

ARES CAPITAL CORP  
Form N-14 8C/A  
September 16, 2016

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As filed with the Securities and Exchange Commission on September 16, 2016

Registration No. 333-212604

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### FORM N-14

#### REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1

Post-Effective Amendment No. 0

(Check appropriate box or boxes)

### Ares Capital Corporation

(Exact Name of Registrant as Specified in Charter)

245 Park Avenue, 44th Floor

New York, New York 10167

(Address of Principal Executive Offices)

Telephone Number: (212) 750-7300

(Area Code and Telephone Number)

Joshua M. Bloomstein

General Counsel

Ares Capital Corporation

245 Park Avenue, 44th Floor

New York, New York 10167

(212) 750-7300

(Name and Address of Agent for Service)

#### *Copies of information to:*

Monica J. Shilling  
Proskauer Rose LLP  
2049 Century Park East, 32<sup>nd</sup> Floor  
Los Angeles, CA 90067  
Telephone: (310) 557-2900

M. Adel Aslani-Far  
James C. Gorton  
Paul F. Kukish  
Latham & Watkins LLP  
885 Third Avenue  
New York, NY 10022  
Telephone: (212) 906-1200

David J. Goldschmidt  
Michael K. Hoffman  
Skadden, Arps, Slate, Meagher &  
Flom LLP  
4 Times Square  
New York, NY 10036  
Telephone: (212) 735-3000

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

**Calculation of Registration Fee  
under the Securities Act of 1933:**

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price per Share of Common Stock	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, \$0.001 par value per share	110,767,419 shares	N/A	\$1,782,247,771.71	\$179,472.35

- (1) The number of shares to be registered represents the maximum number of shares of the registrant's common stock estimated to be issuable pursuant to the merger agreement described in the enclosed document. Pursuant to Rule 416, this registration statement also covers additional securities that may be issued as a result of stock splits, stock dividends or similar transactions.
- (2) Estimated solely for the purpose of calculating the registration fee and calculated pursuant to Rules 457(c) and 457(f)(1) under the Securities Act of 1933, as amended, the proposed maximum aggregate offering price is equal to: (1) \$16.09, the average of the high and low prices per share of American Capital, Ltd.'s common stock (the securities to be cancelled in the mergers) on July 19, 2016, as reported on the NASDAQ Global Select Market, multiplied by (2) 110,767,419, the maximum number of shares of the registrant's common stock expected to be issued in accordance with the terms of the merger agreement.
- (3) Based on a rate of \$100.70 per \$1,000,000 of the proposed maximum aggregate offering price.

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

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

**PRELIMINARY SUBJECT TO COMPLETION DATED SEPTEMBER 16, 2016**

[ • ], 2016

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Stockholder,

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

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

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

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

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

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

**Your vote is extremely important.** At a special meeting of Ares Capital stockholders, Ares Capital stockholders will be asked to vote on BOTH (1) the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable AND (2) the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements. In order to complete the Transactions, Ares Capital stockholders are

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required to approve both proposals, as applicable. For more information about the required stockholder approval, see the sections entitled "The Special Meeting of Ares Capital," "Ares Capital Proposal #1: Issuance of Ares Capital Common Stock Pursuant to the Merger Agreement at a Price That is Below Its Then Current Net Asset Value Per Share, if Applicable" and "Ares Capital Proposal #2: Issuance of Ares Capital Common Stock Pursuant to the Merger Agreement in Accordance with NASDAQ Listing Rule Requirements" in this document.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Ares Capital Corporation

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

### NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [ • ], 2016

To the Stockholders of Ares Capital Corporation:

Notice is hereby given that Ares Capital Corporation, a Maryland corporation, or "Ares Capital," will hold a Special Meeting of the Stockholders of Ares Capital, or the "Ares Capital special meeting," on [ • ], 2016 at [ • ], New York time, at [ • ] for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the Agreement and Plan of Merger, as such agreement may be amended from time to time, or the "merger agreement," dated as of May 23, 2016, by and among Ares Capital, American Capital, Ltd., Orion Acquisition Sub, Inc., a wholly owned subsidiary of Ares Capital, Ivy Hill Asset Management, L.P., or "IHAM," a wholly owned portfolio company of Ares Capital, Ivy Hill Asset Management GP, LLC, in its capacity as general partner of IHAM, American Capital Asset Management, LLC, and solely for the limited purposes set forth therein, Ares Capital Management LLC, Ares Capital's investment adviser, at a price below its then current net asset value per share, if applicable;
2. To consider and vote upon a proposal to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement, in accordance with NASDAQ listing rule requirements; and
3. To consider and vote upon a proposal to approve the adjournment of the Ares Capital special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the Ares Capital special meeting to approve the foregoing proposals.

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

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

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

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

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

By Order of the Board of  
Directors,

Joshua M. Bloomstein  
*Secretary*

New York, New York  
[ • ], 2016

**YOUR VOTE IS IMPORTANT!**

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

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

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

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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 SEPTEMBER 16, 2016**

[ • ], 2016

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Stockholder,

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

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

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

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

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

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

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



to adopt the merger agreement;

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

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

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

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

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

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

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

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

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

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

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

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

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

information. You also can obtain information about American Capital and Ares Capital from documents that each has filed

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

Sincerely,

Malon Wilkus  
*Chairman and Chief Executive Officer*

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

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

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

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

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

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**AMERICAN CAPITAL, LTD.  
NOTICE OF 2016 ANNUAL MEETING OF  
STOCKHOLDERS TO BE HELD ON [ • ], 2016**

**DATE AND TIME**

[•], [•], 2016 at 9:00 a.m., New York time

**PLACE**

Hyatt Regency Bethesda, 7400 Wisconsin Avenue, Bethesda, Maryland 20814

**ITEMS OF BUSINESS**

- 1) To adopt the Agreement and Plan of Merger, dated as of May 23, 2016, or the "merger agreement," by and among Ares Capital Corporation, Orion Acquisition Sub, Inc., or "Acquisition Sub," American Capital, Ltd., or "American Capital," American Capital Asset Management, LLC, or "ACAM," Ivy Hill Asset Management, L.P., or "IHAM," Ivy Hill Asset Management GP, LLC and, solely for purposes of certain provisions therein, Ares Capital Management LLC, which the merger agreement provides for the merger of Acquisition Sub with and into American Capital, which we refer to as the "merger," and the merger of ACAM with and into IHAM, which we refer to as the "ACAM merger" and together with the merger, the "mergers," and certain other transactions as contemplated therein.
- 2) To approve, on an advisory, non-binding basis, the payment of an estimated \$62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein.
- 3) To approve any adjournments of the American Capital annual meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger agreement.
- 4) To elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions.
- 5) To ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016.
- 6) To transact such other business as may properly come before the American Capital annual meeting or any adjournments or postponements thereof.

In addition, there will be a presentation on the transactions contemplated by the merger agreement, including the mergers, and stockholders will have an opportunity to ask questions.

The foregoing items of business are more fully described in this document, and a copy of the merger agreement is attached as *Annex A* to this document. You are encouraged to read this document and the merger agreement, as well as the other exhibits to this document, in their entirety.

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**BOARD OF DIRECTORS  
RECOMMENDATIONS**

American Capital's board of directors, including the independent directors, unanimously recommends that American Capital stockholders vote:

**"FOR"** the adoption of the merger agreement.

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

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

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

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

**WHO CAN VOTE**

You are entitled to notice of, and to vote at, the American Capital annual meeting and any adjournments or postponements of the meeting if you were a stockholder of record at the close of business on [•], 2016.

**VOTING**

Your vote is important, and we urge you to vote. You may vote in person at the American Capital

annual meeting, by telephone, through the internet or by mailing your completed proxy card (or voting instruction form, if you hold your shares through a broker, bank or other nominee). See "The Annual Meeting of American Capital Voting of Proxies" for additional information regarding voting.

