capital may be precluded from making otherwise attractive investments.

Loss of RIC tax treatment could negatively impact Allied Capital's ability to service its debt and pay dividends.

Allied Capital has operated so as to qualify as a RIC. If Allied Capital meets source of income, asset diversification and distribution requirements, Allied Capital generally will not be subject to corporate-level income taxation on income Allied Capital timely distributes, or is deemed to distribute, to its stockholders as dividends. Allied Capital would cease to qualify for such tax treatment if it were unable to comply with these requirements. Allied Capital may have difficulty meeting the requirement to make distributions to its stockholders because in certain cases Allied Capital may recognize income before or without receiving cash representing such income. If Allied Capital fails to qualify as a RIC, Allied Capital will have to pay corporate-level taxes on all of its income whether or not Allied Capital distributes it, which could negatively impact Allied Capital's ability to service its debt and pay dividends to its stockholders. Even if Allied Capital qualifies as a RIC, Allied Capital generally will be subject to a corporate-level income tax on the income it does not distribute. If Allied Capital does not distribute at least 98% of its annual taxable income (excluding net long-term capital gains retained or deemed to be distributed) in the year earned, Allied Capital generally will be required to pay an excise tax on amounts carried over and distributed to stockholders in the next year equal to 4% of the amount by which 98% of Allied Capital's annual taxable income available for distribution exceeds the distributions from such income for the current year.

Failure to invest a sufficient portion of Allied Capital's assets in qualifying assets could preclude Allied Capital from investing in accordance with its current business strategy.

As a BDC, Allied Capital may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of Allied Capital's total assets are qualifying assets. Therefore, Allied Capital may be precluded from investing in what Allied Capital believes are attractive investments if such investments are not qualifying assets for purposes of the

Investment Company Act. If Allied Capital does not invest a sufficient portion of its assets in qualifying assets, Allied Capital could lose its status as a BDC, which would have a material adverse effect on Allied Capital's business, financial condition and results of operations. Similarly, these rules could prevent Allied Capital from making additional investments in existing portfolio companies, which could result in the dilution of Allied Capital's position or could require Allied Capital to dispose of investments at inopportune times in order to comply with the Investment Company Act. If Allied Capital was forced to sell nonqualifying investments for compliance purposes, the proceeds from such sale could be significantly less than the current value of such investments.

Changes in the law or regulations that govern Allied Capital could have a material impact on Allied Capital or its operations.

Allied Capital is regulated by the SEC. In addition, changes in the laws or regulations that govern BDCs, RICs, asset managers and real estate investment trusts may significantly affect Allied Capital's business. There are proposals being considered by the current administration to change the regulation of financial institutions that may affect, possibly adversely, investment managers or investment funds. Any change in the laws or regulations that govern Allied Capital's business could have a material impact on Allied Capital or its operations. Laws and regulations may be changed from time to time and the interpretations of the relevant laws and regulations also are subject to change, which may have a material effect on Allied Capital's operations.

There is a risk that Allied Capital's common stockholders may not receive dividends or distributions.

Allied Capital may not be able to achieve operating results that will allow Allied Capital to make distributions at a specific level or at all. In addition, due to the asset coverage test applicable to Allied Capital as a BDC, Allied Capital may be precluded from making distributions. Also, Allied Capital's currently outstanding debt limits Allied Capital's ability to declare dividends.

If Allied Capital does not meet the distribution requirements for RICs, Allied Capital will suffer adverse tax consequences. In addition, in accordance with U.S. generally accepted accounting principles and tax regulations, Allied Capital includes in income certain amounts that Allied Capital has not yet received in cash, such as contractual payment-in-kind interest, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue discount. The increases in loan balances as a result of contractual payment-in-kind arrangements are included in income in advance of receiving cash payment and are separately included in payment-in-kind interest and dividends, net of cash collections, in Allied Capital's consolidated statement of cash flows. Since Allied Capital may recognize income before or without receiving cash representing such income, Allied Capital may have difficulty meeting the requirement to distribute at least 90% of its investment company taxable income to obtain tax benefits as a RIC.

Changes in interest rates may affect Allied Capital's cost of capital and net investment income.

Because Allied Capital borrows money to make investments, Allied Capital's net investment income is dependent upon the difference between the rate at which Allied Capital borrows funds and the rate at which Allied Capital invests these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on Allied Capital's net investment income. In periods of rising interest rates, Allied Capital's cost of funds would increase, which would reduce Allied Capital's net investment income. In addition, defaults under Allied Capital's borrowing arrangements may result in higher interest costs during the continuance of an event of default. In August 2009, Allied Capital completed a comprehensive restructuring of its bank facility and its private notes which significantly increased its cost of capital. Allied Capital may use interest rate risk management techniques in an effort to limit its exposure to interest rate fluctuations. Such techniques

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may include various interest rate hedging activities to the extent permitted by the Investment Company Act.

There are potential conflicts of interest between Allied Capital and the funds managed by Allied Capital.

Certain of Allied Capital's officers serve or may serve in an investment management capacity to funds managed by Allied Capital or its affiliates. As a result, investment professionals may allocate such time and attention as is deemed appropriate and necessary to carry out the operations of the managed funds. In this respect, they may experience diversions of their attention from Allied Capital and potential conflicts of interest between their work for Allied Capital and their work for the managed funds in the event that the interests of the managed funds run counter to Allied Capital's interests.

Although the managed funds may have a different primary investment objective than Allied Capital does, the managed funds may, from time to time, invest in the same or similar asset classes that Allied Capital targets. In addition, more than one fund managed by Allied Capital may invest in the same or similar asset classes. These investments may be made at the direction of the same individuals acting in their capacity on behalf of Allied Capital and one or more of the managed funds. As a result, there may be conflicts in the allocation of investment opportunities between Allied Capital and the managed funds or among the managed funds. Allied Capital may or may not participate in investments made by funds managed by Allied Capital or one of its affiliates.

Allied Capital has sold assets to certain managed funds and, as part of its investment strategy, Allied Capital may offer to sell additional assets to managed funds or Allied Capital may purchase assets from managed funds. In addition, funds managed by Allied Capital may offer assets to or may purchase assets from one another. While assets may be sold or purchased at prices that are consistent with those that could be obtained from third parties in the marketplace, there is an inherent conflict of interest in such transactions between Allied Capital and funds Allied Capital manages.

Allied Capital's financial results could be negatively affected if Allied Capital's managed funds fail to perform as expected.

In the event that any of Allied Capital's managed funds were to perform below Allied Capital's expectations, Allied Capital's financial results could be negatively affected as a result of a reduction in management fees, the deferral in payment of management fees or a reduction in incentive fees Allied Capital earns. Also, if the managed funds perform below expectations, investors could demand lower fees or fee concessions which could also cause a decline in Allied Capital's income. In addition, certain of Allied Capital's managed funds are required to meet various compliance and maintenance tests related to, among other things, the ratings on fund assets and the ratio of collateral to a fund's outstanding debt. If a managed fund fails to comply with these tests, the payment of a portion of Allied Capital's fees could be deferred until a fund regains compliance with such tests.

Moreover, because Allied Capital is also an investor in certain of its managed funds, Allied Capital could experience losses on Allied Capital's investments if such managed funds were to fail to perform as expected.

Allied Capital's business depends on Allied Capital's key personnel.

Allied Capital depends on the continued services of its executive officers and other key management personnel. If Allied Capital were to lose certain of these officers or other management personnel, such a loss could result in inefficiencies in Allied Capital's operations and lost business opportunities, which could have a negative effect on Allied Capital's business.

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Allied Capital's operating results may fluctuate and may not be indicative of future performance.

Allied Capital's operating results may fluctuate and, therefore, Allied Capital's stockholders should not rely on current or historical period results to be indicative of Allied Capital's performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the investment origination volume and fee income earned, changes in the accrual status of Allied Capital's loans and debt securities, variations in timing of prepayments, variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation, the level of Allied Capital's expenses, the degree to which Allied Capital encounters competition in its markets and general economic conditions.

Allied Capital common stock price may be volatile.

The trading price of Allied Capital common stock may fluctuate substantially. The capital and credit markets have been experiencing extreme volatility and disruption since 2007, reaching unprecedented levels. Allied Capital has experienced significant stock price volatility. In general, the price of Allied Capital common stock may be higher or lower than the price paid by its stockholders, depending on many factors, some of which are beyond Allied Capital's control and may not be directly related to Allied Capital's operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of BDCs or other financial services companies;
- volatility resulting from trading in derivative securities related to Allied Capital's common stock, including puts, calls, long-term equity anticipation securities or short trading positions;
- the financial performance of the specific industries in which Allied Capital invests on a recurring basis;
- changes in laws or regulatory policies or tax guidelines with respect to BDCs or RICs;
- actual or anticipated changes in Allied Capital's earnings or fluctuations in Allied Capital's operating results or changes in the expectations of securities analysts;
- general economic conditions and trends;
- loss of a major funding source; or
- departures of key personnel.

The trading market or market value of Allied Capital's publicly issued debt securities may be volatile.

Allied Capital's publicly issued debt securities may or may not have an established trading market. Allied Capital cannot assure that a trading market for its publicly issued debt securities will ever develop or be maintained if developed. In addition to Allied Capital's creditworthiness, many factors may materially adversely affect the trading market for, and market value of, Allied Capital's publicly issued debt securities. These factors include, but are not limited to, the following:

the time remaining to the maturity of these debt securities;

the outstanding principal amount of debt securities with terms identical to these debt securities;

the ratings assigned by national statistical ratings agencies;

the general economic environment;

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- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities.

There also may be a limited number of buyers for Allied Capital's debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

Allied Capital common stock could be delisted from the NYSE if it trades below $1.00 or if Allied Capital fails to meet other listing criteria.

In order to maintain its listing on the NYSE, Allied Capital must continue to meet the minimum share price listing rule, the minimum market capitalization rule and other continued listing criteria. Under the continued listing criteria, the average closing price of Allied Capital common stock must not be below $1.00 per share for 30 or more consecutive trading days. In the event that the average closing price of Allied Capital common stock is below $1.00 per share over a consecutive 30-day trading period, Allied Capital would have a six-month cure period to attain both a $1.00 share price and a $1.00 average share price over 30 trading days.

If Allied Capital's common stock were delisted, it could (1) reduce the liquidity and market price of Allied Capital common stock, (2) negatively impact Allied Capital's ability to raise equity financing and access the public capital markets and (3) materially adversely impact Allied Capital's results of operations and financial condition.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this document constitute forward-looking statements, which relate to future events or the future performance or financial condition of Ares Capital, Allied Capital or, following the merger and subsequent combination, the combined company. The forward-looking statements contained in this document involve a number of risks and uncertainties, including statements concerning:

- Ares Capital, Allied Capital or, following the merger and subsequent combination, the combined company's, or their portfolio companies', future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets;
- the impact of fluctuations in interest rates;
- the valuation of investments in portfolio companies, particularly those having no liquid trading market;
- Ares Capital's, Allied Capital's or, following the merger and subsequent combination, the combined company's ability to recover unrealized losses;
- market conditions and Ares Capital's, Allied Capital's or, following the merger and subsequent combination, the combined company's ability to access alternative debt markets and additional debt and equity capital;
- contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which Ares Capital, Allied Capital or, following the merger and subsequent combination, the combined company invests;
- the financial condition of and ability of current and prospective portfolio companies to achieve their objectives;
- expected financings and investments;
- the adequacy of cash resources and working capital;
- the timing, form and amount of any dividend distributions;
- the timing of cash flows, if any, from the operations of portfolio companies;
- the ability of Ares Capital's and, following the merger and subsequent combination, the combined company's investment adviser to locate suitable investments and to monitor and administer investments;

the outcome and impact of any litigation relating to the merger;

the likelihood that the merger and subsequent combination are completed and the anticipated timing of their completion;

the period following the completion of the merger and subsequent combination;

the ability of Ares Capital and Allied Capital's businesses to successfully integrate if the merger and subsequent combination are completed; and

Allied Capital's future operating results and business prospects if the merger and subsequent combination are not completed.

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Words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions identify forward-looking statements, although not all forward-looking statements include these words. 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" and elsewhere in this document.

The forward-looking statements included in this document have been based on information available to Ares Capital and Allied Capital on the date of this document, as appropriate, and neither Ares Capital nor Allied Capital assumes any obligation to update any such forward-looking statements. Although neither Ares Capital nor Allied Capital undertakes any 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 Ares Capital or Allied Capital may make directly to you or through reports that they have filed or in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

The forward-looking statements in this document are excluded from the safe harbor protection provided by Section 27A of the Securities Act and Section 21E of the Exchange Act.

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THE SPECIAL MEETING OF ALLIED CAPITAL

Date, Time and Place of the Allied Capital Special Meeting

The Allied Capital special meeting will take place on [ ], 20[ ], [at] a.m. (Eastern Daylight Time), at [ ] at [ ].

Purpose of the Allied Capital Special Meeting

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

- a proposal to approve the merger and the merger agreement among Ares Capital, Allied Capital and Merger Sub, as such agreement may be amended from time to time; and
- a proposal to approve the adjournment of the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.

See "The Merger" and "Description of the Merger Agreement."

Allied Capital's board of directors, including its independent directors, unanimously recommends that stockholders vote "FOR" approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.

Record Date

Only holders of record of Allied Capital common stock at the close of business on [ ], 20[ ], the record date, are entitled to notice of and to vote at the Allied Capital special meeting. On the record date, approximately [ ] shares of common stock were issued and outstanding and entitled to vote and held by approximately [ ] holders of record.

Quorum and Adjournments

A quorum is required to be present in order to conduct business at the Allied Capital special meeting. The presence at the Allied Capital special meeting, in person or by proxy, of the holders of shares of Allied Capital common stock entitled to cast a majority of all of the votes entitled to be cast will constitute a quorum for the Allied Capital special meeting. Proxies properly executed and marked with a positive vote, a negative vote or an abstention will be considered to be present at the Allied Capital special meeting for purposes of determining whether a quorum is present for the transaction of all business at the Allied Capital special meeting. However, abstentions and broker non-votes are not counted as votes cast on the matter.

Stockholders will also be asked to consider a proposal to adjourn or postpone the Allied Capital special meeting for the solicitation of additional votes, if necessary. Any such adjournment will only be permitted if approved by a majority of the votes cast on the matter by the holders of shares present in person or by proxy at the Allied Capital special meeting, whether or not a quorum exists. Abstentions and broker non-votes will have no effect on the adjournment vote.

Vote Required

Holders of record of shares of Allied Capital common stock on the record date are entitled to one vote per share.

Merger Proposal

The affirmative vote of the holders of two-thirds of Allied Capital's outstanding shares entitled to vote on the matter is required to approve the merger and the merger agreement. Stockholders who abstain, fail to return their proxies or do not otherwise vote, effectively will be voting "against" the merger and the merger agreement. Brokers who hold shares of stock in street name cannot vote those shares if the brokers are not provided with voting instructions in accordance with their procedures and this would also be counted as a vote "against" the merger and the merger agreement.

Adjournment Proposal

The affirmative vote of a majority of the votes cast on the matter by the holders of Allied Capital's shares present in person or represented by proxy at the Allied Capital special meeting is required to approve the adjournment proposal. Stockholders present in person or represented by proxy at the Allied Capital special meeting who abstain will have no effect on the vote on the adjournment proposal. It is expected that brokers and other nominees will not have discretionary authority to vote on the proposal to adjourn the Allied Capital special meeting. However, broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal.

Voting of Management

At the close of business on [ ], 20[ ], Allied Capital's executive officers and directors owned and were entitled to vote [ ] shares of Allied Capital common stock, representing [ ]% of Allied Capital's outstanding shares of common stock on that date. None of Allied Capital's executive officers or directors has entered into any voting agreement relating to the merger; however, each of Allied Capital's executive officers and directors has indicated that he intends to vote his shares of common stock in favor of the approval of the merger and the merger agreement as long as the merger agreement is in effect.

Allied Capital's 401(k) Plan owns a total of approximately 477,760 shares, representing less than 1% of Allied Capital's total outstanding shares. The administrator of the 401(k) Plan will vote the shares on behalf of the participants pursuant to their instructions.

Voting of Proxies

All shares represented by properly executed proxies received in time for the Allied Capital special meeting will be voted at the Allied Capital special meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted "FOR" the approval of each matter to be voted on at the Allied Capital special meeting, including approval of the merger and the merger agreement and approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the proposal. Stockholders may also instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card.

Under Maryland law and Allied Capital's bylaws, only the matters stated in the notice of special meeting will be presented for action at the Allied Capital special meeting or at any adjournment or postponement of the Allied Capital special meeting.

Revocability of Proxies

Submitting a proxy on the enclosed form does not preclude a stockholder from voting in person at the Allied Capital special meeting. A stockholder may revoke a proxy at any time before it is voted by filing with Allied Capital a duly executed revocation of proxy, by submitting a duly executed proxy to Allied Capital with a later date, by instructing the proxy solicitor to change their vote either by calling the proxy solicitor or via Internet pursuant to the instructions shown on the proxy card or by appearing at the Allied Capital special meeting and voting in person. Stockholders may revoke a proxy by any of these methods, regardless of the method used to deliver a stockholder's previous proxy. Attendance at the Allied Capital special meeting without voting will not itself revoke a proxy.

Solicitation of Proxies

Allied Capital will bear the cost of solicitation of proxies in the form accompanying this document. The costs and expenses of printing and mailing the registration statement (of which this document forms a part) and all filing and other fees paid to the SEC in connection with the merger will be borne equally by Allied Capital and Ares Capital. In addition to solicitation by mail, Allied Capital's executive officers, who will not be specially compensated, may solicit proxies from Allied Capital's stockholders by telephone, facsimile, telegram or other electronic means or in person. Allied Capital has retained [ ] to assist in the solicitation of proxies from stockholders for a maximum fee of $[ ]. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares held of record by these persons and Allied Capital will reimburse them for their reasonable out-of-pocket expenses.

Allied Capital will mail a copy of this document, including the Notice of Special Meeting and the proxy card included with these materials, to each holder of record of its common stock on the record date.

Dissenters' Rights

Allied Capital stockholders do not have the right to exercise dissenters' rights with respect to any matter to be voted upon at the Allied Capital special meeting, including approval of the merger and the merger agreement.

Principal Accountants of Allied Capital

Allied Capital expects that a representative of KPMG LLP will be present at the Allied Capital special meeting, will have an opportunity to make a statement if he or she so chooses and will be available to answer questions.

Stockholders Who Hold Their Shares in a Brokerage Account

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

With respect to the merger proposal, if you do not provide your broker with instructions or attend the Allied Capital special meeting, it will have the same effect as a vote "against" approval of the merger and the merger agreement.

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THE SPECIAL MEETING OF ARES CAPITAL

Date, Time and Place of the Ares Capital Special Meeting

The Ares Capital special meeting will take place on [ ], 20[ ] at [ ], [ ] Time, at [ ], [ ], [ ], [ ], United States [ ].

Purpose of the Ares Capital Special Meeting

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

- a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement; and

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

See "The Merger" and "Description of the Merger Agreement."

Ares Capital's board of directors, including its independent directors, unanimously recommends that stockholders vote "FOR" approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

Record Date

The record date for determination of stockholders entitled to vote at the Ares Capital special meeting is the close of business on [ ], 20[ ]. As of [ ], 20[ ], there were [ ] shares of Ares Capital common stock outstanding and entitled to vote and held by approximately [ ] holders of record.

Quorum and Adjournments

A quorum is required to be present in order to conduct business at the Ares Capital special meeting. The presence, in person or by proxy, of the holders of shares of stock of Ares Capital entitled to cast a majority of all of the votes entitled to be cast shall constitute a quorum for the purposes of the Ares Capital special meeting. Proxies properly executed and marked with a positive vote, a negative vote or an abstention will be considered present at the Ares Capital special meeting for purposes of determining whether a quorum is present for the transaction of all business at the Ares Capital special meeting. However, abstentions and broker non-votes are not counted as votes cast on the matter.

Stockholders will also be asked to consider a proposal to adjourn or postpone the Ares Capital special meeting for the solicitation of additional votes, if necessary. Any such adjournment will only be permitted if approved by a majority of the votes cast on the matter by the holders of shares present in person or by proxy at the Ares Capital special meeting, whether or not a quorum exists. Abstentions and broker non-votes will have no effect on the adjournment vote.