**MEETING ADMISSION**

If you wish to attend the American Capital annual meeting in person, we request that you register in advance with our Investor Relations department by following the instructions set forth in "The Annual Meeting of American Capital Date, Time and Place of the American Capital Annual Meeting."

**DATE OF DISTRIBUTION**

This notice, this document, the accompanying proxy card and our annual report to stockholders, which includes our annual report on Form 10-K with audited financial statements for the year ended December 31, 2015, as amended, are first being sent to our stockholders on or about [•], 2016.

**By Order of the Board of Directors,**

**Samuel A. Flax**

*Executive Vice President, General Counsel,  
Chief Compliance Officer and Secretary  
[•], 2016*

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
2016 ANNUAL MEETING OF AMERICAN CAPITAL STOCKHOLDERS TO BE HELD ON [ • ], 2016**

This document and our annual report to stockholders, which includes our annual report on Form 10-K for the fiscal year ended December 31, 2015, as amended, are available free of charge on the internet at [www.ACAS.com/2016proxymaterials](http://www.ACAS.com/2016proxymaterials).

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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 (File No. 333-212604), constitutes a prospectus of Ares Capital under Section 5 of the Securities Act of 1933, as amended, or the "Securities Act," with respect to the shares of Ares Capital common stock to be issued to American Capital's stockholders as required by the merger agreement.

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

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

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

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

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

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

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

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

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

"AGNC" refers to American Capital Agency Corp.

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

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

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

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

"Ares Operations" refers to Ares Operations LLC;

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

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

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

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

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

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

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

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

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

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

**Q: Why am I receiving these materials?**

**A:**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Q: When and where are the stockholder meetings?**

**A:**

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

**Ares Capital:** The Ares Capital special meeting will take place on [ • ], 2016 at [ • ], New York time, at [ • ].

**Q: What is happening at the stockholder meetings?**

**A:**

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

a proposal to adopt the merger agreement;

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

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

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

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

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

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

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

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

**Q: What will happen in the Transactions?**

**A:**

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

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election as a "business development company" (as defined in the Investment Company Act), or "BDC."

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

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

A:

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

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

These elements are more specifically:

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

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

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

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





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(5)

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

(A)

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

(B)

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

(C)

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

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

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

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

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

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

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

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

**Q: Is the exchange ratio subject to any adjustment?**

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

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

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

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

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

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

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

Additionally, effective immediately prior to the effective time, each vested and unvested American Capital incentive award will become vested in full and the corresponding shares of American Capital common stock will be released pursuant to the terms of American Capital's performance

incentive plans. Each such share of American Capital common stock will thereafter be immediately converted into the right to receive the merger consideration, less applicable withholdings.

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

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

**A:**

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

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

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

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

**Q: What is the make-up dividend amount?**

**A:**

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

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

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

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

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

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

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

**A:**

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

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

**A:**

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

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

**A:**

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

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

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

**A:**

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

**Simplified Structure Before the Completion of the Mergers**

## Simplified Structure Following the Completion of the Mergers

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

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

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

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



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

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

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

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

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

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

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

**A:**

As is shown in more detail in "Comparative Fees and Expenses," and based on the assumptions described in that section, following the completion of the Transactions, annual expenses as a percentage of consolidated net assets attributable to common stock is estimated to (1) increase for Ares Capital stockholders from 9.98% on a stand-alone basis to 10.37% on a pro forma combined basis and (2) increase for American Capital stockholders from 7.60% on a stand-alone basis to 10.37% on a pro forma combined basis. Ares Capital expects that the combined company will achieve certain synergies and cost savings within 18 months following completion of the Transactions that are not reflected in the foregoing pro forma combined percentages and accordingly believes that estimated total pro forma combined company expenses will be lower than reflected in "Comparative Fees and Expenses" if such synergies and cost savings are achieved.

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

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

**A:**

For providing investment advisory and management services to Ares Capital, Ares Capital's investment adviser receives fees from Ares Capital consisting of base management fees based on Ares Capital's total assets, as defined under the Investment Company Act (other than cash and cash equivalents, but including assets purchased with borrowed funds) ("base management fees"), fees based on Ares Capital's net investment income ("income based fees") and fees based on Ares Capital's net capital gains ("capital gains incentive fees").

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

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

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

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

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

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

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

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

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

***Quarterly Income Based Fee Based on Net Investment Income***

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

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

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

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

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

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

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

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

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

Ares Capital defers cash payment of any income based fee and the capital gains incentive fee otherwise earned by Ares Capital's investment adviser if during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made the sum of (1) the aggregate distributions to Ares Capital's stockholders and (2) the change in net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains

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incentive fees accrued during the period) is less than 7.0% of Ares Capital's net assets (defined as total assets less indebtedness) at the beginning of such period. Any such deferred fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under Ares Capital's investment advisory and management agreement.

### **Q: Are stockholders able to exercise dissenters' rights?**

**A:**

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

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

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

**A:**

While there can be no assurance as to the exact timing, or that the Transactions will be completed at all, Ares Capital and American Capital expect to complete the Transactions as early as the fourth quarter of 2016. Ares Capital and American Capital currently expect to complete the Transactions promptly following receipt of the required approvals at the American Capital annual meeting and the Ares Capital special meeting and satisfaction of the other closing conditions set forth in the merger agreement.

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

**A:**

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

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

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

**Q: What happens if the Transactions are not completed?**

**A:**

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

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

**Q: What constitutes a quorum at the stockholder meetings?**

**A:**

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

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

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

**A:**

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

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

**A:**

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

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

**A:**

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

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

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

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

**A:**

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

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

**A:**

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

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

**A:**

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

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

**A:**

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



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

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

**A:**

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

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

**Q: What do I need to do now?**

**A:**

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

**Q: How do I vote my shares?**

**A:**

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

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

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

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

**Ares Capital:** You may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed postage-paid return envelope as soon as possible so that your



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shares may be represented at the Ares Capital special meeting. You may also instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card. If you are a record stockholder, you may also attend the Ares Capital special meeting and vote in person instead of submitting a proxy.

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

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

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

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

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

**A:**

**American Capital:** Your shares of common stock may be voted by your broker only under certain circumstances. Specifically, under applicable rules, shares held in the name of your broker may be voted by your broker on certain "routine" matters if you do not provide voting instructions. The only proposal to be voted on at the American Capital annual meeting that is considered a

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"routine" matter for which brokers may vote uninstructed shares is the ratification of the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016. The other proposals, including the merger agreement and adjournment proposals, are not considered "routine" under applicable rules, so the broker cannot vote your shares on any of those proposals unless you provide to the broker voting instructions for each of these matters.

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

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

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

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

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

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

**A:**

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

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

With respect to each of (1) the proposal to approve, on an advisory, non-binding basis, the payment of an estimated \$62,330,277 in the aggregate, subject to the occurrence of certain conditions regarding change of control and termination, in golden parachute payments that will or may become payable to American Capital's named executive officers pursuant to their employment and other arrangements with American Capital and the merger agreement, in connection with the completion of the mergers and certain other transactions as contemplated therein, (2) the proposal to approve any adjournments of the American Capital annual meeting, for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the meeting to adopt the merger

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agreement, (3) the proposal to elect ten directors to American Capital's board of directors, each to serve until the earlier of the expiration of a one-year term and the completion of the Transactions, and (4) the proposal to ratify the appointment of Ernst & Young LLP to serve as American Capital's independent public accountant for the year ending December 31, 2016, a vote to "abstain" or failure to vote at the American Capital annual meeting will have no effect on the vote for the proposal.

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

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

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

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

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

**A:**

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

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

**A:**

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

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

**A:**

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

**Q: Whom can I contact with any additional questions?**

**A:**

*American Capital:*

**Georgeson Inc.**

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

*Ares Capital:*

**D.F. King & Co., Inc.**

48 Wall Street, 22nd Floor  
New York, New York 10005  
1-800-967-7635 (toll free)  
1-212-269-5550 (call collect)

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

**A:**

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

## SUMMARY

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

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

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

### **Simplified Structure Before the Completion of the Mergers**

**Simplified Structure Following the Completion of the Mergers**

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

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

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

**The Parties to the Transactions**

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

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



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

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

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

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

<b>Equity Investments</b>	<b>Ares Capital</b> Will make equity investments to a lesser extent; generally non-control positions less than \$20 million invested in conjunction with loans extended	<b>American Capital</b> Will make majority equity investments in buyout transactions and minority equity investments in sponsor finance transactions
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The following table presents comparisons of Ares Capital's and American Capital's total return based on market value and total return based on net asset value as June 30, 2016 and June 30, 2015 and as of December 31, 2015, 2014, 2013, 2012 and 2011.

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

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

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

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

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

ACAM is a registered investment adviser under the Investment Advisers Act of 1940 (as amended, the "Advisers Act") and a wholly owned portfolio company of American Capital. American Capital

conducts its fund management business through ACAM and ACAM's subsidiaries. In general, subsidiaries of ACAM enter into management agreements with each of its managed funds.

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

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

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

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

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

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

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

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

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

These elements are more specifically:

- (1) The exchange ratio of 0.483 shares of Ares Capital common stock, subject to the payment of cash instead of fractional shares. Based on the closing price of Ares Capital common stock of \$15.19 on May 20, 2016, the last full trading day before the public announcement of the entry into the merger agreement, this is valued at \$7.34 per share of American Capital common stock. The value of Ares Capital common stock ultimately depends on the value of Ares Capital common stock at the effective time and will fluctuate until such time. See "Questions and Answers about the American Capital Meeting, the Ares Capital Special Meeting and the Transactions Is the exchange ratio subject to adjustment?" for more information on the exchange ratio.
- (2) \$6.41 per share in cash from Ares Capital.
- (3) \$1.20 per share in cash from Ares Capital Management.
- (4) \$2.45 per share in cash, which amount represents the per share cash consideration paid to American Capital pursuant to the Mortgage Manager Sale.
- (5) Additionally, depending on the effective time, each share of American Capital common stock issued and outstanding immediately prior to such effective time will be converted into the right to receive, if any, the make-up dividend amount. See "Questions and Answers about the American Capital Meeting, the Ares Capital Special Meeting and the Transactions What is the make-up dividend amount?" for more information on the make-up dividend amount.

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

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

Immediately prior to the effective time, each vested and unvested American Capital option outstanding, other than options with an exercise price exceeding the aggregate value of the per share merger consideration, or "underwater options," will become vested and exercisable in full. To the extent

such option is not exercised by the effective time, such option will be canceled and entitle the holder of such option to receive the option consideration pursuant to the calculation described in the section entitled "Description of the Merger Agreement Treatment of American Capital Options and Incentive Awards"). All underwater options will be canceled and terminated at the effective time and no consideration will be paid in respect of any underwater options.

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

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

#### **Annual Meeting of American Capital Stockholders (page 119)**

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

to adopt the merger agreement;

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

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

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

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

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

**Special Meeting of Ares Capital Stockholders (page 125)**

The Ares Capital special meeting will take place on [ • ], 2016 at [ • ], New York time, at [ • ]. Ares Capital stockholders are being asked to consider and vote on the following matters at their special meeting:

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

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

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

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

**Comparative Market Price of Securities (page 352)**

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

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

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

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

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

**Dividends (page 352)**

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

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

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

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

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

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

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

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

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

**Reasons for the Transactions (page 155)**

*American Capital*

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

the fact that the mergers will provide additional scale and portfolio diversification for the combined company;

the changing landscape of middle market sponsored finance lending, the industry in which American Capital and Ares Capital operate;

the fact that the receipt of shares of Ares Capital common stock in exchange for shares of American Capital common stock will permit American Capital stockholders to receive common stock that may be more liquid than American Capital common stock, and to receive dividend payments in the combined company by participating in Ares Capital's dividend;

the fact that American Capital stockholders will have an ability to participate in the future growth of Ares Capital, including any future upside in the stock price of Ares Capital and potential synergies expected to result from the mergers;

the pro forma financial metrics of the combined company and the opportunity for American Capital stockholders to participate in the long-term prospects of the combined company;

Ares Capital's strong track record of success with its 2010 acquisition of Allied Capital Corporation, a BDC, which transaction was valued at approximately \$908 million;

American Capital's historical performance and American Capital's ability to make future dividend payments to American Capital stockholders; and

American Capital's knowledge of Ares Capital's business, operations, financial condition, earnings and prospects, taking into account the results of American Capital's business and legal due diligence review of Ares Capital.

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

the significant difficulty of selling ACMM or its subsidiaries as a part of a whole company sale of American Capital or otherwise as part of a sale to a third party;

the fact that American Capital entered into the Mortgage Manager Purchase Agreement to sell ACMM to AGNC for \$562 million in cash and that the proceeds of such sale would constitute a part of the merger consideration; and

the fact that the Mortgage Manager Sale (i) was not linked to or conditioned on the mergers; (ii) did not include a right of American Capital's board of directors to consider superior third-party offers and accept one to replace the Mortgage Manager Purchase Agreement; (iii) was contemplated to have a closing date set for as early as July 1, 2016, with limited closing conditions, including no financing contingency; (iv) had a high likelihood of completion; and (v) imposed limited contingent obligations on either American Capital or Ares Capital, other than contingent obligations relating to transition services.

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

the fact that the merger agreement is unlikely to unduly deter third parties from making unsolicited acquisition proposals;

the likelihood that the proposed mergers would be completed;

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

the fact that the merger agreement imposes a continuing obligation on Ares Capital to provide indemnification to and maintain insurance for officers and directors of American Capital;

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

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

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

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

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

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

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

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

### ***Ares Capital***

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

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

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

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

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

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

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

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

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

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

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

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

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

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its understanding of Ares Capital's and American Capital's respective businesses, portfolio companies, operations, financial condition, earnings, risks and prospects, taking into account the results of Ares Capital's business and legal due diligence review of American Capital's

operations, its portfolio companies and other corporate and financial matters conducted by Ares Capital's management and its legal advisors and financial advisors;

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

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

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

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

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

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

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

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

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

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

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

the termination date under the merger agreement, which allows for time that is expected to be sufficient to complete the Transactions; and



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the fact that the stock portion of the merger consideration is a fixed number of shares and thus avoids fluctuations in the number of shares of Ares Capital common stock payable as merger consideration.

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

**Risks Relating to the Transactions (page 98)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**American Capital Stockholders Have Dissenters' Rights (page 632)**

American Capital stockholders are entitled to appraisal rights under Section 262 of the DGCL, provided they follow the procedures and satisfy the conditions set forth in Section 262 of the DGCL. For more information regarding appraisal rights, see "Appraisal Rights of American Capital Stockholders." In addition, a copy of Section 262 of the DGCL is attached as *Annex F* to this

document. Failure to strictly comply with Section 262 of the DGCL may result in your waiver of, or inability to, exercise appraisal rights.

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

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

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

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

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

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

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

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

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

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

Under the Investment Company Act, Ares Capital is not permitted to issue common stock at a price below the then current net asset value per share unless such issuance is approved by its stockholders and, in certain cases, its board of directors makes certain determinations. Pursuant to stockholder approval granted at a special meeting of Ares Capital stockholders held on May 12, 2016,

Ares Capital currently is permitted to sell or otherwise issue shares of Ares Capital common stock at a price below its then current net asset value per share in an amount up to 25% of its then outstanding shares of Ares Capital common stock, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017. Because the number of shares of Ares Capital common stock to be issued pursuant to the merger agreement is expected to exceed 25% of Ares Capital's then outstanding shares, Ares Capital is seeking stockholder approval to issue the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable.