Vote Required

Each share of Ares Capital common stock has one vote.

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Proposal to Issue Shares.

The affirmative vote of at least a majority of all of the votes cast on the matter at a meeting at which a quorum is present is required to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement. Abstentions and broker non-votes will not be counted as votes cast on the matter and will have no effect on the vote on such proposal.

Adjournment Proposal.

The affirmative vote of a majority of the votes cast on the matter by the holders of Ares Capital's shares present in person or represented by proxy at the Ares Capital special meeting is required to approve the adjournment proposal. Stockholders present in person or represented by proxy at the Ares Capital special meeting who abstain will have no effect on the vote on the adjournment proposal. It is expected that brokers and other nominees will not have discretionary authority to vote on the proposal to adjourn the Ares Capital special meeting. However, broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal.

Voting of Management

At the close of business on [ ], 20[ ], Ares Capital's officers and directors owned and were entitled to vote [ ] shares of Ares Capital common stock, representing [ ]% of Ares Capital's outstanding shares of common stock on that date. In addition, Ares Investments, an affiliate of Ares Capital's investment adviser, owns approximately [ ] shares or [ ]% of the total shares of Ares Capital common stock outstanding. None of Ares Capital's officers or directors has entered into any voting agreements relating to the merger. Ares Investments also has not entered into any voting agreements relating to the merger.

Voting of Proxies

All shares represented by properly executed proxies received in time for the Ares Capital special meeting will be voted in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted "FOR" the approval of each matter to be voted on at the Ares Capital special meeting, including approval of the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement and approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal. Stockholders may also instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card.

Under Maryland law and Ares Capital's bylaws, only the matters stated in the notice of special meeting will be presented for action at the Ares Capital special meeting or at any adjournment or postponement of the Ares Capital special meeting.

Revocability of Proxies

Any Ares Capital stockholder "of record" (i.e., you hold shares directly in your name) giving a valid proxy for the Ares Capital special meeting may revoke it before it is exercised by giving a later-dated properly executed proxy, by giving notice of revocation to Ares Capital in writing before or at the Ares Capital special meeting, by instructing the proxy solicitor to change their vote either by calling the proxy solicitor or via Internet pursuant to the instructions shown on the proxy card or by attending the Ares Capital special meeting and voting in person. However, the mere presence at the Ares Capital special meeting by the stockholder does not revoke the proxy. If your shares are held for your account by a broker, bank or other institution or nominee, you may vote such shares at the Ares Capital special meeting only if you obtain proper written authority from such institution or nominee and present it at the meeting.

Unless revoked as stated above, the shares of common stock represented by valid proxies will be voted on all matters to be acted upon at the Ares Capital special meeting. Stockholders may revoke a proxy by any of these methods regardless of the method used to deliver a stockholder's previous proxy.

Solicitation of Proxies

Ares Capital will bear the cost of solicitation of proxies in the form accompanying this document. The costs and expenses of printing and mailing the registration statement (of which this document forms a part) and all filing and other fees paid to the SEC in connection with the merger will be borne equally by Allied Capital and Ares Capital. Proxies will be solicited by mail or by requesting brokers and other custodians, nominees and fiduciaries to forward proxy soliciting material to the beneficial owners of shares of common stock held of record by such brokers, custodians, nominees and fiduciaries, each of whom Ares Capital will reimburse for its expenses in so doing. In addition to the use of mail, directors, officers and regular employees of Ares Capital's investment adviser, without special compensation therefor, may solicit proxies personally, by telephone, by electronic mail or by facsimile, telegram or other electronic means from stockholders.

Ares Capital has engaged the services of **[ ]**, for the purpose of assisting in the solicitation of proxies at an anticipated cost of approximately $**[ ]** plus reimbursement of certain expenses and fees for additional services requested. Please note that **[ ]** may solicit proxies by telephone on behalf of Ares Capital. They will not attempt to influence how you vote your shares, but will only ask that you take the time to cast a vote. You may also be asked if you would like to authorize a proxy over the telephone.

Ares Capital will mail a copy of this document, including the Notice of Special Meeting and the proxy card included with these materials, to each holder of record of its common stock on the record date.

Dissenters' Rights

Ares Capital stockholders do not have the right to exercise dissenters' rights with respect to any matter to be voted upon at the Ares Capital special meeting.

Principal Accountants of Ares Capital

Ares Capital expects that a representative of KPMG LLP will be present at the Ares Capital special meeting, will have an opportunity to make a statement if he or she so chooses and will be available to answer questions.

Stockholders Who Hold Their Shares in a Brokerage Account

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

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The merger agreement provides that the holders of Allied Capital common stock will be entitled to receive 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock held by them immediately prior to the effective time. This is estimated to result in approximately 58.3 million shares of Ares Capital common stock being issued in connection with the merger (assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out). The unaudited pro forma condensed consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of both Allied Capital and Ares Capital, which are included elsewhere in this document. See "Index to Financial Statements."

The following unaudited pro forma condensed consolidated financial information and explanatory notes illustrate the effect of the merger on Ares Capital's financial position and results of operations based upon the companies' respective historical financial positions and results of operations under the acquisition method of accounting with Ares Capital treated as the acquirer.

In accordance with GAAP, the assets and liabilities of Allied Capital will be recorded by Ares Capital at their estimated fair values as of the date the merger is completed. The unaudited pro forma condensed consolidated financial information of Ares Capital and Allied Capital reflects the unaudited pro forma condensed consolidated balance sheet as of September 30, 2009 and the unaudited pro forma condensed consolidated income statements for the nine months ended September 30, 2009 and the year ended December 31, 2008. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2009 assumes the acquisition took place on that date. The unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2009 and the year ended December 31, 2008 assumes the acquisition took place on January 1, 2008. The unaudited pro forma condensed consolidated balance sheet also reflects the impact of certain transactions that occurred subsequent to September 30, 2009.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had the merger and subsequent combination been completed at the beginning of the applicable period presented, nor the impact of expense efficiencies, asset dispositions, share repurchases and other factors. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed consolidated financial information, the allocation of the pro forma purchase price reflected in the unaudited pro forma condensed consolidated financial information involves estimates, is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the merger.

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Ares Capital Corporation and Subsidiaries
Pro Forma Condensed Consolidated Balance Sheet
As of September 30, 2009
Unaudited
(in thousands, except share and per share data)

	Actual Ares Capital	Adjusted Allied Capital(A)*	Pro Forma Adjustments	Pro Forma Ares Capital Combined
Assets and Liabilities Data:				
Investments	$ 1,967,724	$ 2,250,366	$ (258,326)(B)*	$ 3,959,764
Cash and cash equivalents	61,469	283,411	(44,312)(C)	45,203
			(255,365)(B)	
Other assets	35,888	153,629	(30,389)(B)	159,128
Total assets	$ 2,065,081	$ 2,687,406	$ (588,392)	$ 4,164,095
Debt	$ 767,871	$ 1,450,177	$ (231,285)(B)	$ 1,760,712
			(226,051)(B)	
Other liabilities	74,619	45,084	32,500 (B)	152,203
Total liabilities	842,490	1,495,261	(424,836)	1,912,915
Stockholders' equity	1,222,591	1,192,145	(258,326)(B)	2,251,180
			(44,312)(C)	
			(49,738)(B)	
			(12,076)(B)	
			(30,389)(B)	
			231,285 (B)	
Total liabilities and stockholders' equity	$ 2,065,081	$ 2,687,406	$ (588,392)	$ 4,164,095
Total shares outstanding	109,592,728	179,361,775	58,292,577	167,885,305
Net assets per share	$ 11.16	$ 6.65	$ (4.43)	$ 13.41

* Please see Note 3 of the accompanying notes to pro forma condensed consolidated financial statements on page 113.

See accompanying notes to pro forma condensed consolidated financial statements.

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Ares Capital Corporation and Subsidiaries
Pro Forma Condensed Consolidated Statement of Operations
For the Nine Months Ended September 30, 2009
Unaudited
(in thousands, except share and per share data)

	Actual Ares Capital	Actual Allied Capital	Pro Forma Adjustments	Pro Forma Ares Capital Combined
Performance Data:				
Interest and dividend income	$ 166,842	$ 230,017	$ (D)*	$ 396,859
Fees and other income	9,166	22,233		31,399
Total investment income	176,008	252,250		428,258
Interest and credit facility fees	18,603	129,023	(E)	147,626
Base management fees	22,502		33,756 (F)	56,258
Incentive management fees	23,764		(G)	23,764
Other expenses	15,522	63,690	(25,175)(H)	54,037
Total expenses	80,391	192,713	8,581	281,685
Net investment income before taxes	95,617	59,537	(8,581)	146,573
Income taxes	563	4,205		4,768
Net investment income	95,054	55,332	(8,581)	141,805
Net realized gains (losses)	(4,232)	(158,255)		(162,487)
Net unrealized gains (losses)	15,698	(380,528)		(364,830)
Net realized and unrealized gains (losses)	11,466	(538,783)		(527,317)
Gain on extinguishment of debt	26,543	83,532		110,075
Loss on extinguishment of debt		(117,497)		(117,497)
Net increase (decrease) in stockholders' equity	$ 133,063	$ (517,416)	$ (8,581)	$ (392,934)
Weighted average shares outstanding	99,066,652	178,814,954	58,292,577 (I)	157,359,229
Earnings (loss) per share	$ 1.34	$ (2.89)	$ (0.15)	$ (2.50)

* Please see Note 3 of the accompanying notes to pro forma condensed consolidated financial statements on page 113.

See accompanying notes to pro forma condensed consolidated financial statements.

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Ares Capital Corporation and Subsidiaries
Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2008
Unaudited
(in thousands, except share and per share data)

	Actual Ares Capital	Actual Allied Capital	Pro Forma Adjustments	Pro Forma Ares Capital Combined
Performance Data:				
Interest and dividend income	$ 212,675	$ 457,418	$ (D)*	$ 670,093
Fees and other income	27,786	44,826		72,612
Total investment income	240,461	502,244		742,705
Interest and credit facility fees	36,515	148,930	(E)	185,445
Base management fees	30,463		68,777 (F)	99,240
Incentive management fees	31,748		16,358 (G)	48,106
Other expenses	14,495	137,634	(65,249)(H)	86,880
Total expenses	113,221	286,564	19,886	419,671
Net investment income before taxes	127,240	215,680	(19,886)	323,034
Income taxes	248	2,506		2,754
Net investment income	126,992	213,174	(19,886)	320,280
Net realized gains (losses)	6,371	(129,418)		(123,047)
Net unrealized gains (losses)	(272,818)	(1,123,762)		(1,396,580)
Net realized and unrealized gains (losses)	(266,447)	(1,253,180)		(1,519,627)
Gain on extinguishment of debt				
Loss on extinguishment of debt				
Net increase (decrease) in stockholders' equity	$ (139,455)	$ (1,040,006)	$ (19,886)	$ (1,199,347)
Weighted average shares outstanding	89,666,243	172,996,114	58,292,577 (I)	147,958,820
Earnings (loss) per share	$ (1.56)	$ (6.01)	$ (0.34)	$ (8.11)

* Please see Note 3 of the accompanying notes to pro forma condensed consolidated financial statements on page 113.

See accompanying notes to pro forma condensed consolidated financial statements.

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Ares Capital Corporation and Subsidiaries

Pro Forma Schedule of Investments
Unaudited
As of September 30, 2009
(Dollar Amounts in Thousands)

Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Financial								
AGILE Fund I, LLC(4)	Investment company	Member interest			$ 665	$ 417	$ 665	$ 417
AllBridge Financial, LLC(4)	Investment company	Senior secured loan (6.6%, due 12/09)			1,311	1,311	1,311	1,311
		Common equity			40,118	15,523	40,118	15,523
Allied Capital Senior Debt Fund, L.P.(4)	Investment partnership	Limited partnership interest			31,800	33,044	31,800	33,044
BB&T Capital Partners/Windsor Mezzanine Fund, LLC(5)	Investment company	Member interest			11,789	10,009	11,789	10,009
Calder Capital Partners, LLC(4)	Investment company	Senior secured loan (12.5%, due 5/09)(3)			4,496	1,100	4,496	1,100
		Member interest			2,453		2,453	
Callidus Capital Corporation(4)	Investment company	Senior subordinated note (18.0%, due 8/13)(2)			20,939	15,165	20,939	15,165
		Common stock (100 shares)						
Callidus Debt Partners CDO Fund I, Ltd.	Investment company	Class C notes (12.9%, due 12/13)(3)			19,527	2,935	19,527	2,935
		Class D notes (17.0%, due 12/13)(3)			9,454		9,454	
Callidus Debt Partners CLO Fund III, Ltd.	Investment company	Preferred stock (23,600,000 shares)			20,138	2,199	20,138	2,199
Callidus Debt Partners CLO Fund IV, Ltd.	Investment company	Class D notes (5.1%, due 4/20)			2,160	1,653	2,160	1,653
		Income notes (0.0%)			14,868	4,366	14,868	4,366
Callidus Debt Partners CLO Fund V, Ltd.	Investment company	Income notes (2.6%)			13,521	4,625	13,521	4,625
Callidus Debt Partners CLO Fund VI, Ltd.	Investment company	Class D notes (6.5%, due 10/21)			7,602	3,833	7,602	3,833
		Income notes (0.0%)			29,144	4,155	29,144	4,155
Callidus Debt Partners CLO Fund VII, Ltd.	Investment company	Income notes (0.0%)			24,824	5,431	24,824	5,431
Callidus MAPS CLO Fund I LLC	Investment company	Class E notes (5.8%, due 12/17)			17,000	11,400	17,000	11,400
		Income notes (0.0%)			41,176	13,662	41,176	13,662
Callidus MAPS CLO Fund II, Ltd.	Investment company	Class D notes (4.8%, due 7/22)			3,785	3,068	3,785	3,068
		Income notes (0.9%)			18,109	4,819	18,109	4,819
Carador PLC(5)			$ 9,033	$ 2,311			9,033	2,311

	Investment company	Ordinary shares (7,110,525 shares)				
Catterton Partners VI, L.P.	Investment partnership	Limited partnership interest	3,287	1,789	3,287	1,789

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
CIC Flex, LP	Investment partnership	Limited partnership units (0.69 units)	41	41			41	41
Ciena Capital LLC(4)	Investment banking services	Senior secured loan (5.5%, due 3/09)(3)			319,031	102,232	319,031	102,232
		Class B equity interest			119,436		119,436	
		Class C equity interest			109,097		109,097	
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated note (15.0%, due 6/15)			21,970	21,970	21,970	21,970
		Preferred stock (64,679 shares)			15,543	6,212	15,543	6,212
		Warrants						
Cortec Group Fund IV, L.P.	Investment partnership	Limited partnership interest			6,572	3,812	6,572	3,812
Covestia Capital Partners, LP	Investment partnership	Limited partnership units	1,059	1,059			1,059	1,059
Direct Capital Corporation(4)	Commercial equipment finance and leasing company	Senior secured loan (8.0%, due 1/14)(3)			8,175	8,573	8,175	8,573
		Senior subordinated note (16.0%, due 3/13)(3)			55,496	7,139	55,496	7,139
		Common stock (2,317,020 shares)			25,732		25,732	
Dryden XVIII Leveraged Loan 2007 Limited	Investment company	Class B notes (5.0%, due 10/19)(3)			7,872	2,355	7,872	2,355
		Income notes (0.0%)			23,164	2,415	23,164	2,415
Dynamic India Fund IV	Investment company	Common equity			9,350	7,982	9,350	7,982
eCentury Capital Partners, L.P.	Investment partnership	Limited partnership interest			7,274		7,274	
Fidus Mezzanine Capital, L.P.	Investment partnership	Limited partnership interest			12,828	7,804	12,828	7,804
Financial Pacific Company(4)	Commercial property and casualty insurance provider	Senior subordinated loan (17.0%, due 2/12)(2)			58,861	41,417	58,861	41,417
		Junior subordinated loan (20.0% due 8/12)(2)			10,009		10,009	
		Preferred stock (9,458 shares)			8,865		8,865	
		Common stock (12,711 shares)			12,783		12,783	
Firstlight Financial Corporation(5)	Investment company	Senior subordinated note (1.0%, due 12/16)(2)	72,871	54,670			72,871	54,670
		Common stock (40,000 shares)	40,000				40,000	
Ivy Hill Asset Management, L.P.(4)	Investment partnership	Member interest	3,586	11,088			3,586	11,088
Ivy Hill Middle Market Credit Fund, Ltd.(4)	Investment company	Class B deferrable interest notes (6.7%, due 11/18)	40,000	36,800			40,000	36,800
		Subordinated notes (due 11/18)	15,681	14,113			15,681	14,113

Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP(5)	Investment banking services	Limited partnership interest	3,094	3,094			3,094	3,094
		Common units (10,551 units)	15,000	20,003			15,000	20,003
Knightsbridge CLO 2007-1 Ltd.(4)	Investment company	Class E notes (9.5%, due 1/22)			18,700	11,160	18,700	11,160
		Income notes (13.3%)			38,746	22,640	38,746	22,640

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Knightsbridge CLO 2008-1 Ltd.(4)	Investment company	Class C notes (7.8%, due 6/18)			12,800	12,246	12,800	12,246
		Class D notes (8.8%, due 6/18)			8,000	7,080	8,000	7,080
		Class E notes (5.3%, due 6/18)			11,081	9,798	11,081	9,798
		Income notes (21.2%)			21,327	20,112	21,327	20,112
Kodiak Fund LP	Investment partnership	Limited partnership interest			9,332	900	9,332	900
Novak Biddle Venture Partners III, L.P.	Investment partnership	Limited partnership interest			2,018	1,037	2,018	1,037
Pangaea CLO 2007-1 Ltd.	Investment company	Class D notes (5.3%, due 1/21)			11,985	7,795	11,985	7,795
Partnership Capital Growth Fund I, LP	Investment partnership	Limited partnership interest	2,711	2,711			2,711	2,711
SPP Mezzanine Funding II, L.P.	Investment partnership	Limited partnership interest			7,605	6,987	7,605	6,987
Senior Secured Loan Fund LLC(4)(6)	Private debt fund	Subordinated certificates (8.4%, due 12/15)			165,248	165,000	165,248	165,000
		Member interest			1		1	
Trivergence Capital Partners, LP	Investment partnership	Limited partnership interest	1,672	1,672			1,672	1,672
VSC Investors LLC	Investment company	Member interest	635	635			635	635
Webster Capital II, L.P.	Investment partnership	Limited partnership interest			1,338	809	1,338	809
Total			205,383	148,197	1,478,405	617,979	1,683,788	766,176
Business Services								
BenefitMall Holdings, Inc.	Employee benefits broker services company	Senior subordinated note (18.0%, due 6/14)(2)			40,250	40,250	40,250	40,250
		Common stock (39,274,290 shares)			39,274	73,729	39,274	73,729
		Warrants						
Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior secured loan (7.5%, due 7/15)	728	743			728	743
		Senior subordinated loan (13.0%, due 7/16)(2)	22,416	22,650			22,416	22,650
CitiPostal Inc.(4)	Document storage and management services	Senior secured revolving loan (3.7%, due 12/13)			683	683	683	683
		Senior secured loan (12.0%, due 12/13)(2)			51,001	51,001	51,001	51,001
		Senior subordinated note (16.0%, due 12/15)(2)			10,265	10,265	10,265	10,265
					12,726	1,124	12,726	1,124

		Common stock (37,024 shares)				
Cook Inlet Alternative Risk, LLC	Risk management services	Senior secured loan (10.8%, due 4/13)	87,286	69,000	87,286	69,000
		Member interest	552		552	
Digital VideoStream, LLC	Media content supply chain services company	Senior secured loan (11.0%, due 2/12)(2)	13,155	12,825	13,155	12,825
		Convertible subordinated note (10.0%, due 2/16)(2)	4,883	4,883	4,883	4,883
Diversified Mercury Communications, LLC	Business media consulting services	Senior secured loan (4.5%, due 3/13)	2,803	2,525	2,803	2,525

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Higginbotham Insurance Agency, Inc.	Insurance agency	Junior secured loan (11.5%, due 8/13)			27,174	27,174	27,174	27,174
		Subordinated note (16.0%, due 8/14)			25,955	25,955	25,955	25,955
		Common stock (23,695 shares)			23,695	12,355	23,695	12,355
		Warrants						
Impact Innovations Group, LLC(4)	Management consulting services	Member interest				322		322
Investor Group Services, LLC(5)	Financial consulting services	Member interest		500				500
Market Track Holdings, LLC	Business media consulting services company	Senior secured revolving loan (8.0%, due 6/14)			2,450	2,392	2,450	2,392
		Junior subordinated loan (15.9%, due 6/14)(2)			24,504	23,166	24,504	23,166
Multi-Ad Services, Inc.(5)	Marketing services and software provider	Senior secured loan (11.3%, due 11/11)			2,491	2,488	2,491	2,488
		Preferred equity			1,737	1,206	1,737	1,206
MVL Group, Inc.(4)	Marketing research provider	Senior secured loan (12.0%, due 7/12)			25,256	25,256	25,256	25,256
		Senior subordinated loan (14.5%, due 7/12)(2)			41,402	36,021	41,402	36,021
		Junior subordinated note (8.0%, due 7/12)(3)			139		139	
		Common stock (560,716 shares)			555		555	
PC Helps Support, LLC	Technology support provider	Senior secured loan (4.3%, due 12/13)			8,210	7,763	8,210	7,763
		Junior subordinated loan (12.8%, due 12/13)			27,013	25,572	27,013	25,572
Pendum Acquisition, Inc.(5)	Outsourced provider of ATM services	Common stock (8,872 shares)						
Pillar Holdings LLC and PHL Holding Co.(5)	Mortgage services	Senior secured revolving loan (5.8%, due 11/13)	1,313	1,313			1,313	1,313
		Senior secured loan (14.5%, due 5/14)	7,375	7,375			7,375	7,375
		Senior secured loan (5.8%, due 11/13)	27,452	27,452			27,452	27,452
		Common stock (84.78 shares)	3,768	7,234			3,768	7,234
Primis Marketing Group, Inc. and Primis Holdings, LLC(5)	Database marketing services	Senior subordinated note (15.5%, due 2/13)(2)(3)	10,222	511			10,222	511
		Preferred units (4,000 units)	3,600				3,600	
		Common units (4,000,000 units)	400				400	
Prommis Solutions LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC and Statewide Publishing Services, LLC (formerly known as MR	Bankruptcy and foreclosure processing services	Senior subordinated note (13.5%, due 2/14)(2)	52,892	51,834			52,892	51,834

Processing Holding Corp.)								
		Preferred stock (30,000 shares)	3,000	6,221			3,000	6,221
Promo Works, LLC	Marketing services	Senior secured loan (12.3%, due 12/11)			22,994	20,312	22,994	20,312
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)	250	250			250	250

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
SGT India Private Limited(5)	Technology consulting services	Common stock (150,596 shares)			4,158		4,158	
Summit Business Media, LLC	Business media consulting services	Junior secured loan (15.0%, due 11/13)(2)(3)	10,276	1,600			10,276	1,600
Summit Energy Services, Inc.	Energy management consulting services	Common stock (415,982 shares)			1,861	2,150	1,861	2,150
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest						
VSS-Tranzact Holdings, LLC(5)	Management consulting services	Member interest	10,000	6,000			10,000	6,000
Total			153,692	133,683	502,472	478,417	656,164	612,100
Healthcare								
Air Medical Group Holdings LLC(5)	Medical escort services	Senior secured revolving loan (4.3%, due 3/11)			4,642	4,456	4,642	4,456
		Preferred stock			2,993	20,000	2,993	20,000
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (8.5%, due 12/10)	1,082	1,082			1,082	1,082
		Senior secured loan (8.5%, due 12/11)	10,401	10,401			10,401	10,401
Axium Healthcare Pharmacy, Inc.	Specialty pharmacy provider	Senior subordinated note (8.0%, due 3/15)(2)			2,975	2,380	2,975	2,380
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (13.0%, due 2/16)	85,000	82,450			85,000	82,450
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(5)	Healthcare analysis services	Preferred stock (7,427 shares)	7,427	7,055			7,427	7,055
		Common stock (11,225 shares)	4,000	8,134			4,000	8,134
DSI Renal, Inc.	Dialysis provider	Senior secured revolving loan (5.3%, due 3/13)	7,890	6,788			7,890	6,788
		Senior secured loan (5.3%, due 4/14)	12,161	14,472			12,161	14,472
		Senior subordinated note (16.0%, due 4/14)(2)	77,114	59,840			77,114	59,840
GC Merger Sub I, Inc.	Drug testing services	Senior secured loan (4.3%, due 12/14)	22,320	20,064			22,320	20,064
HCP Acquisition Holdings, LLC(4)	Healthcare compliance advisory services	Class A units (10,062,095 units)	10,062	7,194			10,062	7,194

Heartland Dental Care, Inc.	Dental services	Senior subordinated note (14.3%, due 8/13)(2)	32,717	32,717			32,717	32,717
Insight Pharmaceuticals Corporation(4)	OTC drug products manufacturer	Senior subordinated note (15.0%, due 9/12)(2)			54,100	52,098	54,100	52,098
		Common stock (155,000 shares)			40,413	10,419	40,413	10,419
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior subordinated note (14.8%, due 12/12)(2)	3,241	4,646			3,241	4,646

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
MPBP Holdings, Inc., Cohr Holdings, Inc., and MPBP Acquisition Co., Inc.	Healthcare equipment services	Senior secured loan (due 1/14)	512	489			512	489
		Junior secured loan (6.5%, due 1/14)	32,000	8,000			32,000	8,000
		Common stock (50,000 shares)	5,000				5,000	
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (6.5%, due 5/12)	5,000	4,350			5,000	4,350
OnCURE Medical Corp.	Radiation oncology care provider	Senior secured loan (3.8%, due 8/09)	3,076	2,707			3,076	2,707
		Senior subordinated note (12.5%, due 8/13)(2)	32,542	29,288			32,542	29,288
		Common stock (857,143 shares)	3,000	3,000			3,000	3,000
Passport Health Communications, Inc., Passport Holding Corp, and Prism Holding Corp.	Healthcare technology provider	Senior secured loan (10.5%, due 5/14)	24,471	23,981			24,471	23,981
		Series A preferred stock (1,594,457 shares)	9,900	9,900			9,900	9,900
		Common stock (16,106 shares)	100	100			100	100
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated note (12.5%, due 3/16)	3,935	3,920			3,935	3,920
		Preferred stock (333 shares)	333	334			333	334
		Common stock (16,667 shares)	167	167			167	167
Reed Group, Ltd.	Medical disability management services provider	Senior secured loan (6.4%, due 12/13)			11,929	9,530	11,929	9,530
		Senior subordinated loan (15.8%, due 12/13)(2)			19,013	14,924	19,013	14,924
		Common equity			1,800		1,800	
Regency Healthcare Group, LLC(5)	Hospice provider	Preferred member interest			1,302	1,841	1,302	1,841
The Schumacher Group of Delaware, Inc.	Outsourced physician service provider	Senior subordinated note (12.1%, due 7/12)(2)	36,138	36,138			36,138	36,138
Soteria Imaging Services, LLC(5)	Outpatient medical imaging provider	Junior secured loan (11.3%, due 11/10)			4,204	4,154	4,204	4,154
		Preferred member interest			1,881	1,283	1,881	1,283
Triad Laboratory Alliance, LLC	Laboratory services	Senior secured loan (8.5%, due 12/11)	4,116	4,282			4,116	4,282
		Senior subordinated note (13.8%, due 12/12)(2)	15,534	15,068			15,534	15,068
VOTC Acquisition Corp.			17,329	17,329			17,329	17,329

	Radiation oncology care provider	Senior secured loan (13.0%, due 7/12)(2)						
		Series E preferred shares (3,888,222 shares)	8,748	3,800			8,748	3,800
Total			475,316	417,696	145,252	121,085	620,568	538,781

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Services Other								
3SI Security Systems, Inc.	Cash protection systems provider	Senior subordinated note (16.0%, due 8/13)(3)			20,443	14,865	20,443	14,865
		Subordinated loan (18.0%, due 8/13)(2)(3)			9,030		9,030	
American Residential Services, LLC	Plumbing, heating and air-conditioning services	Junior secured loan (12.0%, due 4/15)(2)	20,505	19,685			20,505	19,685
Avborne, Inc.(4)	Maintenance, repair and overhaul service provider	Preferred stock (12,500 shares)				904		904
		Common stock (27,500 shares)						
Avborne Heavy Maintenance, Inc.(4)	Maintenance, repair and overhaul service provider	Common stock (2,750 shares)						
Aviation Properties Corporation(4)	Aviation services	Common stock (100 shares)			93		93	
Coverall North America, Inc.(4)	Commercial janitorial service provider	Senior secured loan (12.0%, due 7/11)			31,565	31,565	31,565	31,565
		Senior subordinated note (15.0%, due 7/11)(2)			5,553	5,553	5,553	5,553
		Common stock (763,333 shares)			14,362	21,261	14,362	21,261
Diversified Collection Services, Inc.	Collections services	Senior secured loan (9.50%, due 8/11)	12,983	14,714			12,983	14,714
		Senior secured loan (13.8%, due 2/11)	1,931	1,931			1,931	1,931
		Senior secured loan (13.8%, due 8/11)	7,492	7,492			7,492	7,492
		Preferred stock (14,927 shares)	169	264			169	264
		Common stock (592,820 shares)	295	286	734	920	1,029	1,206
Driven Brands, Inc.(5)	Automotive aftermarket service provider	Junior subordinated notes (15.0%, due 7/15)			42,840	41,538	42,840	41,538
		Subordinated loan (18.0%, due 7/15)(2)			46,637	44,860	46,637	44,860
		Common stock (3,772,098 shares)			9,516	2,500	9,516	2,500
Freedom Financial Network, LLC	Debt relief consulting services	Senior subordinated note (13.5%, due 2/14)			5,953	6,000	5,953	6,000
GCA Services Group, Inc.	Custodial services	Senior secured loan (12.0%, due 12/11)	37,788	37,889			37,788	37,889
Growing Family, Inc. and GFH Holdings, LLC	Photography services	Senior secured revolving loan (10.5%, due 8/11)(2)(3)	1,513	454			1,513	454
		Senior secured loan (13.0%, due 8/11)(2)(3)	11,188	3,356			11,188	3,356
		Senior secured loan (11.3%, due 8/11)(3)	372	111			372	111

		Senior secured loan (15.5%, due 8/11)(2)(3)	3,722	1,117	3,722	1,117
		Common stock (552,430 shares)	872		872	
NPA Acquisition, LLC	Powersport vehicle auction operator	Junior secured loan (7.0%, due 2/13)	12,000	12,000	12,000	12,000
		Common units (1,709 shares)	1,000	2,300	1,000	2,300

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Tradesmen International, Inc.	Construction labor support	Junior secured loan (12.0%, due 12/12)			39,793	18,347	39,793	18,347
Trover Solutions, Inc.	Healthcare collections services	Junior subordinated loan (12.0%, due 11/12)(2)			56,510	52,568	56,510	52,568
United Road Towing, Inc.	Towing company	Junior secured loan (11.8%, due 1/14)			18,988	18,792	18,988	18,792
Web Services Company, LLC	Laundry service and equipment provider	Senior secured loan (5.3%, due 8/14)	4,582	4,802			4,582	4,802
		Senior subordinated loan (14.0%, due 8/16)(2)	43,743	41,556			43,743	41,556
Total			160,155	147,957	302,017	259,673	462,172	407,630
Consumer Products Non-Durable								
Augusta Sportswear Group, Inc.(6)	Team apparel manufacturer	Common stock (2,500 shares)			2,500	1,523	2,500	1,523
Bushnell, Inc.	Sports optics manufacturer	Junior secured loan (6.8%, due 2/14)			40,161	30,204	40,161	30,204
CR Holding, Inc.(4)(6)	Cleaning products manufacturer	Senior subordinated note (16.6%, due 2/13)(2)(3)			40,510	10,271	40,510	10,271
		Common stock (32,090,696 shares)			28,744		28,744	
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior subordinated loan (13.4%, due 10/13)			25,186	23,101	25,186	23,101
The Homax Group, Inc.(6)	Home improvement products manufacturer	Senior secured loan (6.2%, due 10/12)(2)			9,997	9,059	9,997	9,059
		Senior secured revolver (8.0% due 10/12)(2)			75	109	75	109
		Senior subordinated note (14.5%, due 4/14)(2)			13,619	4,945	13,619	4,945
		Preferred stock (76 shares)			76		76	
		Common stock (24 shares)			5		5	
		Warrants			954		954	
Innovative Brands, LLC	Consumer products and personal care manufacturer	Senior secured loan (15.5%, due 9/11)	17,421	17,421			17,421	17,421
Making Memories Wholesale, Inc.(4)	Scrapbooking branded products manufacturer	Senior secured loan (10.0%, due 8/14)	7,869	9,875			7,869	9,875
		Senior secured loan (15.0%, due 8/14)(2)	4,070	3,025			4,070	3,025
		Common stock (100 shares)						
Progressive International Corporation(5)(6)	Kitchenware manufacturer	Preferred stock (500 shares)			500	5,847	500	5,847
		Common stock (197 shares)			13	153	13	153
		Warrants						

Shoes for Crews, LLC	Safety footwear and slip-related mat manufacturer	Senior secured loan (5.5%, due 7/10)	304	302			304	302
The Step2 Company, LLC	Toy manufacturer	Senior secured loan (11.0%, due 4/12)(2)			94,396	89,550	94,396	89,550
		Equity interests			2,156	1,528	2,156	1,528

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
The Thymes, LLC(4)	Cosmetic products manufacturer	Preferred stock (8.0%, 6,283 shares)(2)	6,283	5,654			6,283	5,654
		Common stock (5,400 shares)						
Wear Me Apparel, LLC(5)(6)	Clothing manufacturer	Senior subordinated note (17.5%, due 4/13)(2)(3)	24,110	18,083	127,316	71,345	151,426	89,428
		Subordinated note (9.0%, due 4/14)(3)			11,243		11,243	
		Common stock (10,086 shares)	10,000		39,549		49,549	
Woodstream Corporation	Pest control, wildlife caring and control products manufacturer	Senior subordinated note (12.0%, due 2/15)			89,678	74,221	89,678	74,221
		Common stock (6,960 shares)			6,961	2,000	6,961	2,000
Total			70,057	54,360	533,639	323,856	603,696	378,216
Restaurants and Food Services								
ADF Capital, Inc. and ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (6.5%, due 11/13)	3,418	3,418			3,418	3,418
		Senior secured loan (12.5%, due 11/12)(2)	34,691	34,684			34,691	34,684
		Promissory note (12.0%, due 11/16)(2)	13,093	13,795			13,093	13,795
		Warrants to purchase 0.61 shares		4,370				4,370
Encanto Restaurants, Inc.	Restaurant owner and operator	Junior secured loan (11.0%, due 8/13)(2)	25,438	24,166			25,438	24,166
Hot Light Brands, Inc.(4)	Restaurant owner and operator	Senior secured loan (9.0%, due 2/11)(3)			30,572	10,471	30,572	10,471
		Common stock (93,500 shares)			5,151		5,151	
Hot Stuff Foods, LLC(4)	Convenience food service retailer	Senior secured loan (3.7%, due 2/11)			610	610	610	610
		Senior secured loan (3.7%, due 2/12)			44,700	44,807	44,700	44,807
		Junior secured loan (7.2% due 8/12)(3)			31,237	34,900	31,237	34,900
		Senior subordinated note (15.0%, due 2/13)(2)(3)			31,401	14,901	31,401	14,901
		Subordinated note (16.0%, due 2/13)(2)(3)			20,749		20,749	
		Common stock (1,147,453 shares)			56,187		56,187	
Huddle House, Inc.(4)	Restaurant owner and operator	Senior subordinated note (15.0%, due 12/15)(2)			19,494	19,494	19,494	19,494
		Common stock (358,428 shares)			36,348	7,651	36,348	7,651
OTG Management, Inc.	Airport restaurant operator	Junior secured loan (20.5%, due 6/13)(2)	15,884	15,884			15,884	15,884
		Warrants to purchase 89,000 shares		750				750
S.B. Restaurant Company					38,184	33,606	38,184	33,606

Restaurant owner and operator	Senior secured loan (9.8%, due 4/11)		
	Preferred stock (46,690 shares)	117	117
	Warrants	534	534

See accompanying notes to pro forma condensed consolidated financial statements.

Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Vistar Corporation and Wellspring Distribution Corporation	Food service distributor	Senior subordinated note (13.5%, due 5/15)	73,625	69,944			73,625	69,944
		Class A non-voting common stock (1,366,120 shares)	7,500	3,253			7,500	3,253
Total			173,649	170,264	315,284	166,440	488,933	336,704
Beverage, Food and Tobacco								
3091779 Nova Scotia Inc.	Baked goods manufacturer	Junior secured loan (14.0%, due 11/12)(2)	15,047	11,278			15,047	11,278
		Senior secured revolving loan (8.0%, due 11/12)	6,757	7,127			6,757	7,127
		Warrants to purchase 57,545 shares						
Apple & Eve, LLC and US Juice Partners, LLC(5)	Juice manufacturer	Senior secured loan (14.5%, due 10/13)	36,086	35,726			36,086	35,726
		Senior units (50,000 units)	5,000	3,500			5,000	3,500
Best Brands Corporation	Baked goods manufacturer	Senior secured loan (7.5%, due 12/12)(2)	10,966	13,135			10,966	13,135
		Senior secured loan (7.5%, due 6/13)(2)	7,462	8,759			7,462	8,759
		Junior secured loan (16.0%, due 6/13)(2)	48,397	49,036			48,397	49,036
Border Foods, Inc.(4)	Green chile and jalapeno products manufacturer	Senior secured loan (12.9%, due 3/12)			29,495	34,876	29,495	34,876
		Preferred stock (100,000 shares)			12,721	16,585	12,721	16,585
		Common stock (260,467 shares)			3,847		3,847	
Bumble Bee Foods, LLC and BB Co-Invest LP	Canned seafood manufacturer	Senior subordinated loan (16.3%, due 11/18)(2)	30,756	30,756			30,756	30,756
		Common stock (4,000 shares)	4,000	5,700			4,000	5,700
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated note (13.0%, due 2/13)(2)	5,874	5,874			5,874	5,874
		Preferred stock (6,258 shares)	2,500	1,725			2,500	1,725
Distant Lands Trading Co.	Coffee manufacturer	Senior secured revolving loan (6.3%, due 11/11)			6,781	6,358	6,781	6,358
		Senior secured loan (11.0%, due 11/11)			43,499	41,967	43,499	41,967
		Common stock (3,451 shares)			3,451	1,147	3,451	1,147
Farley's & Sathers Candy Company, Inc.(6)	Confections manufacturer	Junior secured loan (8.3%, due 3/11)			2,496	2,492	2,496	2,492
Ideal Snacks Corporation	Snacks manufacturer	Senior secured loan (8.5%, due 6/10)			1,084	1,068	1,084	1,068
Total			172,845	172,616	103,374	104,493	276,219	277,109
Education								

Campus Management Corp. and Campus Management Acquisition Corp.(5)	Education software developer	Senior secured loan (16.0%, due 8/13)(2)	33,774	33,774			33,774	33,774
		Senior secured loan (13.0%, due 8/13)(2)	9,028	9,028			9,028	9,028
		Preferred stock (8.0%, 493,147 shares)(2)	8,952	12,800			8,952	12,800