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

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

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

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

**Completion of the Transactions (page 221)**

While there can be no assurance as to the exact timing, or that the Transactions will be completed at all, Ares Capital and American Capital expect to complete the Transactions as early as the fourth quarter of 2016. Ares Capital and American Capital currently expect to complete the Transactions promptly following receipt of the required approvals at the American Capital annual meeting and the



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

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

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

the required approvals of American Capital and Ares Capital stockholders are obtained at their respective stockholder meetings;

the shares of Ares Capital stock to be issued in the merger have been authorized for listing on NASDAQ;

the registration statement, of which this document forms a part, has become effective and no stop order suspending its effectiveness has been issued and no proceedings for that purpose have been initiated by the SEC;

any applicable waiting period under United States and foreign competition, antitrust, merger control or investment laws has expired or early termination thereof granted and any governmental authorization or consent required with respect to the mergers pursuant to such laws have been obtained;

no governmental authority issues any order that has the effect of restraining, enjoining or otherwise prohibiting the completion of the mergers;

all governmental authorizations and consents required with respect to the mergers as set forth in the American Capital disclosure letter have been obtained and remain in full force and effect; and

the consent of certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of such funds as of March 31, 2016.

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

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

- (1) the authorized and outstanding capital stock of American Capital are true and correct as of the merger agreement date and the effective time other than for de minimis inaccuracies;
- (2) certain fundamental representations are true and correct in all material respects, without giving effect to any materiality or material adverse effect qualification stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such fundamental representations are required to be true as of such specific date only); and
- (3) all other representations contained in the merger agreement are true and correct, without giving effect to any materiality or material adverse effect qualifications stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such representations are required to be true as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a material adverse effect;

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

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

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

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

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

- (1) the authorized and outstanding capital stock of Ares Capital are true and correct as of the merger agreement date and the effective time other than for de minimis inaccuracies;
- (2) certain fundamental representations are true and correct in all material respects, without giving effect to any materiality or material adverse effect qualification stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such fundamental representations are required to be true as of such specific date only); and
- (3) all other representations contained in the merger agreement are true and correct, without giving effect to any materiality or material adverse effect qualifications stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such representations are required to be true as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a material adverse effect;

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

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

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

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

#### **Termination of the Merger Agreement (page 237)**

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

by mutual written consent of Ares Capital and American Capital;

by either Ares Capital or American Capital if:

- (1)

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

(2)

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

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

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

by American Capital if:

- (1) Ares Capital, Ares Capital Management or IHAM breach or fail to perform any of their respective representations, warranties, covenants or other agreements under the merger agreement if such breach or failure to perform (A) would result in the failure of an American Capital condition to closing the mergers and (B) cannot be not cured by the earlier of (x) the termination date or (y) 30 days following American Capital's delivery of written notice to Ares Capital of such breach or failure to perform (provided that American Capital is not then in material breach of a material obligation under the merger agreement so as to result in the failure of an Ares Capital condition to closing the mergers);
- (2) at any time prior to the receipt of the Ares Capital stockholder approval, the Ares Capital board of directors makes an Ares Capital adverse recommendation change;
- (3) Ares Capital enters into a definitive agreement with respect to a superior proposal; or
- (4) at any time prior to receipt of the American Capital stockholder approval, American Capital enters into a definitive agreement with respect to a superior proposal, provided that (A) such proposal did not arise from a material breach of its non-solicit obligations and (B) prior to or simultaneously with such termination American Capital pays to Ares Capital a \$140 million termination fee;

by Ares Capital if:

- (1) American Capital or ACAM breach or fail to perform any of their representations, warranties, covenants or other agreements under the merger agreement if such breach or failure to perform (A) would result in the failure of an Ares Capital condition to closing the mergers and (B) cannot be cured by the termination date, or (y) 30 days following American Capital's delivery of written notice to Ares Capital of such breach or failure to perform (provided that Ares Capital is not then in material breach of a material obligation under the merger agreement so as to result in the failure of an American Capital condition to closing the mergers);
- (2) at any time prior to the receipt of the American Capital stockholder approval, the American Capital board of directors makes an American Capital adverse recommendation change;
- (3) American Capital enters into a definitive agreement with respect to a superior proposal; or
- (4) at any time prior to receipt of the Ares Capital stockholder approval, Ares Capital enters into a definitive agreement with respect to a superior proposal, provided that (A) such proposal did not arise from a material breach of its non-solicit obligations and (B) prior to or simultaneously with such termination Ares Capital pays to American Capital a \$140 reverse million termination fee.



**Termination Fee (page 239)**

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

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

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

**Third Party Consents Required for the Transactions (page 220)**

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

**The Rights of American Capital Stockholders Following the Transactions Will Be Different (page 594)**

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

## COMPARATIVE FEES AND EXPENSES

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

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

	American Capital	Ares Capital	Pro Forma Combined(1)
<b>Estimated annual expenses</b> (as a percentage of consolidated net assets attributable to common stock):(4)(5)			
Base management fees(6)		2.65%	2.69%
Income based fees and capital gains incentive fees(7)		2.50%	1.77%
Interest payments on borrowed funds(8)	1.38%	3.67%	3.53%(9)
Other expenses(10)	6.22%	1.16%	2.38%
Acquired fund fees and expenses(11)		0.07%	0.06%
<b>Total annual expenses (estimated)(12)</b>	7.60%	10.05%	10.43%

- 
- (1) See the unaudited pro forma condensed consolidated financial information and explanatory notes included elsewhere in this document for more information illustrating the effect of the mergers on Ares Capital's financial position and results of operations based upon Ares Capital's and American Capital's respective historical financial positions and results of operations.
- (2) Purchases of shares of common stock of American Capital or Ares Capital on the secondary market are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any sales load (underwriting discount or commission) that stockholders may have paid in connection with their purchase of shares of American Capital or Ares Capital common stock.
- (3) The expenses of the dividend reinvestment plan are included in "Other expenses."
- (4) "Consolidated net assets attributable to common stock" equals stockholders' equity at June 30, 2016. For Pro Forma Combined, the stockholders' equity for Pro Forma Combined as of June 30, 2016 was used from the pro forma information included elsewhere in this document.
- (5)



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American Capital does not have an investment adviser and is internally managed by its management team under the supervision of its board of directors. Therefore, American Capital pays operating costs associated with employing a management team and investment professionals

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

(6)

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

(7)

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

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

For purposes of this table, Ares Capital has assumed that these fees will be payable (in the case of the capital gains incentive fee) and that they will remain constant, although they are based on Ares Capital's performance and will not be paid unless Ares Capital achieves certain goals. For more detailed information on the calculation of Ares Capital's income based fees and capital gains incentive fees, please see below. The pro forma combined company's income based fees and capital gains incentive fees have been calculated in a manner consistent with Ares Capital's investment advisory and management agreement. For more detailed information about income based fees and capital gains incentive fees previously incurred by Ares Capital, please see Note 3

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to its consolidated financial statements for the year ended December 31, 2015 and the period ended June 30, 2016.

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

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

Capital gains incentive fees are payable annually in arrears in an amount equal to 20% of Ares Capital's realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of capital gains incentive fees paid in all prior years.

Ares Capital will defer cash payment of any income based fees and capital gains incentive fees otherwise earned by Ares Capital's investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (1) Ares Capital's aggregate distributions to its stockholders and (2) Ares Capital's change in net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains incentive fees accrued during the period) is less than 7.0% of Ares Capital's net assets (defined as total assets less indebtedness) at the beginning of such period. Any deferred income based fees and capital gains incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the investment advisory and management agreement. These calculations will be adjusted for any share issuances or repurchases. See "Management of Ares Capital Investment Advisory and Management Agreement."