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior subordinated loan (19.5%, due 11/13)(2)			36,602	36,501	36,602	36,501
eInstruction Corporation	Developer, manufacturer and retailer of educational products	Junior secured loan (7.8%, due 7/14)			16,938	15,471	16,938	15,471
		Subordinated loan (16.0%, due 1/15)(2)			19,013	17,237	19,013	17,237
		Common stock (2,406 shares)			2,500	750	2,500	750
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (3.5%, due 11/12)	162	154			162	154
		Junior secured loan (7.3%, due 11/13)	8,333	7,917			8,333	7,917
Instituto de Banca y Comercio, Inc. Leeds IV Advisors, Inc.	Private school operator	Senior secured revolving loan (6.5%, due 3/14)	1,232	1,232			1,232	1,232
		Senior secured loan (8.5%, due 3/14)	11,730	11,730			11,730	11,730
		Senior subordinated loan (16.0%, due 6/14)(2)	30,644	30,644			30,644	30,644
		Preferred stock (306,388 shares)	1,456	3,479			1,456	3,479
		Common stock (354,863 shares)	89	4,029			89	4,029
Lakeland Finance, LLC	Private school operator	Senior secured note (11.5%, due 12/12)	33,000	33,000			33,000	33,000
R3 Education, Inc.(5)	Medical school operator	Senior secured revolving loan (6.3%, due 12/12)	1,186	1,162			1,186	1,162
		Senior secured loan (6.3%, due 12/12)	21,388	20,960			21,388	20,960
		Member interest	15,800	17,185			15,800	17,185
		Preferred stock (8,800 shares)	2,200	2,200			2,200	2,200
Total			178,974	189,294	75,053	69,959	254,027	259,253
Manufacturing								
Arrow Group Industries, Inc.	Residential and outdoor shed manufacturer	Senior secured loan (5.3%, due 4/10)	5,653	5,223			5,653	5,223
Broadcast Electronics, Inc.(6)	Radio manufacturer	Senior secured loan (8.8%, due 11/11)(2)(3)			4,847	340	4,847	340
		Preferred stock (2,044 shares)						
Component Hardware Group, Inc.	Commercial equipment manufacturer	Senior subordinated note (13.5%, due 1/13)(2)			18,876	16,587	18,876	16,587
Emerald Performance Materials, LLC	Polymers and performance materials	Senior secured loan (8.3%, due 5/11)	9,554	9,172			9,554	9,172

manufacturer					
	Senior secured loan (8.5%, due 5/11)	156	150	156	150
	Senior secured loan (10.0%, due 5/11)	1,604	1,508	1,604	1,508
	Senior secured loan (16.0%, due 5/11)(2)	4,900	4,704	4,900	4,704

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Jakel, Inc.(4)	Electric motor manufacturer	Senior subordinated loan (15.5%, due 3/08)(2)(3)			748	374	748	374
NetShape Technologies, Inc.	Metal precision engineered components manufacturer	Senior secured loan (4.0%, due 2/13)			875	368	875	368
Penn Detroit Diesel Allison, LLC(4)	Diesel engine manufacturer	Member interest			20,081	13,870	20,081	13,870
Postle Aluminum Company, LLC(5)	Aluminum distribution provider	Senior secured loan (6.0%, due 10/12)(2)(3)			34,876	15,308	34,876	15,308
		Senior subordinated loan (3.0%, due 10/12)(2)(3)			23,868		23,868	
		Member interest			2,174		2,174	
Qualitor, Inc.	Automotive aftermarket components supplier	Senior secured loan (6.0%, due 12/11)	1,743	1,656			1,743	1,656
		Junior secured loan (9.0%, due 6/12)	5,000	4,750			5,000	4,750
Reflexite Corporation(4)	Developer and manufacturer of high-visibility reflective products	Senior subordinated loan (18.0%, due 2/15)(2)	16,557	16,557			16,557	16,557
		Common stock (1,821,860 shares)	27,435	24,898			27,435	24,898
Saw Mill PCG Partners LLC	Precision components manufacturer	Common units (1,000 units)	1,000				1,000	
Service Champ, Inc.(4)	Automotive aftermarket components supplier	Senior subordinated loan (15.5%, due 4/12)(2)			27,515	27,515	27,515	27,515
		Common stock (55,112 shares)			11,785	28,321	11,785	28,321
Stag-Parkway, Inc.(4)	Automotive aftermarket components supplier	Junior subordinated loan (10.0%, due 7/12)			19,000	19,000	19,000	19,000
		Common stock (25,000 shares)			32,686	7,359	32,686	7,359
STS Operating, Inc.	Hydraulic systems equipment and supplies provider	Senior subordinated note (11.0%, due 1/13)			30,313	27,305	30,313	27,305
Tappan Wire & Cable Inc.	Specialty wire and cable manufacturer	Senior secured loan (15.0%, due 8/14)(3)			22,248	4,515	22,248	4,515
		Common stock (12,940 shares)			2,043		2,043	
		Warrant						
TransAmerican Auto Parts, LLC	Automotive aftermarket parts retailer and supplier	Senior subordinated note (18.3%, due 11/12)(2)(3)			24,409		24,409	

		Preferred member interest			923		923	
		Common member interest			110		110	
Universal Trailer Corporation(5)	Livestock and specialty trailer manufacturer	Common stock (74,920 shares)	7,930				7,930	
Total			81,532	68,618	277,377	160,862	358,909	229,480

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Retail								
Apogee Retail, LLC	For-profit thrift retailer	Senior secured loan (5.5%, due 3/12)	4,840	4,356			4,840	4,356
		Senior secured loan (16.0%, due 11/12)(2)	11,296	11,296			11,296	11,296
		Senior secured loan (5.5%, due 3/12)	38,438	34,595			38,438	34,595
Dufry AG	Retail newsstand operator	Common stock (39,056 shares)	3,000	2,200			3,000	2,200
Savers, Inc. and SAI Acquisition Corp.	For-profit thrift retailer	Senior subordinated note (12.0%, due 8/14)(2)	28,280	27,715			28,280	27,715
		Common stock (1,170,182 shares)	4,500	5,840			4,500	5,840
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gift retailer	Senior secured loan (6.5%, due 9/12)(2)	40,211	28,148			40,211	28,148
		Preferred stock (800 shares)	200				200	
		Common stock (80 shares)	1,800				1,800	
		Warrants to purchase 858 common shares						
		Warrants to purchase 73 preferred shares						
Total			132,565	114,150			132,565	114,150
Consumer Products Durable								
Carlisle Wide Plank Floors, Inc.	Hardwood floor manufacturer	Senior secured loan (12.0%, due 6/11)			1,637	1,533	1,637	1,533
		Common stock (345,056 shares)			345		345	
Direct Buy Holdings, Inc. and Direct Buy Investors, LP(5)	Membership based buying club franchisor and operator	Senior secured loan (6.8%, due 11/12)	2,199	1,710			2,199	1,710
		Senior subordinated note (16.0%, due 5/13)(2)			76,139	60,287	76,139	60,287
		Limited partnership interest			8,000		8,000	
		Limited partnership interest	10,000	2,500			10,000	2,500
Havco Wood Products LLC	Laminated oak and fiber-reinforced composite flooring manufacturer for trailers	Member interest			910		910	
Total			12,199	4,210	87,031	61,820	99,230	66,030
Computers and Electronics								
Network Hardware Resale, Inc.	Networking equipment resale provider	Senior secured loan (12.8%, due 12/11)(2)			16,382	16,330	16,382	16,330
		Convertible subordinated loan (9.8%, due 12/15)(2)			16,000	16,000	16,000	16,000
RedPrairie Corporation	Software manufacturer	Junior secured loan (7.0%, due 1/13)	15,300	14,535			15,300	14,535

TZ Merger Sub, Inc.	Computers and electronics	Senior secured loan (7.5%, due 7/15)	4,726	4,830			4,726	4,830
X-rite, Incorporated	Artwork software manufacturer	Junior secured loan (14.4%, due 7/13)	10,906	10,906			10,906	10,906
Total			30,932	30,271	32,382	32,330	63,314	62,601

See accompanying notes to pro forma condensed consolidated financial statements.

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			Ares Capital		Allied Capital		Pro Forma Ares Capital	
Company	**Description**	**Investment**	**Cost**	**Fair Value**	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Printing, Publishing and Media								
Canon Communications LLC	Print publications services	Junior secured loan (13.8%, due 11/11)(2)	24,032	20,435			24,032	20,435
Courtside Acquisition Corp.	Community newspaper publisher	Senior subordinated loan (17.0%, due 6/14)(2)(3)	34,295				34,295	
EarthColor, Inc.	Printing management services	Subordinated note (15.0%, due 11/13)(2)(3)			123,385		123,385	
		Common stock (63,438 shares)			63,438		63,438	
		Warrants						
LVCG Holdings LLC(4)	Commercial printer	Member interest	6,600	1,980			6,600	1,980
National Print Group, Inc.	Printing management services	Senior secured revolving loan (9.0%, due 3/12)	1,826	1,114			1,826	1,114
		Senior secured revolving loan (8.3%, due 3/12)	272	166			272	166
		Senior secured loan (16.0%, due 3/12)(2)	8,016	4,928			8,016	4,928
		Preferred stock (9,344 shares)	2,000				2,000	
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications	Senior secured loan (10.5%, due 9/12)	28,000	28,000			28,000	28,000
		Preferred stock (29,969 shares)	2,997	3,873			2,997	3,873
		Common stock (15,393 shares)	3	4			3	4
Total			108,041	60,500	186,823		294,864	60,500
Aerospace & Defense								
AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (4.8%, due 10/13)	7,671	7,110			7,671	7,110
ILC Industries, Inc.	Industrial products provider	Junior secured loan (11.5%, due 8/12)	12,000	12,000			12,000	12,000
Thermal Solutions LLC and TSI Group, Inc.	Thermal management and electronics packaging manufacturer	Senior secured loan (4.0%, due 3/11)	572	549			572	549
		Senior secured loan (4.5%, due 3/12)	2,740	2,494			2,740	2,494
		Senior subordinated notes (14.0%, due 3/13)(2)	2,730	2,593			2,730	2,593
		Senior subordinated notes (14.3%, due 9/12)(2)	5,544	5,267			5,544	5,267
		Preferred stock (71,552 shares)	716	716			716	716
		Common stock (1,460,246 shares)	15	15			15	15
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and	Junior secured loan (15.0%, due 7/14)	28,000	28,000			28,000	28,000

	technical services						
		Junior preferred stock (10.0%, 14,655 shares)(2)	1,816	1,455		1,816	1,455
		Senior preferred stock (8.0%, 775 shares)(2)	96	77		96	77
		Common stock (151,439)	188	148		188	148
Total			62,088	60,424		62,088	60,424

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Telecommunications								
American Broadband Communications, LLC and American Broadband Holding Co.	Broadband communication services	Senior subordinated loan (18.0%, due 11/14)(2)	42,584	42,584			42,584	42,584
		Warrants to purchase 170 shares						
Startec Equity, LLC(4)	Communication services	Member interest			211		211	
Total Telecommunications			42,584	42,584	211		42,795	42,584
Oil and Gas								
Geotrace Technologies, Inc.	Reservoir processing, development services, and data management services	Warrants			2,027	2,300	2,027	2,300
IAT Equity, LLC and Affiliates d/b/a Industrial Air Tool(4)	Industrial products distributor	Senior subordinated note (9.0%, due 6/14)			6,000	6,000	6,000	6,000
		Member interest			7,500	9,948	7,500	9,948
UL Holding Co., LLC	Petroleum product manufacturer	Senior secured loan (9.3%, due 12/12)	10,945	10,726			10,945	10,726
		Senior secured loan (14.0%, due 12/12)	6,965	6,825			6,965	6,825
		Senior secured loan (9.4%, due 12/12)	2,985	2,925			2,985	2,925
		Common units (100,000 units)	500	500			500	500
Total			21,395	20,976	15,527	18,248	36,922	39,224
Environmental Services								
AWTP, LLC	Water treatment services	Junior secured loan (11.5%, due 12/12)(3)	13,682	6,841			13,682	6,841
Mactec, Inc.	Engineering and environmental services	Class B-4 stock (16 shares)						
		Class C stock (5,556 shares)		150				150
Oahu Waste Services, Inc.	Waste management services	Stock appreciation rights			206	406	206	406
Sigma International Group, Inc.	Water treatment parts manufacturer	Junior secured loan (15.0%, due 10/13)	17,500	12,250			17,500	12,250
Universal Environmental Services, LLC(5)	Hydrocarbon recycling and related waste management services and products	Preferred member interest			1,599		1,599	
Waste Pro USA, Inc.			12,263	13,263			12,263	13,263

	Waste management services	Class A common stock (611,614.80 shares)						
Wastequip, Inc.(5)	Waste management equipment manufacturer	Senior subordinated loan (12.0%, due 2/15)(2)	13,030	3,936			13,030	3,936
		Common stock (13,889 shares)	1,389				1,389	
Total			57,864	36,440	1,805	406	59,669	36,846

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Cargo Transport								
The Kenan Advantage Group, Inc.	Fuel transportation provider	Senior subordinated note (13.0%, due 12/13)(2)	25,899	25,381			25,899	25,381
		Senior secured loan (3.0%, due 12/11)	2,407	2,238			2,407	2,238
		Preferred stock (10,984 shares)	1,098	1,459			1,098	1,459
		Common stock (30,575 shares)	31	41			31	41
Total			29,435	29,119			29,435	29,119
Health Clubs								
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (4.8%, due 10/13)	26,741	23,532			26,741	23,532
		Senior secured loan (7.8%, due 10/13)	4	4			4	4
		Senior secured loan (6.8%, due 10/13)	5	4			5	4
Total			26,750	23,540			26,750	23,540
Buildings and Real Estate								
10th Street, LLC(5)	Document storage and management services	Senior subordinated note (13.0%, due 11/14)(2)			22,004	22,100	22,004	22,100
		Member interest			422	485	422	485
		Option			25	25	25	25
Total					22,451	22,610	22,451	22,610
Containers Packaging								
Industrial Container Services, LLC(5)	Industrial container manufacturer reconditioner and servicer	Senior secured loan (4.3%, due 9/11)	14,104	13,400			14,104	13,400
		Common stock (1,800,000 shares)	1,800	8,550			1,800	8,550
Total			15,904	21,950			15,904	21,950
Grocery								
Planet Organic Health Corp.	Organic grocery store operator	Junior secured loan (13.0%, due 7/14)	11,099	10,554			11,099	10,554
		Senior subordinated loan (17.0%, due 7/12)(2)	12,288	9,873			12,288	9,873
Total			23,387	20,427			23,387	20,427
Hotels, Motels, Inns & Gaming								
Crescent Equity Corporation(4)	Hospitality management services	Senior secured loan (10.0%, due 6/10)			433	433	433	433
					2,106		2,106	

	Subordinated notes (11.0%, due 9/11)(3)				
	Subordinated notes (11.0%, due 1/12)(3)	7,189	997	7,189	997
	Subordinated notes (11.0%, due 9/12)(3)	10,769	1,464	10,769	1,464
	Subordinated notes (11.0%, due 6/17)(3)	12,048	1,742	12,048	1,742
	Common stock (174 shares)	82,730		82,730	
Total		115,275	4,636	115,275	4,636

See accompanying notes to pro forma condensed consolidated financial statements.

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Company	Description	Investment	Ares Capital Cost	Ares Capital Fair Value	Allied Capital Cost	Allied Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
Housing Building Materials								
HB&G Building Products	Synthetic and wood product manufacturer	Senior subordinated loan (19.0%, due 3/11)(2)(3)	8,984	448			8,984	448
		Common stock (2,743 shares)	753				753	
		Warrants to purchase 4,464 shares	653				653	
Total			10,390	448			10,390	448
Commercial Real Estate Finance								
Commercial Mortgage Loans	3 loans	Up to 6.99%			32,143	31,006	32,143	31,006
	2 loans	7.00% - 8.99%			1,876	1,864	1,876	1,864
	1 loan	9.00% - 10.99%			6,476	6,476	6,476	6,476
	1 loan	11.00% - 12.99%			10,479	6,319	10,479	6,319
	2 loans	15.00% and above			3,970	4,848	3,970	4,848
Real Estate Owned					5,937	6,179	5,937	6,179
Real Estate Equity Interests					13,185	11,831	13,185	11,831
Total					74,066	68,523	74,066	68,523
Other								
Other Companies		Other debt investments			(151)	(151)	(151)	(151)
		Other equity investments			41	8	41	8
Total					(110)	(143)	(110)	(143)
Pro Forma Adjustments:								
Actual Sales of Allied Capital Investments subsequent to September 30, 2009(6)					(427,755)	(260,828)	(427,755)	(260,828)
Estimated Purchase Price Allocation Adjustment(1)								(258,326)
Total Investments			$2,245,137	$1,967,724	$3,840,579	$2,250,366	$6,085,716	$3,959,764

(1) Upon consumation of the merger and in accordance with ASC 805-10 (previously SFAS No. 141(r)), *Business Combinations*, Ares Capital will be required to allocate the purchase price of Allied Capital's assets based on Ares Capital's estimate of fair value and record such fair value as the cost basis and initial fair value of each such investment in Ares Capital's financial statements. In this regard, Ares Capital's management determined that the aggregate adjustment to Allied Capital's investments approximates $258.3 million. As a result, such adjustment has been reflected in a single line item entitled "Estimated Purchase Price Allocation Adjustment." However, a final determination of the fair value of Allied Capital's investments will be made after the merger is completed and, as a result, the actual amount of this adjustment may vary from the preliminary amount set forth herein. Thus, the information set forth in the columns reflect historical amounts and have not been individually adjusted to reflect the Estimated Purchase Price Allocation Adjustment.

(2) Has a payment-in-kind (PIK) interest feature.

(3)

Loan is on non-accrual status at September 30, 2009.

(4)
As defined in the Investment Company Act, the combined company "Controls" this portfolio company because it owns 25% or more of its outstanding voting securities and/or the combined company has the power to exercise control over the management or policies of the portfolio company.

(5)
As defined in the Investment Company Act, the combined company is an "Affiliated Person" to this portfolio company because it owns 5% or more of its outstanding voting securities and/or the combined company has the power to exercise control over the management or policies of the portfolio company (including through a management agreement).

(6)
Allied Capital's investment was fully or partially sold subsequent to September 30, 2009. Total realized losses on these sales were $163 million and the related reversal of net unrealized depreciation was $167 million. Allied Capital's $165 million investment in the SL Fund was sold to Ares Capital subsequent to September 30, 2009.

See accompanying notes to pro forma condensed consolidated financial statements.

Ares Capital Corporation and Subsidiaries
Notes to Pro Forma Condensed Consolidated Financial Statements
Unaudited
(In thousands, except share and per share data unless otherwise stated)

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma condensed consolidated financial information related to the merger is included as of and for the nine months ended September 30, 2009 and for the year ended December 31, 2008. On October 26, 2009, Ares Capital and Allied Capital entered into the merger agreement. For the purposes of the pro forma condensed consolidated financial statements, the purchase price is currently estimated at approximately $709 million, which is based upon a price of $11.69 per share (last closing price as of December 14, 2009) of Ares Capital common stock and an implied value per share of Allied Capital common stock of $3.80. The pro forma adjustments included herein reflect the conversion of Allied Capital common stock into Ares Capital common stock using an exchange ratio of 0.325 of a share of Ares Capital common stock for each of the approximately 179.4 million shares of Allied Capital common stock currently outstanding.

The merger will be accounted for as an acquisition of Allied Capital by Ares Capital in accordance with the acquisition method of accounting as detailed in ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations*. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree based on their fair values as of the date of acquisition. As described in more detail in ASC 805-10, goodwill, if any, will be recognized as of the acquisition date, for the excess of the consideration transferred over the fair value of identifiable net assets acquired. If the total acquisition date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred, the excess will be recognized as a gain. In connection with the merger and subsequent combination, the estimated fair value of the net assets to be acquired is currently anticipated to exceed the purchase price, and based on Ares Capital's preliminary purchase price allocation, a gain of approximately $363 million is currently expected to be recorded by Ares Capital in the period the merger and subsequent combination are completed.

Under the Investment Company Act rules, the regulations pursuant to Article 6 of Regulation S-X and the American Institute of Certified Public Accountants' Audit and Accounting Guide for Investment Companies, Ares Capital is precluded from consolidating any entity other than another investment company or an operating company that provides substantially all of its services and benefits to Ares Capital. Ares Capital's financial statements include its accounts and the accounts of all its consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

In determining the value of the assets to be acquired, Ares Capital uses ASC 820-10 (previously SFAS No. 157), *Fair Value Measurements*, which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires Ares Capital to assume that the portfolio investment is sold in a 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, Ares Capital has considered its principal market as the market in which Ares Capital exits its portfolio investments with the greatest volume and level of activity. ASC 820-10

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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 Ares Capital 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, Ares Capital continues to employ the relevant provisions of its valuation policy, which policy is consistent with ASC 820-10. Consistent with Ares Capital's valuation policy, the source of inputs, including any markets in which Ares Capital's investments are trading (or any markets in which securities with similar attributes are trading), are evaluated in determining fair value. Ares Capital's valuation policy considers the fact that because there is not a readily available market value for most of the investments in Ares Capital's portfolio, the fair value of its investments must typically be determined using unobservable inputs.