(8)

"Interest payments on borrowed funds" represents interest expenses estimated by annualizing actual interest and credit facility expenses incurred for the six months ended June 30, 2016. During the six months ended June 30, 2016, American Capital's average outstanding borrowings were approximately \$0.9 billion and cash paid for interest expense was \$30.4 million and Ares Capital's average outstanding borrowings were approximately \$4.0 billion and cash paid for interest expense was \$95.6 million. American Capital had outstanding borrowings of approximately \$0.8 billion (with a carrying value of approximately \$0.8 billion) as of June 30, 2016. Ares Capital had outstanding borrowings of approximately \$3.9 billion (with a carrying value of approximately \$3.8 billion) as of June 30, 2016. The amount of leverage that American Capital or Ares Capital may employ at any particular time will depend on, among other things, American Capital and Ares Capital's boards of directors' and, in the case of Ares Capital, its investment adviser's assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors Risks Relating to Ares Capital Ares Capital borrows money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with Ares Capital." See "Risk Factors Risks

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

- (9) Includes certain transactions that are reflected in the pro forma combined company's interest and credit facility fees for the six months ended June 30, 2016, as described in more detail in "Unaudited Pro Forma Condensed Consolidated Financial Statements."
- (10) Includes overhead expenses, including, in the case of Ares Capital, payments under its administration agreement based on its allocable portion of overhead and other expenses incurred by Ares Operations in performing its obligations under such administration agreement, and income taxes. In the case of American Capital, such expenses are based on annualized employee, employee stock options and administrative expenses for the six months ended June 30, 2016. In the case of Ares Capital, such expenses are estimated by annualizing "Other expenses" for the six months ended June 30, 2016. See "Management of Ares Capital Administration Agreement." In the case of Ares Capital and American Capital, "Other expenses" excludes any actual expenses incurred related to the mergers for the six months ended June 30, 2016. For the pro forma combined company, "Other expenses" were based on the annualized amounts reflected in the unaudited pro forma condensed consolidated financial statements for the six months ended June 30, 2016. Ares Capital expects that the combined company will achieve certain synergies and cost savings following completion of the Transactions and accordingly believes that estimated total pro forma combined other expenses will be lower than reflected (similar to or lower than Ares Capital's historical other expenses) if such synergies and cost savings are achieved. The holders of shares of American Capital and Ares Capital common stock (and not the holders of their debt securities or preferred stock, if any) indirectly bear the cost associated with their annual expenses.
- (11) With respect to "Acquired fund fees and expenses," American Capital and Ares Capital stockholders indirectly bear the expenses of underlying funds or other investment vehicles that would be investment companies under section 3(a) of the Investment Company Act but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the Investment Company Act in which American Capital or Ares Capital invests. Such underlying funds or other investment vehicles are referred to in this document as "Acquired Funds." This amount includes the estimated annual fees and operating expenses of Acquired Funds as of June 30, 2016. Certain of these Acquired Funds are subject to management fees, which generally range from 1% to 2.5% of total net assets, or incentive fees, which generally range between 15% to 25% of net profits. When applicable, fees and operating expenses estimates are based on historic fees and operating expenses for the Acquired Funds. For those Acquired Funds with little or no operating history, fees and operating expenses are based on expected fees and operating expenses stated in the Acquired Funds' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and operating expenses for these Acquired Funds may be substantially higher or lower because certain fees and operating expenses are based on the performance of the Acquired Funds, which may fluctuate over time. Also included with the amount is an estimate of the annual fees and operating expenses of the SDLP (as defined below), which was initially funded in July 2016. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital Recent Developments" and Note 16 to Ares Capital's consolidated financial statements for the three and six months ended June 30, 2016, for more information on the SDLP. The annual fees and operating expenses of the SDLP were estimated based on the initially funded portfolio of the SDLP and are primarily comprised of management fees and administrative expenses of the SDLP. For the purpose of this line item, interest payments on borrowed funds are not included in operating expenses.
- (12) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not

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

### Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in American Capital, Ares Capital or, following the completion of the Transactions, the combined company's common stock. In calculating the following expense amounts, each of American Capital and Ares Capital has assumed that it would have no additional leverage, that none of its assets are cash or cash equivalents and that its annual operating expenses would remain at the levels set forth in the tables above. Income based fees and the capital gains fees under Ares Capital's investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown below, are not included in the example, except as specifically set forth below. Transaction expenses related to the Transactions are not included in the following example.

	1 year	3 years	5 years	10 years
<b>You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return in (none of which is subject to the capital gains incentive fee)(1):</b>				
American Capital	\$ 78	\$ 227	\$ 368	\$ 688
Ares Capital	\$ 77	\$ 226	\$ 367	\$ 685
The <i>pro forma</i> combined company following the completion of the Transactions	\$ 89	\$ 256	\$ 411	\$ 748

	1 year	3 years	5 years	10 years
<b>You would pay the following expenses on a \$1,000 common stock investment, assuming a 5% annual return in (all of which is subject to the capital gains incentive fee)(2):</b>				
American Capital	\$ 78	\$ 227	\$ 368	\$ 688
Ares Capital	\$ 87	\$ 254	\$ 410	\$ 758
The <i>pro forma</i> combined company following the completion of the Transactions	\$ 99	\$ 284	\$ 453	\$ 816

- (1) The above illustration assumes that Ares Capital and, following the completion of the Transactions, the combined company, will not realize any capital gains computed net of all realized capital losses and no unrealized capital depreciation.
- (2) The above illustration assumes that Ares Capital and, following the completion of the Transactions, the combined company, has no unrealized capital depreciation and a 5% annual return resulting entirely from net realized capital gains and not otherwise deferrable under the terms of the investment advisory and management agreement and therefore subject to the capital gains incentive fee.

The foregoing tables are to assist you in understanding the various costs and expenses that an investor in American Capital, Ares Capital or, following the completion of the Transactions, the combined company's common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, performance will vary and may result in a return greater or less than 5%. If Ares Capital were to achieve sufficient returns on its investments, including through

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the realization of capital gains, to trigger income based fees or capital gains incentive fees of a material amount, its expenses, and returns to its investors, would be higher.

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

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

## RISK FACTORS

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

### **Risks Relating to Ares Capital**

***The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on Ares Capital's business and operations.***

From time to time, capital markets may experience periods of disruption and instability. For example, between 2008 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While market conditions have largely recovered from the events of 2008 and 2009, there have been continuing periods of volatility, some lasting longer than others. For example, beginning in the latter half of 2015 and continuing into 2016, economic uncertainty and market volatility in China and geopolitical unrest in the Middle East, combined with continued volatility of oil prices, among other factors, have caused disruption in the capital markets, including the markets in which Ares Capital participates. In addition, the referendum by British voters to exit the European Union ("E.U.") ("Brexit") in June 2016 has led to further disruption and instability in the global markets. There can be no assurance these market conditions will not continue or worsen in the future.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, Ares Capital is generally not able to issue additional shares of Ares Capital common stock at a price less than net asset value without first obtaining approval for such issuance from Ares Capital stockholders and Ares Capital's independent directors. Ares Capital generally seeks approval from Ares Capital stockholders so that Ares Capital has the flexibility to issue up to 25% of its then outstanding shares of Ares Capital common stock at a price below net asset value. Pursuant to approval granted at a special meeting of stockholders held on May 12, 2016, Ares Capital currently is permitted to sell or otherwise issue shares of Ares Capital common stock at a price below net asset value, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017.

Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The reappearance of market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity

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

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

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

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

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of many of such countries has improved significantly, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. In July and August 2015, Greece reached agreements with its international creditors for bailouts that provide aid in exchange for austerity terms that had previously been rejected by Greek voters. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. Ares Capital cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and Ares Capital cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in



Europe negatively impacts consumer confidence and consumer credit factors, Ares Capital's business, financial condition and results of operations could be significantly and adversely affected.