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 Ares Capital's investments may fluctuate from period to period. Additionally, the fair value of Ares Capital'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 Ares Capital 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 Ares Capital were required to liquidate a portfolio investment in a forced or liquidation sale, Ares Capital may realize significantly less than the value at which Ares Capital has recorded it.

The following table presents fair value measurements of investments for the pro forma combined company as of September 30, 2009:

	Fair Value Measurements Using			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments	$ 3,959,764	$	$ 27,904	$ 3,931,860

The following tables present changes in investments that use Level 3 inputs between the actual September 30, 2009 amounts and those presented for the pro forma combined company as of September 30, 2009:

	Ares Capital	**Allied Capital**	**Pro Forma Adjustments**	**Pro Forma Ares Capital Combined**
Actual balance as of September 30, 2009	$ 1,939,820	$ 2,511,194	$	$ 4,451,014
Estimated purchase price allocation adjustment			(258,326)	(258,326)
Actual sales of Allied Capital investments subsequent to September 30, 2009		(260,828)		(260,828)
Net transfers in and/or out of Level 3				
Pro Forma Balance as of September 30, 2009	$ 1,939,820	$ 2,250,366	$ (258,326)	$ 3,931,860

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As of September 30, 2009, the net unrealized loss on the investments that use Level 3 inputs for the pro forma combined company was $1.6 billion.

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 would be realized based on the valuations currently assigned.

Certain other transactions that affect the purchase price that occurred subsequent to September 30, 2009 have been adjusted for in the unaudited pro forma condensed consolidated balance sheet. These primarily include sales of investments and receivables of $279.5 million for Allied Capital as well as the related paydown of $151.0 million of debt of Allied Capital.

The unaudited pro forma condensed consolidated financial information includes preliminary estimated purchase price allocation adjustments to record the assets and liabilities of Allied Capital at their respective estimated fair values and represents Ares Capital's management's estimates based on available information. The pro forma adjustments included herein may be revised as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the merger and subsequent combination are completed and after completion of a final analysis to determine the estimated fair values of Allied Capital's assets and liabilities. Accordingly, the final purchase accounting adjustments and integration charges may be materially different from the pro forma adjustments presented in this document. Increases or decreases in the estimated fair values of the net assets, commitments, and other items of Allied Capital as compared to the information shown in this document may change the amount of the purchase price allocated to goodwill or recognized as income in accordance with ASC 805-10.

Ares Capital has elected to be treated as a RIC under subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, Ares Capital is required to timely distribute to its stockholders generally at least 90% of its investment company taxable income, as defined by the Code, for each year. The unaudited pro forma condensed consolidated financial information reflects that Ares Capital has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve Ares Capital from U.S. federal income taxes.

The unaudited pro forma condensed consolidated financial information presented in this document is for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had the merger and subsequent combination been completed at the beginning of the applicable period presented, nor the impact of expense efficiencies, asset dispositions, share repurchases and other factors. The unaudited pro forma condensed consolidated financial information is not indicative of the results of operations in future periods or the future financial position of the combined company.

2. PRELIMINARY PURCHASE ACCOUNTING ALLOCATIONS

The unaudited pro forma condensed consolidated financial information for the merger and subsequent combination includes the unaudited pro forma condensed consolidated balance sheet as of September 30, 2009 assuming the merger and subsequent combination were completed on September 30, 2009. The unaudited pro forma condensed consolidated income statements for the nine months ended September 30, 2009 and for the year ended December 31, 2008 were prepared assuming the merger and subsequent combination were completed on January 1, 2008.

The unaudited pro forma condensed consolidated financial information reflects the issuance of approximately 58.3 million shares of Ares Capital common stock in connection with the merger.

The merger and subsequent combination will be accounted for using the purchase method of accounting; accordingly, Ares Capital's cost to acquire Allied Capital will be allocated to the assets and

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liabilities of Allied Capital at their respective fair values estimated by Ares Capital as of the acquisition date. The amount of the total acquisition date fair value of the identifiable net assets acquired that exceeds the total purchase price, if any, will be recognized as a gain. Accordingly, the pro forma purchase price has been allocated to the assets acquired and the liabilities assumed based on Ares Capital's currently estimated fair values as summarized in the following table:

Common stock issued	$	681,440
Payment of "in-the-money" Allied Capital stock options		28,046(1)
Total purchase price	$	709,486
Assets acquired:		
Investments	$	1,992,040
Cash and cash equivalents		28,046
Other assets		123,240
Total assets acquired		2,143,326
Debt and other liabilities assumed		(1,070,425)
Net assets acquired		1,072,901
Gain on acquisition of Allied Capital		(363,415)
	$	709,486

(1) Holders of any "in-the-money" Allied Capital stock options have the right to either receive cash or stock. For the purposes of the pro forma condensed consolidated financial statements, it is assumed that the options will be paid in cash.

3. PRELIMINARY PRO FORMA ADJUSTMENTS

The preliminary pro forma purchase accounting allocation included in the unaudited pro forma condensed consolidated financial information is as follows:

A. To reflect Allied Capital's September 30, 2009 balance sheet, updated for estimated changes subsequent to September 30, 2009:

	Allied Capital Actual September 30, 2009	Pro Forma Adjustments(1)	Adjusted Allied Capital September 30, 2009
Investments	$ 2,511,194	$ (260,828)	$ 2,250,366
Cash and cash equivalents	153,416	129,995	283,411
Other assets	175,606	(21,977)	153,629
Total assets	$ 2,840,216	$ (152,810)	$ 2,687,406
Debt	$ 1,593,867	$ (143,690)	1,450,177
Other liabilities	45,084		45,084
Total liabilities	1,638,951	(143,690)	1,495,261

Net assets		1,201,265		(9,120)		1,192,145
Total liabilities and net assets	$	2,840,216	$	(152,810)	$	2,687,406

(1) Primarily the result of sales of certain investments and receivables for Allied Capital subsequent to September 30, 2009 and the use of a portion of the proceeds by Allied Capital to repay outstanding borrowings. Included within the $260.8 million of sales of investments is the sale of the investment in the SL Fund, on October 30, 2009, from Allied Capital to Ares Capital for approximately $165 million.

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B.

To reflect the acquisition of Allied Capital by the issuance of approximately 58.3 million shares of Ares Capital common stock. Below reflects the allocation of the purchase price on the basis of Ares Capital's current estimate of the fair value of assets to be acquired and liabilities to be assumed:

Components of purchase price:

	Adjusted Allied Capital September 30, 2009	Pro Forma Adjustments	Pro Forma
Common stock issued	$ 681,440	$	$ 681,440
Payment of "in-the-money" Allied Capital stock options	28,046(4)		28,046
Total purchase price	$ 709,486	$	$ 709,486
Assets acquired:			
Investments	$ 2,250,366	$ (258,326)(1)	$ 1,992,040
Cash and cash equivalents	283,411	(255,365)(2)(3)	28,046
Other assets	153,629	(30,389)(1)	123,240
Total assets acquired	2,687,406	(544,080)	2,143,326
Debt and other liabilities assumed	(1,495,261)	424,836(1)(2)(3)	(1,070,425)
Net assets acquired	1,192,145	(119,244)(1)(2)	1,072,901
Gain on acquisition of Allied Capital	(482,659)	119,244	(363,415)
Total	$ 709,486	$	$ 709,486

(1) Primarily to reflect the allocation of purchase price to Allied Capital's assets and liabilities based on Ares Capital's current estimates of fair value. There is no single approach for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process. See "Management's Discussion and Analysis of Financial Condition and Results of Allied Capital Results of Operations." There were also adjustments made of $231.3 million and $30.4 million to Allied Capital's debt and other assets, respectively, to mark them to fair value. Allied Capital's debt is currently carried at amortized cost. The adjustment to other assets was primarily an adjustment to Allied Capital's capitalized debt costs, which are included in other assets and are also currently carried at amortized cost.

(2) In addition to the net effect of the fair value adjustments to Allied Capital's assets and liabilities, the net assets of Allied Capital were decreased for various transaction costs expected to be incurred by Allied Capital related to the merger of approximately $49.7 million, including $32.5 million of other liabilities expected to be paid within the 12 months following the merger.

(3) Excess available cash of $238.1 million from the Allied Capital transaction is assumed to be used to paydown certain outstanding Allied Capital debt, which net of original issue discount recorded on the debt will reduce debt by $226.1 million.

(4)

Holders of any "in-the-money" Allied Capital stock options have the right to either receive cash or stock. For the purposes of the pro forma condensed consolidated financial statements it is assumed that the options will be paid in cash.

C.

The net assets of the pro forma combined company were decreased for various transaction costs expected to be incurred by Ares Capital related to the merger of approximately $16.3 million as

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well as the assumed cash payment of $28.0 million of the "in-the-money" Allied Capital stock options.

D.

The purchase price of certain investments in debt securities being acquired from Allied Capital is estimated by Ares Capital to be less than the expected recovery value of such investments. In accordance with GAAP, subsequent to the effective time, Ares Capital will record the accretion to the expected recovery value in interest income over the remaining term of the investment. Interest income has not been adjusted to reflect the accretion to the expected recovery value for the periods presented. The accretion for the first 12 months after the effective time is estimated to be approximately $30 million. However, there can be no assurance that such accretion will be more or less than such estimate.

E.

The fair value of the outstanding debt assumed from Allied Capital is estimated by Ares Capital to be below the face amount of such debt. In accordance with GAAP, subsequent to the effective time, Ares Capital will record accretion to the face amount in interest expense over the remaining term of the debt. Interest expense has not been adjusted to reflect the accretion to the face value for the periods presented. The accretion for the first 12 months after the effective time is estimated to be approximately $67 million. However, there can be no assurance that such accretion will be more or less than such estimate.

F.

Base management fees were computed based on 1.5% of average total assets other than cash and cash equivalents but including assets purchased with borrowed funds per Ares Capital's investment advisory and management agreement with Ares Capital Management.

G.

Incentive management fees were recomputed based on the formula in Ares Capital's investment advisory and management agreement with Ares Capital Management.

H.

Adjustments to other expenses were made to reflect compensation costs for Allied Capital's employees that would have been covered by the base management fees paid to Ares Capital Management and therefore not incurred by Ares Capital. Additionally, all stock option costs were excluded as such costs would not exist at Ares Capital as there is no stock option plan maintained by Ares Capital. Payments of stock option costs to employees would have been similarly incurred by Ares Capital in the form of incentive management fees paid to Ares Capital Management. Lastly, any actual costs incurred related to the merger and subsequent combination, primarily various transaction costs, were also excluded.

I.

Total shares outstanding as of September 30, 2009 have been adjusted to reflect the following:

Ares Capital shares outstanding as of September 30, 2009	109,592,728
Estimated shares issued in connection with the merger reflected as outstanding for the periods presented	58,292,577
Ares Capital adjusted shares outstanding as of September 30, 2009	167,885,305

Weighted average shares for the nine months ended September 30, 2009 and the year ended December 31, 2008 have been adjusted to reflect the following:

	For the Nine Months Ended September 30, 2009	For the Year Ended December 31, 2008
Ares Capital weighted average shares outstanding	99,066,652	89,666,243
Estimated shares issued in connection with the merger reflected as outstanding for the periods presented	58,292,577	58,292,577
Ares Capital adjusted weighted average shares outstanding	157,359,229	147,958,820

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CAPITALIZATION

The following table sets forth (1) Ares Capital's actual capitalization at September 30, 2009 and (2) Ares Capital's capitalization as adjusted to reflect the effects of the merger. You should read this table together with Ares Capital's balance sheet and the pro forma financial information included elsewhere in this document.

	As of September 30, 2009 (unaudited, dollar amounts in thousands except per share data)	
	Actual	As Adjusted for the Merger
Cash and cash equivalents(1)	$ 61,469	$ 45,203
Debt		
Total Debt	$ 767,871	$ 1,760,712
Stockholders' Equity		
Common stock, par value $.001 per share, 200,000,000 common shares authorized, 109,592,728 common shares issued and outstanding, actual; 300,000,000 common shares authorized, 167,885,305 common shares issued and outstanding, as adjusted(1)	$ 110	$ 168
Capital in excess of par value	1,505,031	2,533,562
Accumulated undistributed net investment loss	(2,436)	(2,436)
Accumulated net realized loss on investments, foreign currency transactions and extinguishment of debt	(2,397)	(2,397)
Net unrealized loss on investments and foreign currency transactions	(277,717)	(277,717)
Total stockholders' equity	1,222,591	2,251,180
Total capitalization	$ 1,990,462	$ 4,011,892

(1) Does not include the effects of Ares Capital's dividend paid and the distribution of shares in connection with its dividend reinvestment plan on December 31, 2009.

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THE MERGER

The discussion in this document, which includes the material terms of the merger and the principal terms of the merger agreement, is subject to, and is qualified in its entirety by reference to, the merger agreement, a copy of which is attached as Annex A to this document and is incorporated by reference in this document.

General Description of the Merger

Pursuant to the merger agreement, at the effective time, Merger Sub will merge with and into Allied Capital, with Allied Capital as the surviving entity in such merger, and Merger Sub will cease to exist as a separate corporation following such merger. Immediately thereafter, in the combination, Allied Capital will merge with and into Ares Capital, with Ares Capital as the surviving entity in such merger, and Allied Capital will cease to exist as a separate corporation following such merger.

In the merger, each outstanding share of Allied Capital common stock outstanding immediately prior to the effective time will be converted into the right to receive 0.325 shares of common stock of Ares Capital, subject to the payment of cash instead of fractional shares of Ares Capital common stock.

Except in certain limited circumstances described below under "Description of the Merger Agreement," the exchange ratio will not be adjusted, including for any dividends declared by Ares Capital.

If the subsequent combination is consummated, all the assets and liabilities of Allied Capital and Merger Sub immediately before the merger will become, directly or indirectly, the assets and liabilities of Ares Capital, as the surviving entity, immediately after the subsequent combination, and Allied Capital's subsidiaries will become subsidiaries of Ares Capital after the subsequent combination.

Following completion of the merger, based on the number of shares of Ares Capital common stock issued and outstanding on the date hereof and assuming that holders of all "in-the-money" Allied Capital stock options elect to be cashed out, Ares Capital stockholders will own approximately 65% of the combined company's outstanding common stock and Allied Capital stockholders will own approximately 35% of the combined company's outstanding common stock.

Background of the Merger

Allied Capital's management and Allied Capital's board of directors regularly review and consider potential strategic options for Allied Capital in light of its performance, its business needs and the challenges and opportunities presented by the economic and industry environment. As part of this process, members of Allied Capital's management have met informally from time to time with management of other financial institutions and business development companies, or BDCs, regarding industry trends and strategic considerations.

During 2008, the United States and global economies experienced a severe economic recession. A series of unexpected and unprecedented events occurred in rapid succession in the financial services industry that caused uncertainty and stress in the financial markets. These events included the acquisition of Bear Stearns by JPMorgan Chase & Co., the conservatorship of Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers Holdings, the acquisition of Merrill Lynch by Bank of America and growing concerns about the viability of American International Group, or "AIG," which later culminated in a transaction in which the Federal Reserve acquired most of AIG's equity. Major financial indices declined precipitously, worldwide credit availability became scarce and financial institutions generally became capital and liquidity constrained and struggled to restructure their businesses.

During this period, Allied Capital experienced a lack of access to the equity capital markets. Beginning in June 2008, Allied Capital's common stock began trading at a price below the net asset value per share of its common stock. Because the Investment Company Act prohibits a BDC from selling shares of its common stock at a price below its net asset value per share without the approval of its stockholders, Allied Capital was unable to conduct an offering of its common stock off its effective shelf registration statement. Although Allied Capital sought stockholder approval to issue shares of its common stock below net asset value per share at its 2008 annual meeting of stockholders, Allied Capital was unable to obtain stockholder approval, despite multiple adjournments to try to obtain the required vote. As a result, Allied Capital has not been able to access the equity capital markets since June 2008.

In the summer of 2008, Allied Capital began to explore a variety of strategic alternatives, including continuing its existing business on a stand-alone basis with its existing structure, converting to an operating company, agreeing to a large investment by a strategic investor or entering into a business combination with a financial services firm. These strategic alternatives were presented to Allied Capital's board of directors and Allied Capital's board of directors determined not to pursue any of them due to certain structural and financing issues.

During the second half of 2008, many BDCs began experiencing significant fluctuations in the fair value of their portfolio company investments and a related decline in their net asset values, causing several BDCs to encounter challenges maintaining their asset coverage thresholds under the covenants set forth in their borrowing arrangements as well as the asset coverage threshold required by the Investment Company Act. As a result, many in the BDC industry were forced to reduce or eliminate dividend payments, which led to a significant decline in the market price of a majority of BDCs.

Beginning in the second half of 2008, Allied Capital experienced a significant reduction in its net worth primarily resulting from net unrealized depreciation on its portfolio, which reflected then existing market conditions and performance of certain portfolio companies. At the time, like many other financial firms, Allied Capital's business focus changed from growing its portfolio to harvesting capital from its portfolio to repay its indebtedness and de-lever its balance sheet. As a result, its investing activities were sharply reduced. In addition to the effect on investment origination activity during this period, Allied Capital also consolidated its investment execution activities to its Washington, DC headquarters and its office in New York City in an effort to improve operating efficiencies, reducing its headcount by approximately 50 employees.

At a board meeting held on October 23, 2008, Allied Capital's management informed Allied Capital's board of directors that management had been approached by another financial services firm, or "Company X," regarding a potential business combination. Allied Capital's board of directors discussed the merits of such a business combination and authorized management to continue to pursue the opportunity. Allied Capital's board of directors hired Sullivan & Cromwell LLP to advise the board of directors on its duties and responsibilities in connection with the potential business combination. Allied Capital's board of directors received financial advice from BofA Merrill Lynch and assistance with due diligence from its various advisors in connection with the potential business combination. Allied Capital and Company X each conducted diligence on each other and began negotiating the terms of a merger agreement. On October 24, 2008 and November 4, 2008, Allied Capital's board of directors met to discuss the potential business combination. On November 8, 2008, Allied Capital and Company X determined not to proceed with the transaction.

Following the discontinuation of merger discussions with Company X, Allied Capital experienced increases in its net unrealized depreciation related to the fair value of its portfolio investments, which led to a sharp decline in its net asset value. This in turn caused Allied Capital to be at risk of not complying with certain financial covenants included in its private notes and its bank facility. As a result of an anticipated reduction in its net worth, on December 30, 2008, Allied Capital entered into amendments relating to its private notes and its bank facility.

Subsequent to these amendments, Allied Capital determined that its asset coverage ratio as of December 31, 2008 would be less than the 200% required under its bank facility and its private notes. This, in turn, triggered events of default under these instruments and, in early 2009, Allied Capital re-opened discussions with its bank facility lenders and private noteholders to seek relief under certain terms of both its bank facility and its private notes. Allied Capital also engaged a financial advisor in connection with the restructuring of Allied Capital's debt.

The existence of events of default under its bank facility and its private notes restricted Allied Capital from borrowing or obtaining letters of credit under its bank facility and from making dividends or other distributions to its stockholders. In addition, pursuant to the Investment Company Act, Allied Capital was not permitted to issue indebtedness unless immediately after such issuance it had asset coverage of all outstanding indebtedness of at least 200%. Allied Capital's asset coverage ratio has been below 200% since December 31, 2008.

As a result of the events of default under both its bank facility and its private notes, Allied Capital disclosed in its annual report on Form 10-K for the year ended December 31, 2008 (which was filed with the SEC on March 2, 2009) that there was substantial doubt with respect to its ability to continue as a going concern. Specifically, as noted by Allied Capital's independent registered public accounting firm, these events of default provided the respective lenders and noteholders the right to declare immediately due and payable unpaid amounts approximating $1.1 billion at December 31, 2008. Because Allied Capital did not have available cash resources to satisfy all of the obligations under its bank facility and its private notes if the lenders and the noteholders accelerated these obligations, Allied Capital's independent registered public accounting firm believed these factors raised substantial doubt about Allied Capital's ability to continue as a going concern.

Allied Capital continued to pursue a comprehensive restructuring of its private notes and bank facility and focused on reducing costs and streamlining its organization; building liquidity through selected asset sales; retaining capital by limiting new investment activity and suspending dividend payments; and working with portfolio companies to help them position for growth when the economy recovered.

During this period, Allied Capital again began to explore strategic alternatives, including continuing its existing business on a stand-alone basis with its existing structure, converting to an operating company, agreeing to a large investment by a strategic investor or entering into a business combination with a financial services firm.

In early 2009, Ares Capital was evaluating several candidates for a potential business combination. In March 2009, Ares Capital made an unsolicited oral inquiry to Allied Capital seeking to assess whether Allied Capital would be interested in engaging in a variety of potential transactions (including a business combination) with Ares Capital.

On April 1, 2009, Ares Capital followed up on its initial inquiry by requesting an in-person meeting with representatives of management of Allied Capital.

At a meeting of Ares Capital's board of directors on April 3, 2009, representatives of Ares Capital's management updated Ares Capital's board of directors about two candidates for a potential business combination, one of which was Allied Capital.

On April 13, 2009, representatives of Ares Capital's management and a member of its board of directors had an introductory meeting in person with representatives of Allied Capital's management some of whom are also members of its board of directors.

On May 4, 2009, Ares Capital's board of directors held its annual meeting where, among other things, representatives of management provided it with an update of certain potential strategic transactions, including a potential transaction with Allied Capital.

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In June 2009, Ares Capital engaged J.P. Morgan as a financial advisor in connection with the potential transaction.

On July 1, 2009, Ares Capital and Allied Capital entered into a confidentiality agreement and representatives of Ares Capital's management and a member of its board of directors met in person and telephonically with representatives of Allied Capital's management, some of whom are also members of its board of directors. In early July, Allied Capital and Ares Capital began conducting formal due diligence on each other.

On July 24, 2009, at a meeting of Allied Capital's board of directors, BofA Merrill Lynch made a presentation to Allied Capital's board of directors regarding an analysis of the strategic alternatives available to Allied Capital, including a business combination with Ares Capital. Allied Capital's board of directors discussed the risks and the potential benefits of such a business combination, including comparing those risks and potential benefits against Allied Capital's prospects as a stand-alone business.

During the meeting, representatives of management discussed the impact of the current market conditions on Allied Capital and its inability to access the capital markets and obtain additional liquidity. Allied Capital's board of directors discussed in detail other ways in which the current market conditions had an impact on Allied Capital's business, including management's projections, origination activity, cost of borrowings, level of expenses, ability to pay dividends and potential for future growth. After discussing at length with representatives of management Allied Capital's business and the potential business combination with Ares Capital, Allied Capital's board of directors determined that it was in the best interests of Allied Capital and its stockholders to explore the possibility of a potential business combination with Ares Capital. In making such determination, Allied Capital's board of directors also authorized management to continue to explore other strategic alternatives discussed with Allied Capital's board of directors.

After receiving the authorization of Allied Capital's board of directors to explore the possibility of a potential business combination with Ares Capital, Allied Capital created and populated an electronic data room to facilitate due diligence activities and obtained access to Ares Capital's electronic data room, which was populated by Ares Capital after receiving a similar authorization from Ares Capital's board of directors.

On July 25, 2009, Allied Capital and Ares Capital began conducting additional due diligence with respect to each other after electronic data rooms had been created and populated. Ares Capital's investment adviser's investment committee continued its review of Allied Capital's material investments. At this time, BofA Merrill Lynch began providing financial analyses to representatives of Allied Capital's management and board of directors in connection with the potential business combination with Ares Capital.

Throughout July and August 2009, representatives of Allied Capital's management also continued to provide regular updates to its board regarding the finalization and documentation of a comprehensive debt restructuring following the agreement in principle reached with its lenders and private noteholders in July 2009.

On July 27, 2009, Allied Capital's board of directors met to discuss the potential business combination with Ares Capital and the exclusivity period requested by Ares Capital. During this meeting, Allied Capital's board of directors formally engaged Sullivan & Cromwell to act as its legal counsel in connection with the potential business combination. Sullivan & Cromwell discussed the duration of the exclusivity period proposed by Ares Capital and Allied Capital's management's desire for a shorter exclusivity period. Allied Capital's board of directors discussed the duration of the exclusivity period and Sullivan & Cromwell explained to Allied Capital's board of directors its duties and obligations under Maryland law. Allied Capital also engaged Sutherland Asbill & Brennan LLP in connection with a possible transaction. Sutherland has represented Ares Capital on unrelated matters from time to time.

At this meeting, Allied Capital's board of directors approved an exclusivity period expiring on August 10, 2009, instead of the August 17, 2009 date proposed by Ares Capital. At this meeting, Allied Capital's board of directors also discussed obtaining a fairness opinion from an independent financial advisor other than BofA Merrill Lynch due to BofA Merrill Lynch's role as a lender to both Allied Capital and Ares Capital. Representatives of Allied Capital's management also provided Allied Capital's board of directors with an update on its ongoing due diligence of Ares Capital and its discussions with Ares Capital and its legal advisors regarding the structure of the transaction.

On July 28, 2009, Ares Capital's board of directors met with representatives of management, Ares Capital Management, Proskauer Rose LLP, Venable LLP, Willkie Farr & Gallagher LLP and J.P. Morgan to discuss the potential business combination with Allied Capital. Ares Capital's board reviewed presentations prepared by management and by J.P. Morgan, and was advised by Venable of directors' duties under Maryland law in their consideration of the proposed transactions and other matters of Maryland law. During this meeting, Ares Capital's board formally determined that it was advisable to further explore a transaction with Allied Capital and formally engaged Proskauer as corporate counsel, Venable as Maryland counsel and Willkie as special regulatory counsel to Ares Capital in connection with the proposed transaction. Ares Capital's board also approved and ratified the engagement of J.P. Morgan as financial advisor to Ares Capital for the transaction and approved the execution of an exclusivity agreement whereby Allied Capital would agree to an exclusivity period through August 10, 2009.

On July 31, 2009, Allied Capital's board of directors met again to discuss the status of the potential business combination with Ares Capital. Representatives of Allied Capital's management provided Allied Capital's board of directors with an update on its ongoing due diligence of Ares Capital and its discussions with Ares Capital and its legal advisors regarding the structure of the transaction. Representatives of Allied Capital's management also informed Allied Capital's board of directors that Allied Capital entered into an exclusivity agreement with Ares Capital on July 30, 2009 with an exclusivity period continuing until August 10, 2009. At this time Allied Capital's board of directors delegated authority for Allied Capital to formally engage financial advisors and negotiate the fees to be paid to the financial advisors to a special committee of Allied Capital's board of directors, or the "Allied Capital Investment Bank Committee."

Thereafter, the Allied Capital Investment Bank Committee approved the selection of both BofA Merrill Lynch and Sandler O'Neill to act as its financial advisors in connection with the potential business combination with Ares Capital.

On July 31, 2009 and August 1, 2009, representatives of Allied Capital's management met in person with the management team of Ares Capital and representatives of Ares Capital Management to conduct additional due diligence and to discuss operational and administrative considerations associated with a combined entity.

On August 2, 2009 Ares Capital and Proskauer presented the first draft of a merger agreement to Allied Capital and its legal counsel and Allied Capital and its legal counsel responded with comments on the terms that day.

On August 3, 2009, Ares Capital's board of directors held its regular quarterly meeting where, among other things, representatives of management provided it with an update of the potential transaction with Allied Capital.

On August 4, 2009, Allied Capital and its legal counsel sent a revised draft of the merger agreement to Ares Capital and its legal counsel. Allied Capital and Ares Capital and their respective legal counsel began negotiating the terms of the merger agreement on August 5, 2009.

On August 5, 2009, representatives of Ares Capital's management and a member of its board of directors met with representatives of Allied Capital's management who are also members of its board of directors to discuss open issues on the merger agreement.

On August 5, 2009, Allied Capital's board of directors met again to discuss the status of the potential business combination with Ares Capital and certain related legal, financial, business and regulatory matters. At this meeting, representatives of Allied Capital's management and Allied Capital's board of directors' legal and financial advisors updated Allied Capital's board of directors on the status of discussions with Ares Capital regarding the structure of the transaction, the terms of the merger agreement and certain ongoing diligence matters. Sullivan & Cromwell again discussed the legal framework for Allied Capital's board of directors' consideration of the potential business combination with Ares Capital under Maryland law, including the duties and responsibilities of the directors.

Sutherland discussed the legal considerations relevant to the potential business combination as a result of Allied Capital's status as a BDC regulated under the Investment Company Act. BofA Merrill Lynch discussed its preliminary analyses of the combined company and provided an overview of the business due diligence conducted to date on Ares Capital. Sutherland then provided Allied Capital's board of directors with an overview of the legal due diligence conducted to date on Ares Capital. Following the presentations, Allied Capital's board of directors unanimously directed management and Allied Capital's board of directors' legal and financial advisors to continue moving forward in an effort to arrive at a negotiated transaction.

On August 6, 2009, representatives of Ares Capital's management, a member of its board of directors and its legal and financial advisors met in person with representatives of Allied Capital's management who are also members of its board of directors and Allied Capital's board of directors' legal and financial advisors.

On August 7, 2009, representatives of Ares Capital's management and a member of its board of directors met with representatives of Allied Capital's management, some of whom are also members of Allied Capital's board of directors.

On August 7, 2009, Ares Capital's board of directors met with representatives of management, Ares Capital Management and Ares Capital's legal and financial advisors in a special meeting where management advised the board that after conducting significant due diligence and making progress on the merger agreement, the parties had determined not to proceed with a transaction largely due to the lack of clarity at that time surrounding the specific terms of Allied Capital's pending restructuring of its private notes and Ares Capital's view of Allied Capital's stock price.

On August 7, 2009, Allied Capital's board of directors met again to discuss the status of the potential business combination with Ares Capital. Representatives of Allied Capital's management informed the board of directors that, after conducting significant due diligence and making progress with respect to the negotiation of the merger agreement, Allied Capital and Ares Capital determined not to proceed with the transaction. However, Allied Capital's board of directors discussed the merits of having an independent member of Allied Capital's board of directors meet with representatives of Allied Capital's private noteholders along with a representative from Ares Capital to assess the impact of any potential business combination on the terms of the restructuring.

On August 11, 2009, an independent member of Allied Capital's board of directors and two representatives from Ares Capital met with the legal and financial advisors to Allied Capital's private noteholders. Ivy Hill II, an unconsolidated debt fund managed by a wholly owned portfolio company of Ares Capital, held at the time approximately $38.5 million in aggregate principal amount of such private notes and approximately $10 million in aggregate principal amount of Allied Capital's public notes. Negotiations on a proposed transaction with Ares Capital did not recommence after this meeting and Allied Capital continued to focus on completing the restructuring of its private notes and bank facility independent of any potential business combination with Ares Capital.

On August 28, 2009, Allied Capital completed a comprehensive restructuring of its private notes and its bank facility. In connection with such restructuring, Allied Capital granted the holders of its private notes and the lenders of its bank facility a pari-passu blanket lien on a substantial portion of its assets, including a substantial portion of the assets of Allied Capital's consolidated subsidiaries. The financial covenants applicable to its private notes and the bank facility were modified as part of such restructuring. The private notes and bank facility impose certain limitations on Allied Capital's ability to incur additional indebtedness, including precluding Allied Capital from incurring additional indebtedness unless its asset coverage of all outstanding indebtedness is at least 200%. Allied Capital incurred various closing fees and other transaction expenses of approximately $146 million to restructure its private notes and its bank facility. In addition, Allied Capital incurred advisory and other fees of approximately $26 million in connection with the restructuring. The restructuring significantly increased Allied Capital's cost of capital. As a result, Allied Capital expected that its profitability would be substantially reduced and it would not be able to pay a cash dividend for an extended period of time. The increased costs would cause Allied Capital to continue to sell assets to generate liquidity to de-lever and to further reduce operating costs.

Representatives of Allied Capital's management and board of directors continued reviewing various scenarios to further de-lever the balance sheet, to reduce the cost of capital and to prepare for future potential growth. Beginning in September, representatives of Allied Capital's management received several calls from representatives of Ares Capital's management to revisit its interest in a potential business combination with Allied Capital. Also during this time, Allied Capital considered the sale of its asset management business and initiated efforts to further reduce administrative expenses by further reducing headcount.

Allied Capital determined that, in connection with its efforts to de-lever its balance sheet, it would request bids for its asset management platform, whether in a series of separate transactions or in one single transaction, including Allied Capital's interest in the SL Fund, including its outstanding rights and obligations to provide management services with respect to the SL Fund, the Allied Capital Senior Debt Fund, or the "Senior Debt Fund," Knightsbridge CLO 2007-1 Limited and Knightsbridge CLO 2008-1 Limited, or the "Knightsbridge Funds," and Emporia Preferred Funding I, Ltd., Emporia Preferred Funding II, Ltd. and Emporia Preferred Funding III, Ltd., or the "Emporia Funds." Allied Capital requested bids from a variety of market participants, including Ares Capital. Ares Capital submitted a bid and, on September 11, 2009, Allied Capital and Ares Capital entered into a non-binding letter of intent for Ares Capital to purchase Allied Capital's interests in the SL Fund, the Senior Debt Fund, the Knightsbridge Funds and the Emporia Funds.

On September 18, 2009, Ares Capital's board of directors met with representatives of management, Ares Capital Management, Proskauer and J.P. Morgan in a special meeting where, among other things, representatives of management advised the board of the possibility of again pursuing a transaction with Allied Capital.

Following this meeting, J.P. Morgan contacted BofA Merrill Lynch about initiating discussions concerning the price of a potential business combination between Allied Capital and Ares Capital. At Ares Capital's request, on September 30, 2009, representatives of Allied Capital's management who are also members of Allied Capital's board of directors and representatives of Ares Capital's management and board of directors attended a dinner meeting to discuss Ares Capital's interest in pursuing a potential business combination with Allied Capital following the successful restructuring of Allied Capital's debt agreements. At the conclusion of the dinner, the representatives of Allied Capital requested that Ares Capital provide the general terms on which Ares Capital would pursue a business combination with Allied Capital to present to and discuss with Allied Capital's board of directors.

On October 1, 2009, Ares Capital delivered a non-binding letter to Allied Capital in which Ares Capital outlined certain terms of a potential business combination between the two companies. The

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letter outlined certain aspects regarding a potential business combination between Allied Capital and Ares Capital, including the following:

1. *Consideration* Ares Capital proposed that Allied Capital's stockholders would receive 0.30 shares of Ares Capital common stock for each share of Allied Capital common stock owned by Allied Capital's stockholders. The letter indicated that this consideration would allow Allied Capital's stockholders to own approximately 33% of the combined company.

2. *Capital structure* Ares Capital noted that it had significant balance sheet strength and flexibility, as well as demonstrated access to both the private and public capital markets. Ares Capital indicated that it anticipated it would have sufficient liquidity to de-lever the combined company's balance sheet at closing. In addition, Ares Capital informed Allied Capital that it had received indications from its lenders that they would provide additional credit to Ares Capital in support of a potential business combination with Allied Capital.

3. *Fee waiver* Ares Capital indicated that Ares Capital Management had expressed a willingness, if deemed necessary, to waive (subject to regulatory requirements) a portion of its management and/or incentive fee for a period of time following the closing of the business combination in order to help ensure consistent cash flow for the combined company and to support the maintenance of Ares Capital's current dividend level.

4. *Management and governance* Ares Capital's existing external management structure would continue in place in connection with any possible business combination. Ares Capital also indicated it was prepared to discuss with its board of directors expanding the size of Ares Capital's board of directors by one seat and submitting the name of a current member of Allied Capital's board of directors as a proposed nominee to fill the vacancy. The letter also stated that any change in control payments which certain of Allied Capital's officers were entitled to receive pursuant to employment agreements or retention agreements between Allied Capital and these officers would be discussed.

5. *Timing and process* Ares Capital indicated that it was prepared to move quickly to finalize a business combination. Given the extensive business and legal due diligence undertaken earlier in the year, Ares Capital expected to be in a position to complete its due diligence and negotiate a mutually acceptable merger agreement within one week.

Following receipt of this letter, representatives of Allied Capital's management began analyzing such terms from a financial point of view.

On October 6, 2009, Allied Capital's board of directors met to discuss the new terms of a potential business combination with Ares Capital as set forth in Ares Capital's letter. Among other things, Allied Capital's board of directors noted that Ares Capital Management, if deemed necessary, had expressed a willingness to waive a portion of its management and/or incentive fee for a period of time following the closing of the business combination in order to help ensure consistent cash flow for the combined company and to support the maintenance of Ares Capital's current dividend level. Allied Capital's board of directors requested that management continue to analyze the terms of the proposed business combination and re-engage BofA Merrill Lynch, Sullivan & Cromwell and Sutherland.

On October 6, 2009, Ares Capital's board of directors met with representatives of management, Ares Capital Management, and Ares Capital's legal and financial advisors to discuss a potential business combination with Allied Capital.

On October 8, 2009, Allied Capital's board of directors met again to continue to discuss the new terms of the potential business combination with Ares Capital and the structure of the transaction. Sullivan & Cromwell discussed the legal framework for the board's consideration of the potential business combination with Ares Capital under Maryland law, including the duties and responsibilities of the directors. Allied Capital's board of directors discussed engaging an additional financial advisor to assist with the financial analyses and due diligence that was required to consider the new terms of the potential business combination with Ares Capital. The board delegated the authority to the Allied Capital Investment Bank Committee to finalize the engagement of both financial advisors and to negotiate fees to be paid to them.

Following this meeting, Allied Capital and Ares Capital provided updated diligence materials to each other.

On October 13, 2009, Ares Capital's board of directors met with representatives of management, Ares Capital Management and Ares Capital's legal and financial advisors to discuss a potential business combination with Allied Capital.

On October 15, 2009, Allied Capital's board of directors met to continue to discuss the new proposal. Representatives of Allied Capital's management team and Allied Capital's board of directors' legal and financial advisors updated Allied Capital's board of directors on ongoing diligence matters. During the meeting, BofA Merrill Lynch made a presentation to Allied Capital's board of directors during which it analyzed several stand-alone scenarios prepared by representatives of Allied Capital's management and two pro forma combination scenarios prepared by Ares Capital's management.

During the meeting, BofA Merrill Lynch explained each scenario to Allied Capital's board of directors and reviewed the assumptions and risks associated with each scenario along with key financial projections. Allied Capital's board of directors discussed the potential for a combination of Allied Capital and Ares Capital to create a leading provider of capital to middle-market companies across the United States. Allied Capital's board of directors discussed the potential benefits of a business combination with Ares Capital for its stockholders, including: (1) a more liquid stock, with a broader institutional stockholder base, at an implied premium of 4.5% to Allied Capital's recent closing of $3.13 (based on the closing stock prices of Allied Capital and Ares Capital on October 14, 2009); (2) resumption of dividend payments following the closing of the merger; (3) the ability of the pro-forma combined company to immediately de-lever its balance sheet; (4) the ability of the pro-forma combined company to provide liquidity to the existing portfolio; (5) a reduction in pressure to sell assets to retire Allied Capital's costly debt with stringent amortization requirements; (6) the ability of the pro-forma combined company to generate new asset management fund raising opportunities; and (7) the fact that Allied Capital's stockholders would be stockholders of Ares Capital following a business combination and would stand to participate in the future growth of Ares Capital.

Allied Capital's board of directors also discussed the ability of Ares Capital to raise accretive equity capital near or above its net asset value per share, noting Ares Capital's equity offering in August 2009 that was below Ares Capital's then net asset value per share and Ares Capital's then trading price, which was nearing Ares Capital's net asset value per share, and Ares Capital's access to attractively priced debt capital, noting Ares Capital's investment grade status. At the conclusion of the meeting, Allied Capital's board of directors authorized Allied Capital's management to continue to pursue a potential business combination with Ares Capital. In doing so, Allied Capital's board of directors emphasized the importance of increasing the exchange ratio and negotiating a merger agreement with terms customary for public companies to provide Allied Capital with certainty of price and closing and customary deal protection provisions, and authorized Allied Capital's management and Allied Capital's board of directors' legal and financial advisors to continue with their diligence efforts.