In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China's currency. Since then, the Chinese capital markets have continued to experience periods of instability. In June 2016, British voters passed a referendum to exit the E.U., leading to heightened volatility in global markets and foreign currencies.

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

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

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

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

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

Ares Capital depends on the diligence, skill and network of business contacts of certain key personnel of the Ares Credit Group. Ares Capital also depends, to a significant extent, on access to the investment professionals of other groups within Ares and the information and deal flow generated by Ares' investment professionals in the course of their investment and portfolio management activities. Ares Capital's future success depends on the continued service of certain key personnel of the Ares Credit Group. The departure of any of these individuals, or of a significant number of the investment professionals or partners of Ares, could have a material adverse effect on Ares Capital's business, financial condition or results of operations. In addition, Ares Capital cannot assure you that Ares Capital Management will remain Ares Capital's investment adviser or that Ares Capital will continue to have access to Ares' investment professionals or its information and deal flow. Further, there can be no assurance that Ares Capital will replicate its own or Ares' historical success, and Ares Capital cautions you that Ares Capital's investment returns could be substantially lower than the returns achieved by other Ares-managed funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in Ares Capital's securities. Ares Capital currently borrows under the Facilities and has issued or assumed other senior securities, and in the future may borrow from, or issue additional senior securities to, banks, insurance companies, funds, institutional investors and other lenders and investors. Lenders and holders of such senior securities have fixed dollar claims on Ares Capital's consolidated assets that are superior to the claims of Ares Capital common stockholders or any preferred stockholders. If the value of Ares Capital's consolidated

assets increases, then leveraging would cause the net asset value per share of Ares Capital common stock to increase more sharply than it would have had Ares Capital not incurred leverage.

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

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

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

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

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

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

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, Ares Capital's projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of June 30, 2016. As a result, it has not been updated to take into account any changes in assets or leverage since June 30, 2016.

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

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

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

restrictions on the level of indebtedness that Ares Capital is permitted to incur in relation to the value of Ares Capital's assets;

restrictions on Ares Capital's ability to incur liens; and

maintenance of a minimum level of stockholders' equity.

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

Accordingly, although Ares Capital believes it will continue to be in compliance, there are no assurances that Ares Capital will continue to comply with the covenants in the Facilities, the Convertible Unsecured Notes, the Unsecured Notes and the SBA Debentures. Failure to comply with these covenants could result in a default under the Facilities, the Convertible Unsecured Notes, the Unsecured Notes or the SBA Debentures that, if Ares Capital were unable to obtain a waiver from the lenders or holders of such indebtedness, as applicable, such lenders or holders could accelerate

repayment under such indebtedness and thereby have a material adverse impact on Ares Capital's business, financial condition and results of operations.

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

A number of entities compete with Ares Capital to make the types of investments that Ares Capital makes in middle-market companies. Ares Capital competes with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of Ares Capital's competitors are substantially larger and have considerably greater financial, technical and marketing resources than Ares Capital does. Some competitors may have a lower cost of funds and access to funding sources that are not available to Ares Capital. In addition, some of Ares Capital's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than Ares Capital. Furthermore, many of Ares Capital's competitors are not subject to the regulatory restrictions that the Investment Company Act imposes on Ares Capital as a BDC and that the Internal Revenue Code of 1986, as amended (the "Code") imposes on Ares Capital as a RIC. Ares Capital cannot assure you that the competitive pressures Ares Capital face will not have a material adverse effect on Ares Capital's business, financial condition and results of operations. Also, as a result of this competition, Ares Capital may not be able to pursue attractive investment opportunities from time to time.

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

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

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

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

To maintain its RIC status, Ares Capital must timely distribute an amount equal to at least 90% of its investment company taxable income (as defined by the Code, which generally includes net ordinary income and net short term capital gains) to Ares Capital's stockholders, or the "Annual Distribution Requirement". Ares Capital has the ability to pay a large portion of its dividends in shares of Ares Capital's stock, and as long as a portion of such dividend is paid in cash and other requirements are

met, such stock dividends will be taxable as a dividend for U.S. federal income tax purposes. This may result in Ares Capital's U.S. stockholders having to pay tax on such dividends, even if no cash is received, and may result in Ares Capital's non-U.S. stockholders being subject to withholding tax in respect of amounts distributed in Ares Capital stock. Because Ares Capital uses debt financing, it is subject to certain asset coverage ratio requirements under the Investment Company Act and financial covenants under its indebtedness that could, under certain circumstances, restrict it from making distributions necessary to qualify as a RIC. If Ares Capital is unable to obtain cash from other sources, Ares Capital may fail to maintain its status as a RIC and, thus, may be subject to corporate-level income tax on all of its income and/or gains.

To maintain its status as a RIC, in addition to the Annual Distribution Requirement, Ares Capital must also meet certain annual source of income requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in Ares Capital having to (1) dispose of certain investments quickly or (2) raise additional capital to prevent the loss of RIC status. Because most of Ares Capital's investments are in private companies and are generally illiquid, any such dispositions may be at disadvantageous prices and may result in losses. Also, the rules applicable to Ares Capital's qualification as a RIC are complex with many areas of uncertainty. Accordingly, no assurance can be given that Ares Capital has qualified or will continue to qualify as a RIC. If Ares Capital fails to maintain its status as a RIC for any reason and become subject to regular "C" corporation income tax, the resulting corporate-level income taxes could substantially reduce its net assets, the amount of income available for distribution and the amount of its distributions. Such a failure would have a material adverse effect on Ares Capital and on any investment in Ares Capital. Certain provisions of the Code provide some relief from RIC disqualification due to failures of the source of income and asset diversification requirements, although there may be additional taxes due in such cases. Ares Capital cannot assure you that Ares Capital would qualify for any such relief should it fail the source of income or asset diversification requirements.

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

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

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

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

General interest rate fluctuations may have a substantial negative impact on Ares Capital's investments and investment opportunities and, accordingly, may have a material adverse effect on Ares Capital's investment objective and rate of return on invested capital. Because Ares Capital borrows money and may issue debt securities or preferred stock to make investments, its net investment income is dependent upon the difference between the rate at which it borrows funds or pay interest or dividends on such debt securities or preferred stock and the rate at which it invests these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on Ares Capital's net investment income.

Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. In the past, Ares Capital has entered into certain hedging transactions, such as interest rate swap agreements, to mitigate its exposure to adverse fluctuations in interest rates, and Ares Capital may do so again in the future. In addition, Ares Capital may increase its floating rate investments to position the portfolio for rate increases. However, Ares Capital cannot assure you that such transactions will be successful in mitigating its exposure to interest rate risk. Hedging transactions may also limit Ares Capital's ability to participate in the benefits of lower interest rates with respect to its portfolio investments.

Although Ares Capital has no policy governing the maturities of its investments, under current market conditions Ares Capital expects that it will invest in a portfolio of debt generally having maturities of up to ten years. This means that Ares Capital is subject to greater risk (other things being equal) than a fund invested solely in shorter-term securities. A decline in the prices of the debt Ares Capital owns could adversely affect the trading price of Ares Capital common stock. Also, an increase in interest rates available to investors could make an investment in Ares Capital common stock less attractive if Ares Capital is not able to increase its dividend rate, which could reduce the value of Ares Capital common stock.

*Most of Ares Capital's portfolio investments are not publicly traded and, as a result, the fair value of these investments may not be readily determinable.*

A large percentage of Ares Capital's portfolio investments are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. Ares Capital value these investments quarterly at fair value as determined in good faith by Ares Capital's board of directors based on, among other things, the input of Ares Capital's management and audit committee and independent valuation firms that have been engaged at the direction of Ares Capital's board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions). The valuation process is conducted at the end of each fiscal quarter, with a minimum of 55% (based on value) of Ares Capital's valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter. However, Ares Capital may use these independent valuation firms to review the value of Ares Capital's investments more frequently, including in connection with the occurrence of significant events or changes in value affecting a particular investment. In addition, Ares Capital's independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, Ares Capital's investment valuation process within the context of performing the integrated audit.