Following the October 15, 2009 meeting, representatives of Allied Capital's management and BofA Merrill Lynch continued to negotiate with representatives of Ares Capital's management and J.P. Morgan to increase the exchange ratio. On October 17, 2009, Ares Capital and Proskauer provided a revised draft of the merger agreement to Allied Capital and its legal counsel. Ares Capital continued its due diligence on Allied Capital, including by having Ares Capital Management's investment committee refresh its review of Allied Capital's material investments.

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On October 19, 2009, Allied Capital's board of directors met again to discuss the status of the potential business combination with Ares Capital and the then current draft of the merger agreement. Representatives of Allied Capital's management informed Allied Capital's board of directors that both parties were continuing due diligence and financial analyses of the potential business combination. Although progress was made with respect to certain terms in the draft of the merger agreement, representatives of Allied Capital's management stated that there were still significant unresolved issues and Allied Capital could not agree to a potential business combination with Ares Capital at that time. Sullivan & Cromwell discussed with Allied Capital's board of directors various provisions of the draft merger agreement provided by Ares Capital and Proskauer. After discussions with Sullivan & Cromwell, Allied Capital's board concluded that the current draft of the merger agreement did not contain certain provisions that Allied Capital's board of directors deemed important. Allied Capital's board of directors requested that its legal and financial advisors and Allied Capital's management continue to negotiate the terms of the merger agreement.

On October 21, 2009, Allied Capital's board of directors held another meeting attended by the entire board as well as representatives of Sullivan & Cromwell. At this meeting, Allied Capital's board of directors reviewed and discussed, with the assistance of its legal counsel, the merger agreement. Sullivan & Cromwell informed Allied Capital's board of directors that progress had been made in negotiating various provisions in the merger agreement. Allied Capital's board of directors noted that the latest draft of the merger agreement satisfied most of the factors it deemed to be important and requested that Allied Capital's management, assisted by Allied Capital's board of directors' legal and financial advisors, continue to negotiate the terms of the merger agreement.

On October 22, 2009, Ares Capital's board of directors met with representatives of management, Ares Capital Management and Ares Capital's legal and financial advisors to discuss the status of the potential business combination with Allied Capital.

On October 23, 2009, Allied Capital's board of directors attended a regularly scheduled quarterly board meeting during which representatives of Allied Capital's management provided Allied Capital's board of directors with an update regarding the status of the merger agreement negotiations with Ares Capital. During this meeting, Allied Capital's board of directors discussed the exchange ratio as well as certain change-in-control payments contemplated by the employment agreements and retention agreements of certain executive officers of Allied Capital that would be fully or partially triggered if the merger was consummated.

On October 24 and October 25, 2009, representatives of Ares Capital's management, a member of its board of directors and its legal and financial advisors met in person with representatives of Allied Capital's management some of whom are also members of its board of directors and Allied Capital's board of directors' legal and financial advisors to negotiate the remaining open terms in the merger agreement. During this time, the parties agreed to increase the exchange ratio to 0.325 shares of Ares Capital common stock for each share of Allied Capital common stock, which represents a 27.3% premium to the closing price of Allied Capital common stock on October 23, 2009.

On October 25, 2009, Allied Capital's board of directors held a meeting attended by the entire board, as well as representatives of Allied Capital's management and representatives of Allied Capital's board of directors' legal and financial advisors, to consider the merger agreement and the structure of the merger and receive an update on ongoing diligence efforts. Representatives of legal advisors discussed the terms of the merger agreement. Following a discussion of the merger agreement, Allied Capital's board of directors requested that its financial advisors discuss their financial analyses of Ares Capital and the exchange ratio for the merger. BofA Merrill Lynch presented an overview of the business due diligence conducted on Ares Capital and the terms of the merger agreement. Representatives of legal advisors also made a presentation to Allied Capital's board of directors on the legal due diligence that they had conducted on Ares Capital, updating Allied Capital's board of directors on additional legal due diligence conducted since a previous presentation to Allied Capital's board of directors in July 2009.

Following further discussion during which representatives of BofA Merrill Lynch reviewed its financial analyses of the exchange ratio and responded to questions from members of Allied Capital's board of directors regarding its financial analyses, BofA Merrill Lynch, at the request of Allied Capital's board of directors, rendered its oral opinion, which was confirmed by delivery of a written opinion dated October 25, 2009, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the exchange ratio provided for in the merger agreement was fair, from a financial point of view, to the holders of Allied Capital common stock.

Thereafter, Sandler O'Neill reviewed its financial analyses of the exchange ratio and responded to questions from members of Allied Capital's board of directors regarding its financial analyses and whether such analyses differed in any material respect from the analyses provided by BofA Merrill Lynch. At the request of Allied Capital's board of directors, Sandler O'Neill rendered its oral opinion, subsequently confirmed by delivery of a written opinion, dated October 25, 2009, to the effect that, as of the date and based on and subject to various assumptions and limitations described in its written opinion, the exchange ratio provided for in the merger agreement was fair, from a financial point of view, to the holders of Allied Capital common stock.

On the evening of October 25, 2009, Allied Capital's board of directors, after taking into consideration all of the information presented during board meetings with respect to the transaction and the current meeting, unanimously declared the merger agreement and the merger advisable and in the best interests of Allied Capital and its stockholders, approved and adopted the merger agreement and authorized Allied Capital's Chief Executive Officer to sign the merger agreement.

On the evening of October 25, 2009, Ares Capital's board of directors held a meeting attended by the entire board, as well as representatives of management, Ares Capital Management, and Ares Capital's legal, financial and other advisors, to consider the merger agreement and the merger. Ares Capital's board considered several written and oral presentations prepared by representatives of management, its investment adviser and the other advisors with respect to, among other things, due diligence, director duties, the merger and the merger agreement. Representatives of J.P. Morgan reviewed its financial analyses of the exchange ratio and the merger. After discussion, J.P. Morgan, at the request of Ares Capital's board of directors, rendered its oral opinion, which was confirmed by delivery of a written opinion dated October 26, 2009, to the effect that, as of that date, and based upon and subject to the factors, assumptions, qualifications and limitations set forth therein, the exchange ratio in the merger was fair, from a financial point of view, to Ares Capital.

On the evening of October 25, 2009, Ares Capital's board of directors, after taking into consideration all of the information presented during board meetings held with respect to the transaction, declared the merger agreement and the transactions contemplated thereby advisable and in the best interests of Ares Capital and its stockholders, unanimously approved and adopted the merger agreement and the transactions contemplated thereby and authorized the officers of Ares Capital to sign the merger agreement and seek stockholder approval necessary to issue shares of Ares Capital common stock in connection with the merger.

Ares Capital's board of directors also separately approved its purchase of Allied Capital's interests in the SL Fund at the meeting on October 25, 2009.

On October 26, 2009, representatives of Ares Capital's management, a member of its board of directors and its investment adviser and legal and financial advisors met in person with representatives of Allied Capital's management some of whom are also members of its board of directors and Allied Capital's board of directors' legal and financial advisors to finalize and execute the merger agreement.

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On October 26, 2009, Allied Capital, Ares Capital and Merger Sub executed the merger agreement and Ares Capital and Allied Capital issued a press release publicly announcing the transaction.

In a separate transaction, on October 30, 2009, Allied Capital sold its interests in the SL Fund to Ares Capital for $165 million in cash.

On November 5, 2009, Ares Capital and Allied Capital held a joint conference call discussing the merger.

Reasons for the Merger

Allied Capital

Allied Capital's board of directors believes that the merger represents the best alternative that is reasonably available to Allied Capital. Allied Capital's board of directors consulted with Allied Capital's management as well as its financial advisors and legal advisors and considered numerous factors, including the ones described below, and, as a result, determined that the merger is in Allied Capital's best interests and the best interests of Allied Capital's stockholders.

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

Resumption of Dividend Payments. The receipt of shares of Ares Capital common stock in exchange for shares of Allied Capital common stock will likely permit Allied Capital's stockholders to receive dividend payments again by taking advantage of Ares Capital's dividend, which has been consistently paid on a quarterly basis since April 2006 in an amount of at least $0.35 per share. Furthermore, Allied Capital's board of directors considered the fact that Ares Capital's investment adviser had committed to defer, subject to any required approvals, up to $15 million in base management and incentive fees for each of the first two years following the merger if certain earnings targets are not met to help ensure consistent cash flows for the combined company and support the maintenance of Ares Capital's current dividend payments.

Improved Access to Debt Capital Markets on More Favorable Terms. It was anticipated that the combined company would be able to access debt capital with lower interest rates and longer maturities than was available to Allied Capital on a stand alone basis. Ares Capital currently has an investment grade rating of "BBB" from both Standard & Poor's and Fitch Ratings.

Improved Ability to Access the Equity Capital Markets. Ares Capital was recently able to access the equity capital markets even at a price below its net asset value per share in August 2009 for net proceeds of $109.1 million. Ares Capital's trading price at the time of the merger agreement was approaching Ares Capital's net asset value per share. In general, Allied Capital's board of directors believes that Allied Capital's stockholders will benefit from ownership in the combined company which will possess a stronger balance sheet and improved access to capital.

Lack of Liquidity/Flexibility. Since Allied Capital's operational flexibility is constrained under the recently restructured debt agreements for its private notes and its bank facility, Allied Capital has limited liquidity, which has required and would require it to continue to sell assets in order to de-lever its balance sheet. Such sales of income producing assets could further reduce Allied Capital's earnings and future dividend potential. The merger would reduce the pressure to sell assets to retire costly debt with stringent amortization requirements in an effort to de-lever the Allied Capital balance sheet.

Increased Portfolio Diversity. The merger will significantly increase portfolio diversity and concentration of lower risk debt investments.

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Thorough Review of Strategic Alternatives. Allied Capital engaged in a thorough review of the strategic alternatives reasonably believed to be available to Allied Capital, including, among other alternatives, to continue as a stand-alone entity, recapitalize the company and partner with a strategic investor and assessed the difficulties associated with pursuing each strategic alternative.

Strategic and Business Considerations. Because Allied Capital's stockholders will be stockholders of Ares Capital following the merger and subsequent combination, Allied Capital stockholders stand to participate in the future growth of Ares Capital. Ares Capital is an established company with a strong capital position and performance history. In addition, the larger equity market capitalization of the combined company should assist it with earnings stability and raising capital in the public equity and debt markets.

Terms of the Merger Agreement. The exchange ratio of 0.325 shares of Ares Capital common stock to be received in exchange for each share of Allied Capital common stock represents a 27.3% premium to the closing price of Allied Capital common stock on October 23, 2009, based on the closing price of Allied Capital common stock and Ares Capital common stock on that date (which was the last trading day before public announcement of the merger).

Opinion of Its Financial Advisors. The financial analyses reviewed and discussed with Allied Capital's board of directors by representatives of BofA Merrill Lynch and Sandler O'Neill, as well as the oral opinions of BofA Merrill Lynch and Sandler O'Neill rendered to Allied Capital's board of directors on October 25, 2009 (which were subsequently confirmed in writing by delivery of written opinions dated the same date) with respect to the fairness, from a financial point of view and as of the date of the opinions, of the exchange ratio to the holders of Allied Capital common stock. See " Opinion of Allied Capital's Financial Advisors" below.

Tax Free Treatment of Merger. The merger and subsequent combination are expected to be treated as a "reorganization" under Section 368(a) of the Code. Holders of Allied Capital common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Allied Capital common stock for shares of Ares Capital common stock in the merger, except with respect to cash received instead of fractional shares of Ares Capital common stock. See "Certain Material U.S. Federal Income Tax Consequences of the Merger."

Allied Capital's board of directors also considered:

its understanding of Allied Capital's and Ares Capital's respective businesses, portfolio companies, operations, financial condition, earnings, risk and prospects, taking into account the results of Allied Capital's business and legal due diligence review of Ares Capital's operations, its portfolio companies and other corporate and financial matters conducted over an extended period of time by Allied Capital's management and Allied Capital's board of directors' legal and financial advisors;

the current and historical market prices and trading information with respect to the common stock of Allied Capital and Ares Capital;

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

the financial terms of the merger, including the exchange ratio;

the fact that Allied Capital's stockholders are not being cashed out and will continue as stockholders in the combined operations of Allied Capital and Ares Capital;

its understanding of the current and prospective environments in which Allied Capital and Ares Capital operate, including industry, economic and market conditions, the competitive environment and the likely impact of these factors on Allied Capital and Ares Capital in light of, and in the absence of, the merger; and

the financial strength of Ares Capital.

Allied Capital's board of directors considered the following potential risks relating to the merger:

Market Price. There is uncertainty regarding how the merger will affect the market price of Ares Capital common stock before the completion of the merger, which, in turn, may affect the value of the merger consideration to be paid to Allied Capital's stockholders. The market value of the per share merger consideration could decrease prior to the effective time if the market price of Ares Capital common stock decreases.

Net Asset Value. The net asset value per share of Allied Capital common stock, as of September 30, 2009, was $6.70, an amount higher than the implied market value of the merger consideration.

Ability of Ares Capital to Obtain Consents or Additional Credit from Lenders. Ares Capital will need to negotiate with its lenders as well as certain of Allied Capital's lenders to obtain their consent to the merger and Ares Capital will need to obtain rating agency confirmation with respect to its CLO Notes. There can be no assurance that Ares Capital will be successful in its negotiations with these lenders and/or that it will be able to obtain such rating agency confirmation.

Maintenance of Ares Capital's Current Dividend Payments. Since its inception, Ares Capital has paid dividends or distributions on a quarterly basis to its stockholders out of assets legally available therefor. The ability of Ares Capital to maintain its dividend payments at current levels depends on Ares Capital's achievement of investment results that will allow Ares Capital to make a specified level of cash dividends or year-to-year increases in cash dividends. There is no assurance that Ares Capital will be able to maintain its dividend or distribution payments at the current level.

Restrictions on Ability to Solicit Alternative Offers. The non-solicitation provisions contained in the merger agreement prohibit Allied Capital from soliciting alternative offers from third parties and permit Allied Capital to consider alternative proposals from third parties only in certain limited circumstances. While these limitations ensure that only someone who is committed to making a superior proposal will attempt to re-open the evaluation process, these limitations may discourage third parties from making superior offers to acquire Allied Capital because of the increased price that such third party would have to pay and because Allied Capital would be required to pay Ares Capital a termination fee of $30 million upon terminating the merger agreement in connection with a superior proposal.

Combined Company May Not Succeed. Certain of Allied Capital's stockholders may view the combined company as a different and less desirable investment vehicle for their capital and sales of shares by such stockholders could depress the share price of Ares Capital common stock following closing of the merger. In addition, there can be no assurance that the combined company will succeed.

Special Termination Event Related to Ciena Capital LLC. The merger agreement provides that if, prior to the closing of the merger, Ares Capital's board of directors determines in its reasonable good faith judgment that there is a reasonable likelihood that the liabilities for any monetary net losses related to Ciena exceed $66^2/_3$% of the fair value of Ciena as of September 30, 2009 (as such fair value is determined by Allied Capital's board of directors), then, subject to certain

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procedural requirements, Ares Capital or Allied Capital will be permitted to terminate the merger agreement without an obligation to pay a termination fee.

This discussion of the information and factors that Allied Capital's board of directors considered in making its decision is not intended to be exhaustive but includes the material factors considered by Allied Capital's board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of those matters, Allied Capital's board of directors did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In addition, the individual members of Allied Capital's board of directors may have given different weights to different factors.

Allied Capital's board of directors relied on the experience of BofA Merrill Lynch and Sandler O'Neill, as its financial advisors, for analyses of the financial terms of the merger and for their respective opinions as to the fairness, from a financial point of view, of the exchange ratio to the holders of Allied Capital common stock. In addition, Allied Capital's board of directors relied on its legal advisors for legal analysis in connection with the merger transaction.

Following the merger and subsequent combination, Allied Capital will cease to exist as a separate entity and will deregister all reserved shares under its stock option plan as well as unsold common stock under its shelf registration statement. Its shares of common stock will no longer trade on the NYSE or NASDAQ and it will withdraw its election to be treated as a BDC under Section 54(c) of the Investment Company Act.

Allied Capital's board of directors believes that the merger is advisable and in the best interests of Allied Capital and its stockholders and, therefore, unanimously approved the merger and the merger agreement.

Ares Capital

Ares Capital's board of directors consulted with representatives of management, its investment adviser, Ares Capital Management, as well as Ares Capital's financial, legal and other advisors and considered numerous factors, including the ones described below, and, as a result, determined that the merger is in Ares Capital's best interests and the best interests of Ares Capital's stockholders.

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

- *Increased Scale and Presence in Middle Market.* Ares Capital's board of directors considered the unique opportunity to acquire a franchise of Allied Capital's size and scope and the fact that the combined company will have a broad and diverse platform from which to provide capital to middle-market companies, including the ability to originate larger transactions with larger final hold positions.

- *Continued Access to Capital.* The combined company is expected to have access to capital even in a credit challenged environment to reinvest in its portfolio and to pursue new attractive investment opportunities in what Ares Capital's management believes is a compelling investment environment following the credit dislocation.

- *More Diversified Asset Base.* The limited overlap of assets and investments of Allied Capital and Ares Capital will further limit single issuer and industry credit exposure of the combined company following the merger.

- *Strengthened Asset Management Platform.* The merger will create a large scale middle-market asset management platform that is expected to bring meaningful information and deal flow benefits.

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Accretive to NAV and Core EPS. The merger is expected to be accretive to Ares Capital's net asset value and core earnings per share in the first year following its closing.

Cost Savings/Synergies. The merger is expected to result in cost savings and synergies for the combined company.

Change of Control Payments. As an inducement for Ares Capital and Merger Sub to enter into the merger agreement, certain Allied Capital key executives agreed to waive, contingent on the closing of the merger, a portion of the change-of-control payments that otherwise might be due to them under their respective employment or retention agreements. For more information regarding the payments and benefits to be paid to them in connection with the merger, see " Interests of Certain Persons Related to Allied Capital in the Merger" below.

Ability to Unlock Potential Value in Allied Capital's Portfolio. Since Allied Capital's operational flexibility is constrained under its recently restructured debt agreements for its private notes and bank facility, Allied Capital has limited liquidity, which has required it to sell assets in order to de-lever its balance sheet and satisfy stringent debt amortization requirements. Ares Capital's management believes that it will have the time, capital and expertise to re-position Allied Capital's existing portfolio into higher yielding, cash generating securities with less volatility because the combined company will face less pressure to sell assets in the portfolio at an inopportune time. To the extent asset sales are deemed necessary or advisable by the combined company, the combined company would have the flexibility to sell Ares Capital's assets as well.

Opinion of Its Financial Advisor. The financial analyses reviewed and discussed with Ares Capital's board of directors by representatives of J.P. Morgan, as well as the oral opinion of J.P. Morgan rendered to Ares Capital's board of directors on October 25, 2009, which opinion was confirmed by delivery of a written opinion dated October 26, 2009, to the effect that, as of that date, and based upon and subject to the factors, assumptions, qualifications and limitations set forth therein, the exchange ratio in the merger was fair, from a financial point of view, to Ares Capital. See " Opinion of Ares Capital's Financial Advisor" below.

Ares Capital's board of directors also considered the following additional material factors relating to the merger:

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

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

the fact that valuations of private investments and private companies are inherently uncertain, may fluctuate over short periods of time and may be based on estimates and, as a result, Ares Capital's estimates of the fair value of Allied Capital's portfolio companies may differ materially from the values that Ares Capital may ultimately realize and the fair value of Allied Capital's investment portfolio may be significantly less than the fair value assigned to it by Ares Capital;

its understanding of the current and prospective environments in which Ares Capital and Allied Capital operate, including industry, economic and market conditions, the competitive environment and the likely impact of these factors on Ares Capital and Allied Capital in light of, and in the absence of, the merger;

the review by Ares Capital's board of directors with its advisors of the structure of the merger and the financial and other terms of the merger and the expectation that the merger and the

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subsequent combination will be treated as a "reorganization" under Section 368(a) of the Code and will generally be tax free;

the need for Ares Capital to negotiate with its lenders as well as certain of Allied Capital's lenders to obtain their consent and the need to obtain rating agency confirmation with respect to the CLO Notes;

the fact that the implied market value of the per share merger consideration could increase prior to the effective time if the market price of Ares Capital common stock increases;

the historical and current market prices of Ares Capital common stock and Allied Capital common stock;

the potential opportunities for cost savings and synergies as a result of the merger and subsequent combination, together with the risks associated with achieving such cost savings and synergies;

the likelihood of a successful integration of Allied Capital's business and operations with those of Ares Capital and of successful operation of the combined company despite the challenges of such integration;

the large size of the transaction relative to Ares Capital's market capitalization and the fact that the exchange ratio represented a premium of approximately 27.3% based on the closing prices of Ares Capital common stock and Allied Capital common stock on October 23, 2009 (which was the last trading day before public announcement of the merger) and that Allied Capital stockholders would own approximately 35% of the combined company following completion of the merger; and

the need to obtain Ares Capital stockholder and Allied Capital stockholder approvals in order to complete the merger.

Ares Capital's board of directors was also aware that pursuant to its existing investment advisory and management agreement with Ares Capital Management, Ares Capital Management has financial interests in the merger that are different from, and/or in addition to, the interests of Ares Capital's stockholders. For example, Ares Capital Management's management fee is based on a percentage of Ares Capital's total assets. Because total assets under management will increase as a result of the merger, the dollar amount of Ares Capital Management's management fee will increase as a result of the merger. In addition, the incentive fee payable by Ares Capital to Ares Capital Management may be positively impacted as a result of the merger. For more information regarding Ares Capital Management's interests in the merger pursuant to the investment advisory and management agreement, see "Management of Ares Capital Investment Advisory and Management Agreement."

This discussion of the information and factors that Ares Capital's board of directors considered in making its decision is not intended to be exhaustive, but includes the material factors considered by Ares Capital's board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of those matters, Ares Capital's board of directors did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In addition, the individual members of Ares Capital's board of directors may have given different weights to different factors.

Ares Capital's board of directors relied on the experience of J.P. Morgan, as its financial advisor, for analyses of the financial terms of the merger and for its opinion as to the fairness, from a financial point of view, of the exchange ratio to Ares Capital. In addition, Ares Capital's board of directors relied on its legal advisors for legal analysis in connection with the merger transaction.

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Ares Capital's board of directors considered all of these factors and others as a whole and, on balance, concluded that they supported a favorable determination to enter into the merger agreement.

Recommendation of the Board of Directors of Allied Capital

Allied Capital's board of directors, including its independent directors, believes that the merger is advisable and in the best interest of Allied Capital and Allied Capital's stockholders and unanimously recommends that Allied Capital's stockholders vote "FOR" approval of the merger and the merger agreement and "FOR" approval of the proposal to adjourn the Allied Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Allied Capital special meeting to approve the foregoing proposal.

Recommendation of the Board of Directors of Ares Capital

Ares Capital's board of directors, including its independent directors, unanimously approved the merger and the merger agreement, including the issuance of Ares Capital common stock in connection therewith, and unanimously recommends that Ares Capital stockholders vote "FOR" approval of the issuance of the Ares Capital common stock to be issued pursuant to the merger agreement and "FOR" approval of the proposal to adjourn the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposal.

Opinion of Allied Capital's Financial Advisors

BofA Merrill Lynch

Allied Capital has retained BofA Merrill Lynch to act as Allied Capital's financial advisor in connection with the merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Allied Capital selected BofA Merrill Lynch to act as Allied Capital's financial advisor in connection with the merger on the basis of BofA Merrill Lynch's experience in transactions similar to the merger, its reputation in the investment community and its familiarity with Allied Capital and its business.

On October 25, 2009, at a meeting of Allied Capital's board of directors held to evaluate the merger, BofA Merrill Lynch delivered to Allied Capital's board of directors an oral opinion, which was confirmed by delivery of a written opinion dated October 25, 2009, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the exchange ratio provided for in the merger agreement was fair, from a financial point of view, to the holders of Allied Capital common stock.

The full text of BofA Merrill Lynch's written opinion to Allied Capital's board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as *Annex B* to this document and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to Allied Capital's board of directors for the benefit and use of Allied Capital's board of directors in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger.

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In connection with rendering its opinion, BofA Merrill Lynch:

reviewed certain publicly available business and financial information relating to Allied Capital and Ares Capital;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of Allied Capital furnished to or discussed with BofA Merrill Lynch by the management of Allied Capital, including certain financial forecasts relating to Allied Capital prepared by the management of Allied Capital under alternative scenarios reflecting (1) Allied Capital remaining a "stand-alone" company and (2) Allied Capital completing a refinancing transaction in 2010, collectively, the "Allied Capital Forecasts;"

reviewed certain estimates as to the cash flows anticipated by the management of Allied Capital to be realized by the holders of Allied Capital common stock from their investments in Allied Capital common stock if Allied Capital remained a "stand-alone" company, or the "Allied Capital Shareholder Cash Flow Estimates," and discussed with the management of Allied Capital their analysis of the amount of net proceeds that could be realized by the holders of Allied Capital common stock in connection with a liquidation of Allied Capital's assets conducted over calendar years 2010 and 2011, or the "Potential Liquidation Analysis;"

reviewed certain internal financial and operating information with respect to the business, operations and prospects of Ares Capital furnished to or discussed with BofA Merrill Lynch by the management of Ares Capital, including certain financial forecasts relating to Ares Capital prepared by the management of Ares Capital;

reviewed certain estimates as to the cash flows anticipated by the management of Ares Capital to be realized by the former holders of Allied Capital common stock after the completion of the merger from the shares of Ares Capital common stock to be issued to such holders in the merger;

discussed the past and current business operations, financial condition and prospects of Allied Capital with members of the senior management of Allied Capital, including Allied Capital's balance sheet and debt obligations, the substantial current financing requirements of Allied Capital and Allied Capital's ability to meet its debt obligations in the future;

discussed with the management of Allied Capital the recent defaults by Allied Capital under certain of its debt instruments and its failure to meet certain thresholds required by the Investment Company Act to issue indebtedness and the impact thereof on Allied Capital's current access to, and ability in the future to obtain, financing and on Allied Capital's ability to pay dividends;

discussed the past and current business operations, financial condition and prospects of Ares Capital with members of the senior management of Allied Capital and Ares Capital, including Ares Capital's expectations as to Ares Capital's future dividend policy;

discussed with members of Allied Capital's management the results of their review of the portfolio investments of Ares Capital;

reviewed the potential *pro forma* financial impact of the merger on the future financial performance of Ares Capital, including the potential effect on Ares Capital's estimated earnings per share and future dividend policy;

reviewed certain trading histories for the Allied Capital common stock and the Ares Capital common stock and a comparison of those trading histories with the trading histories of other companies BofA Merrill Lynch deemed relevant;

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compared certain financial and stock market information of Allied Capital and Ares Capital with similar information of other companies BofA Merrill Lynch deemed relevant;

compared certain financial terms of the merger to the financial terms, to the extent publicly available, of another transaction BofA Merrill Lynch deemed relevant;

reviewed the relative *pro forma* contributions estimated to be made by Allied Capital and Ares Capital to the combined company resulting from the merger in respect of (1) net income, net investment income and dividends for the years 2010, 2011 and 2012 and total assets and net assets at December 31, 2009, in each case as reflected in the Allied Capital management forecasts and the Ares Capital management forecasts; (2) the median estimates of net income for 2010 reflected in published research reports; and (3) net asset values at December 31, 2009 as forecast by each of Allied Capital and Ares Capital's management;

reviewed the merger agreement; and

performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of Allied Capital and Ares Capital that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Allied Capital Forecasts, the Potential Liquidation Analysis and the Allied Capital Shareholder Cash Flow Estimates, BofA Merrill Lynch was advised by Allied Capital, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Allied Capital as to the future financial performance of Allied Capital, the net realizable value of Allied Capital's assets in a liquidation and the other matters covered thereby. With respect to the Ares Capital management forecasts and Ares Capital's management's estimates as to the cash flows to be realized by the former holders of Allied Capital common stock after the completion of the merger, BofA Merrill Lynch was advised by Ares Capital, and assumed, with Allied Capital's consent, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Ares Capital as to the future financial performance of Ares Capital and other matters covered thereby. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the portfolio securities, other assets or liabilities (contingent or otherwise) of Allied Capital or Ares Capital, nor did it make any physical inspection of the properties or assets of Allied Capital, Ares Capital or any of their respective investee companies. BofA Merrill Lynch did not evaluate the solvency or fair value of Allied Capital or Ares Capital under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of Allied Capital, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on Allied Capital, Ares Capital or the contemplated benefits of the merger. BofA Merrill Lynch also assumed, at Allied Capital's direction, that the merger would qualify for federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Code.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the merger (other than the exchange ratio to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the exchange ratio to the holders of Allied Capital common

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stock and no opinion or view was expressed with respect to any consideration received in connection with the merger by the holders of any other class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the exchange ratio. Furthermore, no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Allied Capital or in which Allied Capital might engage or as to the underlying business decision of Allied Capital to proceed with or effect the merger. BofA Merrill Lynch was not requested to, and it did not, solicit indications of interest or proposals from third parties regarding a possible acquisition of all or any part of Allied Capital or any alternative transaction. BofA Merrill Lynch did not express any opinion as to what the value of Ares Capital common stock actually would be when issued or the prices at which Ares Capital common stock or Allied Capital common stock would trade at any time, including following announcement or consummation of the merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the merger or any related matter. Except as described above, Allied Capital imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. The credit, financial and stock markets have been experiencing unusual volatility and BofA Merrill Lynch did not express an opinion or view as to any potential effects of such volatility on Allied Capital, Ares Capital or the merger. It should be understood that subsequent developments may affect its opinion and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's U.S. Fairness Opinion (and Valuation Letter) Committee.

The following represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to Allied Capital's board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.**

Relative Contribution Analysis.

BofA Merrill Lynch observed that upon completion of the merger, on a *pro forma* basis the former holders of Allied Capital common stock would own approximately 35% of the common stock of the combined company. BofA Merrill Lynch compared this *pro forma* ownership to the relative contribution that Allied Capital would make on a *pro forma* basis to the combined business following the merger. BofA Merrill Lynch performed this analysis in respect of:

- The 2010 net income for each of Allied Capital and Ares Capital as reflected in forecasts prepared and published by equity research analysts;

- The 2010, 2011 and 2012 net income for each of the two companies as reflected in certain forecasts provided by their respective managements and selected by BofA Merrill Lynch for use in its analysis;

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The 2010, 2011 and 2012 net investment income for each of the two companies as reflected in certain forecasts prepared by their respective managements and selected by BofA Merrill Lynch for use in its analysis;

Certain dividends forecast to be paid by the two companies in 2010, 2011 and 2012, as forecast by the companies' respective managements and selected by BofA Merrill Lynch for use in its analysis;

The total assets and net asset value of the two companies at December 31, 2009, as forecast by their respective managements; and

The equity market capitalization of the two companies based on the closing prices of their respective shares of common stock on October 23, 2009.

This analysis reflected the following *pro forma* contributions by Allied Capital to the combined business of Allied Capital and Ares Capital:

Allied Capital *Pro Forma* Contribution to Combined Business of Allied Capital and Ares Capital Based on:

2010E Net Income (median analysts' estimates)	26%
2010E Net Income	15%
2011E Net Income	17%
2012E Net Income	17%
2010E Net Investment Income	19%
2011E Net Investment Income	22%
2012E Net Investment Income	22%
2010E Dividends	0%
2011E Dividends	20%
2012E Dividends	20%
Total Assets at December 31, 2009	54%
Estimated Net Asset Value at December 31, 2009	50%
Equity Market Capitalization at October 23, 2009	29%

BofA Merrill Lynch observed that most of these measures of relative contribution reflect a *pro forma* contribution by Allied Capital that is below the *pro forma* ownership of approximately 35% of the common stock of the combined business to be received by the holders of Allied Capital common stock under the terms of the merger agreement.

Allied Capital Financial Analyses

Historical Share Price Analysis

BofA Merrill Lynch reviewed the prices at which the Allied Capital common stock traded during various periods within the year ended October 23, 2009. BofA Merrill Lynch observed that during that period, the shares of Allied Capital common stock traded at a high of $7.87 and a low of $0.58. BofA Merrill Lynch observed that the implied value of the consideration to be offered to Allied Capital's stockholders pursuant to the merger agreement is $3.47 per share of Allied Capital common stock, based on the exchange ratio of 0.325 per share provided for in the merger agreement and the closing price of the Ares Capital common stock on October 23, 2009 of $10.69 per share. BofA Merrill Lynch further observed that the implied value of $3.47 per share of Allied Capital common stock to be offered pursuant to the merger agreement represents:

a premium of 27.3% based on the closing price of the Allied Capital common stock on October 23, 2009 of $2.73;

- a premium of 22.3% based on the volume weighted average trading price of the Allied Capital common stock during the one-week period ended October 23, 2009;
- a premium of 15.3% based on the volume weighted average trading price of the Allied Capital common stock during the one-month period ended October 23, 2009;
- a premium of 7.2% based on the volume weighted average trading price of the Allied Capital common stock during the three-month period ended October 23, 2009;
- a premium of 9.1% based on the volume weighted average trading price of the Allied Capital common stock during the six-month period ended October 23, 2009; and
- a premium of 30.1% based on the volume weighted average trading price of the Allied Capital common stock during the one-year period ended October 23, 2009.

Equity Research Share Price Targets Analysis

BofA Merrill Lynch reviewed future public market share price targets for the Allied Capital common stock prepared and published by equity research analysts. These targets reflect each equity research analyst's estimate of the future public market trading price of shares of Allied Capital common stock. The range of future public market share price targets for the Allied Capital common stock observed by BofA Merrill Lynch was $3.00 to $4.50 per share, with a median of $3.58 per share. BofA Merrill Lynch observed that the implied value of the consideration to be offered to holders of the Allied Capital common stock of $3.47 per share falls within this range.

Selected Publicly Traded Companies Analysis

BofA Merrill Lynch reviewed publicly available financial and stock market information for Allied Capital and the following four publicly traded BDCs:

- American Capital, Ltd.
- Kohlberg Capital Corporation
- MCG Capital Corporation
- PennantPark Investment Corporation

BofA Merrill Lynch calculated and reviewed, among other things, for each of the selected publicly traded companies, (1) the ratio of each company's current stock price to its net asset value, or "NAV," per share and (2) the ratio of each company's current stock price to its projected earnings per share, or "EPS," for each of 2009 and 2010 (this ratio is commonly referred to as a price earnings, or "P/E ratio"). All of these calculations were performed, and based on publicly available financial data and closing prices, as of October 23, 2009. The NAV calculations were based on balance sheet data for the respective selected companies at June 30, 2009. The EPS projections for the selected companies used in this analysis were based on estimates published by equity research analysts. BofA Merrill Lynch observed that, for companies similar to Allied Capital, dividend yields are commonly used by equity research analysts and other capital markets professionals in estimating share values. BofA Merrill Lynch determined that, while a dividend yield analysis typically can be one of the most useful measures of value when applied to companies in Allied Capital's industry segment, it was not a useful measure of value in this particular case because Allied Capital had suspended payment of dividends.

BofA Merrill Lynch then applied the NAV-based ratios and the EPS-based ratios that it derived as described above from its analysis of the selected companies' data to certain data of Allied Capital. BofA Merrill Lynch applied a range of NAV / share price ratios derived from the analysis described above to the NAV per share of Allied Capital at June 30, 2009. The range of ratios applied was 0.4 to 0.6. From its analysis described above of 2009 and 2010 projected P/E ratios of the selected companies, BofA Merrill Lynch developed reference ranges of 6.0x to 9.0x for 2009 EPS and 5.0x to 8.0x for

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2010 EPS. BofA Merrill Lynch then applied those reference ranges to (1) an estimate prepared by Allied Capital's management of Allied Capital's EPS for 2009; (2) an estimate prepared by Allied Capital's management of Allied Capital's EPS for 2010; and (3) estimates of Allied Capital's EPS for 2010 published by equity research analysts. These analyses indicated the following implied per share value reference ranges for the Allied Capital common stock:

Implied Per Share Equity Value Reference Ranges
for Allied Common Stock Based on:

June 30, 2009 NAV	2009E EPS (Mgmt)	2010E EPS (Mgmt)	2010E EPS (Analysts' Estimates)
$2.74 - $4.11	$1.97 - $2.95	$1.45 - $2.32	$0.64 - $1.02

BofA Merrill Lynch compared these share value reference ranges to the implied value of $3.47 per share of Allied Capital common stock to be offered pursuant to the merger agreement.

The EPS estimates used by BofA Merrill Lynch to calculate the indicative share values set forth above under the columns entitled "2009 EPS (Mgmt)" and "2010E EPS (Mgmt)" were prepared by Allied Capital's management solely for purposes of BofA Merrill Lynch's analysis and do not purport to represent the opinion of Allied Capital's management as to Allied Capital's EPS for 2009 and 2010. The estimates used in this analysis were selected by BofA Merrill Lynch from several such estimates provided by Allied Capital's management that reflected a range of different scenarios and assumptions. Moreover, several of the estimates provided reflected materially higher levels of Allied Capital's EPS for 2009 and 2010 than the estimates selected by BofA Merrill Lynch for purposes of its analysis. BofA Merrill Lynch understood in selecting these particular estimates that they were among the more conservative of the estimates provided.

None of the four publicly traded companies used in this analysis is identical or directly comparable to Allied Capital. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which Allied Capital was compared.

Selected Precedent Transaction Analysis

BofA Merrill Lynch reviewed publicly available financial information relating to the acquisition announced on August 3, 2009 of Patriot Capital Funding, Inc. by Prospect Capital Corporation. BofA Merrill Lynch calculated and reviewed various valuation multiples based on the terms of the selected transaction, including (1) the ratio of the value per share of the target company's common stock implied by the terms of the transaction to the target company's NAV per share and (2) the P/E ratio derived by comparing the value per share of the target company's common stock implied by the terms of the transaction to the target company's estimated 2009 EPS. The estimate of the target company's 2009 EPS used for this purpose was based on estimates published by equity research analysts. These calculations reflected an NAV/share price ratio of .54 and a P/E ratio of 4.8. From this data, BofA Merrill Lynch developed a reference range of NAV/share price ratios of .50 to .60 and a reference range of 2009 P/E ratios of 4.0x to 6.0x. These reference ranges then were applied, respectively, to Allied Capital's NAV per share at June 30, 2009 and to an estimate prepared by Allied Capital's

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management of Allied Capital's EPS for 2009. This analysis indicated the following implied per share equity value reference ranges for the Allied Capital common stock:

Implied Per Share Equity Value Reference Ranges
for Allied Capital Common Stock Based on:

June 30, 2009 NAV	2009E EPS
$3.42 - $4.11	$0.51 - $0.76

BofA Merrill Lynch compared these share value reference ranges to the implied value of $3.47 per share of Allied Capital common stock to be offered pursuant to the merger agreement.

The EPS estimate used by BofA Merrill Lynch to calculate the indicative share values set forth above under the column entitled "2009E EPS" was prepared by Allied Capital's management solely for purposes of BofA Merrill Lynch's analysis and does not purport to represent the opinion of Allied Capital's management as to Allied Capital's EPS for 2009. The estimate used in this analysis was selected by BofA Merrill Lynch from several such estimates provided by Allied Capital's management that reflected a range of different scenarios and assumptions. Moreover, several of the estimates provided reflected materially higher levels of Allied Capital's EPS for 2009 than the estimate selected by BofA Merrill Lynch for purposes of its analysis. BofA Merrill Lynch understood in selecting this particular estimate that it was among the more conservative of the estimates provided.

Neither the target company nor the transaction used in this analysis is identical or directly comparable to Allied Capital or the merger. This analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, or the transaction to which Allied Capital and the merger were compared. The analysis was based on a single transaction because it was the only transaction deemed by BofA Merrill Lynch to be sufficiently comparable; however, a selected transaction analysis based on only a single transaction could be viewed as less meaningful than an analysis based on a larger sample of transactions.

Discounted Cash Flow Analysis

BofA Merrill Lynch performed a discounted cash flow analysis to calculate the estimated present value of the gross cash receipts that would be realized by the holders of Allied Capital common stock during the years 2010 through 2012 in four different scenarios:

Allied Capital remains independent, continues to sell assets to repay outstanding debt and refinances its existing senior debt facility (the status quo scenario);