The types of factors that may be considered in valuing Ares Capital's investments include the enterprise value of the portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio



company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, Ares Capital considers the pricing indicated by the external event to corroborate Ares Capital's valuation. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, Ares Capital's determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that it may ultimately realize. Ares Capital's net asset value per share could be adversely affected if its determinations regarding the fair value of these investments are higher than the values that it realizes upon disposition of such investments.

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

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

***Ares Capital may experience fluctuations in its quarterly results.***

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

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

Ares Capital's investment portfolio includes investments that may be significant individually or in the aggregate. If a significant investment in one or more companies fails to perform as expected, such a failure could have a material adverse effect on Ares Capital's financial condition and results of operations, and the magnitude of such effect could be more significant than if Ares Capital had further diversified its portfolio.

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

and repayment of Ares Capital's investment in the SSLP Certificates depends on the performance of the loans in the SSLP's portfolio in the aggregate. Accordingly, any material degradation in the performance of the loans in the SSLP's portfolio in the aggregate would have a negative effect on the yield on Ares Capital's SSLP Certificates and could ultimately result in the loss of some or all of Ares Capital's investment in the SSLP Certificates.

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

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

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

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In addition, certain Ares funds may have investment objectives that compete or overlap with, and may from time to time invest in asset classes similar to those targeted by, Ares Capital. Consequently, Ares Capital, on the one hand, and these other entities, on the other hand, may from time to time pursue the same or similar capital and investment opportunities. Ares and Ares Capital's investment adviser endeavor to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to Ares Capital. Nevertheless, it is possible that Ares Capital may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Ares. In addition, there may be conflicts in the allocation of investment opportunities among Ares Capital and the funds managed by investment managers affiliated with Ares or one or more of Ares Capital's controlled affiliates or among the funds they manage.

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

Ares Capital pays a base management fee, an income based fee and a capital gains incentive fee to Ares Capital's investment adviser, and reimburses Ares Capital's investment adviser for certain expenses it incurs. In addition, investors in Ares Capital common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve if distributions were made on a gross basis.

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

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

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

Ares Capital's investment advisory and management agreement renews for successive annual periods if approved by Ares Capital's board of directors or by the affirmative vote of the holders of a majority of Ares Capital's outstanding voting securities, including, in either case, approval by a majority of Ares Capital's directors who are not "interested persons" of Ares Capital as defined in Section 2(a)(19) of the Investment Company Act. However, both Ares Capital and Ares Capital's

investment adviser have the right to terminate the agreement without penalty upon 60 days' written notice to the other party. Moreover, conflicts of interest may arise if Ares Capital's investment adviser seeks to change the terms of Ares Capital's investment advisory and management agreement, including, for example, the terms for compensation. While any material change to the investment advisory and management agreement must be submitted to stockholders for approval under the Investment Company Act, Ares Capital may from time to time decide it is appropriate to seek stockholder approval to change the terms of the agreement.

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

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

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

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

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

Ares Capital's business is dependent on its and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third party service providers, could cause delays or other problems in Ares Capital's activities. Ares Capital's financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a

number of factors including events that are wholly or partially beyond its control and adversely affect Ares Capital's business. There could be:

sudden electrical or telecommunications outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber-attacks.

These events, in turn, could have a material adverse effect on Ares Capital's business, financial condition and operating results and negatively affect the market price of Ares Capital common stock and its ability to pay dividends to Ares Capital's stockholders.

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

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

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

Ares Capital's internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If Ares Capital fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if Ares Capital experiences difficulties in their implementation, Ares Capital's business and operating results could be harmed and Ares Capital could fail to meet its Capital's financial reporting obligations.

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

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

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

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact Ares Capital's operating results or financial condition, impose additional costs on Ares Capital, intensify the regulatory supervision of Ares Capital or otherwise adversely affect Ares Capital's business.

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

Ares Capital's investment adviser has not assumed any responsibility to Ares Capital other than to render the services described in the investment advisory and management agreement, and it will not be responsible for any action of Ares Capital's board of directors in declining to follow Ares Capital's investment adviser's advice or recommendations. Pursuant to the investment advisory and management agreement, Ares Capital's investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it will not be liable to Ares Capital for their acts under the investment advisory and management agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the

performance of their duties. Ares Capital has agreed to indemnify, defend and protect Ares Capital's investment adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it with respect to all damages, liabilities, costs and expenses arising out of or otherwise based upon the performance of any of the investment adviser's duties or obligations under the investment advisory and management agreement or otherwise as an investment adviser of Ares Capital, and not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead Ares Capital's investment adviser to act in a riskier manner when acting on Ares Capital's behalf than it would when acting for its own account. See " Ares Capital's investment adviser's fee structure may induce it to make certain investments, including speculative investments."

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

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

Under the investment advisory and management agreement, Ares Capital will defer cash payment of any income based fee and the capital gains incentive fee otherwise earned by Ares Capital's investment adviser if, during the most recent four full calendar quarter periods ending on or prior to the date such payment is to be made, the sum of (1) Ares Capital's aggregate distributions to its stockholders and (2) Ares Capital's change in net assets (defined as total assets less indebtedness and before taking into account any income based fees or capital gains incentive fees accrued during the period) is less than 7.0% of its net assets (defined as total assets less indebtedness) at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases. Any such deferred fees will be carried over for payment in subsequent calculation periods to the extent such payment can then be made under the investment advisory and management agreement.

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

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

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

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

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

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

As a BDC, Ares Capital is required to carry its investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of Ares Capital's board of directors. Ares Capital may take into account the following types of factors, if relevant, in determining the fair value of its investments: the enterprise value of a portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, Ares Capital uses the pricing indicated by the external event to corroborate Ares Capital's valuation. While most of Ares Capital's investments are not publicly traded, applicable accounting standards require Ares Capital to assume as part of its valuation process that its investments are sold in a principal market to market participants (even if Ares Capital plans on holding an investment through its maturity). As a result, volatility in the capital markets can also adversely affect Ares Capital's investment valuations. Decreases in the market values or fair values of Ares Capital's investments are recorded as unrealized depreciation. The effect of all of these factors on Ares Capital's portfolio can reduce Ares Capital's net asset value by increasing net unrealized depreciation in the portfolio. Depending on market conditions, Ares Capital could incur substantial realized losses and may suffer unrealized losses, which could have a material adverse effect on its business, financial condition or results of operations.



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

Many of Ares Capital's portfolio companies may be susceptible to economic downturns or recessions and may be unable to repay Ares Capital's loans during these periods. Therefore, during these periods Ares Capital's non-performing assets may increase and the value of its portfolio may decrease if it is required to write down the values of its investments. Adverse economic conditions may also decrease the value of collateral securing some of Ares Capital's loans and the value of Ares Capital's equity investments. Economic slowdowns or recessions could lead to financial losses in Ares Capital's portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase Ares Capital's funding costs, limit Ares Capital's access to the capital markets or result in a decision by lenders not to extend credit to Ares Capital. These events could prevent Ares Capital from increasing investments and harm Ares Capital's operating results. Ares Capital experienced to some extent such effects as a result of the economic downturn that occurred from 2008 through 2009 and may experience such effects again in any future downturn or recession.

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

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

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

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

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

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

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

they generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

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

changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects; and

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

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

The debt that Ares Capital invests in is typically not initially rated by any rating agency, but Ares Capital believes that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's, lower than "BBB " by Fitch or lower than "BBB " by S&P), which under the guidelines established by these entities is an indication of having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Bonds that are rated below investment grade are sometimes referred to as "high yield bonds" or "junk bonds." Therefore, Ares Capital's investments may result in an above average amount of risk and volatility or loss of principal. While the debt Ares Capital invests in is often secured, such security does not guarantee that Ares Capital will receive principal and interest payments according to the terms of the loan, or that the value of any collateral will be sufficient to allow Ares Capital to recover all or a portion of the outstanding amount of the loan should Ares Capital be forced to enforce its remedies.

Ares Capital also may invest in assets other than first and second lien and mezzanine debt investments, including high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments. These investments entail additional risks that could adversely affect Ares Capital's investment returns.

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

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

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

to the extent that the portfolio company requires additional capital and is unable to obtain it, Ares Capital may not recover Ares Capital's investment; and

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

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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, it may be required to report income for tax purposes before it receives such distributions;

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

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

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

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

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

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

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

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

Ares Capital's portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, Ares Capital's investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which Ares Capital is entitled to receive payments in respect of Ares Capital's investments. These debt instruments would usually prohibit the portfolio companies from

paying interest on or repaying Ares Capital's investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to Ares Capital's investment in that portfolio company typically are entitled to receive payment in full before Ares Capital receives any distribution in respect of Ares Capital's investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to Ares Capital. In the case of securities ranking equally with Ares Capital's investments, Ares Capital would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

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

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

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

***Ares Capital's portfolio companies may be highly leveraged.***

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

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

The fees payable by Ares Capital to its investment adviser may create an incentive for Ares Capital's investment adviser to make investments on Ares Capital's behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which income based fees payable to Ares Capital's investment adviser are determined, which are calculated as a percentage of the return on invested capital, may encourage Ares Capital's investment adviser to use leverage to increase the return on Ares Capital's investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of Ares Capital common stock and the holders of securities convertible into Ares Capital

common stock. In addition, Ares Capital's investment adviser will receive the capital gains incentive fee based, in part, upon net capital gains realized on Ares Capital's investments. Unlike income based fees, there is no hurdle rate applicable to the capital gains incentive fee. As a result, Ares Capital's investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in Ares Capital's investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The income based fees will be computed and paid on income that has been accrued but not yet received in cash, including as a result of investments with a deferred interest feature such as debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the income based fee will become uncollectible. Ares Capital's investment adviser is not under any obligation to reimburse Ares Capital for any part of the fees it received that were based on such accrued interest that Ares Capital never actually received.

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

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

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

Although most of Ares Capital's investments will be U.S. dollar denominated, Ares Capital's investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Ares Capital may employ hedging techniques to minimize these risks, but Ares Capital cannot assure you that such strategies will be effective or without risk to Ares Capital.

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

Ares Capital has and may in the future enter into hedging transactions, which may expose Ares Capital to risks associated with such transactions. Ares Capital may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against

fluctuations in the relative values of its portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may include counter-party credit risk.

Hedging against a decline in the values of Ares Capital's portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that Ares Capital is not able to enter into a hedging transaction at an acceptable price.

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

***Ares Capital's shares of common stock are currently trading at a discount from net asset value and may continue to do so in the future, which could limit Ares Capital's ability to raise additional equity capital.***

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that Ares Capital's net asset value per share may decline. It is not possible to accurately predict whether any shares of Ares Capital common stock will trade at, above, or below net asset value. BDCs as an industry, including Ares Capital, have been trading below net asset value as a result of recent stock market volatility. See "Risks Relating to Ares Capital The capital markets may experience periods of disruption and instability." Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on Ares Capital's business and operations." When Ares Capital common stock is trading below its net asset value per share, Ares Capital will generally not be able to issue additional shares of Ares Capital common stock at its market price without first obtaining approval for such issuance from Ares Capital stockholders and Ares Capital's independent directors. Pursuant to approval granted at a special meeting of stockholders held on May 12, 2016, Ares Capital currently are permitted to sell or otherwise issue shares of Ares Capital common stock at a price below net asset value, subject to certain limitations and determinations that must be made by Ares Capital's board of directors. Such stockholder approval expires on May 12, 2017.

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

Ares Capital intends to make distributions on a quarterly basis to Ares Capital's stockholders out of assets legally available for distribution. Ares Capital cannot assure you that Ares Capital will achieve

investment results that will allow Ares Capital to make a specified level of cash distributions or year-to-year increases in cash distributions. If Ares Capital declares a dividend and if more stockholders opt to receive cash distributions rather than participate in its reinvestment plan, Ares Capital may be forced to sell some of its investments in order to make cash dividend payments.

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

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

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

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

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

***Investing in Ares Capital common stock may involve an above average degree of risk.***

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

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

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

significant volatility in the market price and trading volume of securities of publicly traded RICs, BDCs or other companies in Ares Capital's sector, which are not necessarily related to the operating performance of these companies;

price and volume fluctuations in the overall stock market from time to time;

the inclusion or exclusion of Ares Capital common stock from certain indices;

changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to RICs or BDCs;

loss of Ares Capital's RIC status;

changes in Ares Capital's earnings or variations in Ares Capital's operating results;

changes in the value of Ares Capital's portfolio of investments;

announcements with respect to significant transactions, including with respect to the Transactions;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of Ares Capital Management's key personnel;

operating performance of companies comparable to Ares Capital;

short-selling pressure with respect to shares of Ares Capital common stock or BDCs generally;

future sales of Ares Capital's securities convertible into or exchangeable or exercisable for Ares Capital common stock or the conversion of such securities, including the Convertible Unsecured Notes;

uncertainty surrounding the strength of the U.S. economic recovery;

concerns regarding Brexit and European sovereign debt;

concerns regarding volatility in the Chinese stock market and Chinese currency;



concerns regarding continued volatility of oil prices;

general economic trends and other external factors; and

loss of a major funding source.

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

*Ares Capital may in the future determine to issue preferred stock, which could adversely affect the market value of Ares Capital common stock.*

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for Ares Capital common stock by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock Ares Capital issues must be cumulative. Payment of dividends and repayment of the liquidation preference of preferred stock must take preference over any dividends or other payments to Ares Capital common stockholders, and holders of preferred stock are not subject to any of Ares Capital's expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference (other than convertible preferred stock that converts into common stock). In addition, under the Investment Company Act, preferred stock constitutes a "senior security" for purposes of the 200% asset coverage test.

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

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

In addition, at Ares Capital's 2009 annual stockholders meeting, Ares Capital stockholders approved a proposal authorizing Ares Capital to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of Ares Capital common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of Ares Capital's then outstanding common stock and that the exercise or conversion price thereof is not, at the date of issuance, less than the greater of the market value per share and the net asset value per share of Ares Capital common stock). The authorization granted to sell or issue warrants or securities to subscribe for or convertible into shares of Ares Capital common stock has no expiration.

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

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

In addition, if Ares Capital issues warrants or securities to subscribe for or convertible into shares of Ares Capital common stock, subject to certain limitations, the exercise or conversion price per share could be less than net asset value per share at the time of exercise or conversion (including through the operation of anti-dilution protections). Because Ares Capital would incur expenses in connection with any issuance of such securities, such issuance could result in a dilution of the net asset value per share at the time of exercise or conversion. This dilution would include reduction in net asset value per share

as a result of the proportionately greater decrease in the stockholders' interest in Ares Capital's earnings and assets and their voting interest than the increase in Ares Capital's assets resulting from such issuance.

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

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

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

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

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

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

In order to satisfy the Annual Distribution Requirement applicable to RICs, Ares Capital has the ability to declare a large portion of a dividend in shares of Ares Capital common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion could be as low as 20%) and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder would be taxed on 100% of the fair market value of the shares received as part of the dividend on the date a stockholder received it in the same manner as a cash dividend, even though most of the dividend was paid in shares of Ares Capital common stock.

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

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

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

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

the time remaining to the maturity of these debt securities;

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

the ratings assigned by national statistical ratings agencies;

the general economic environment;

the supply of such debt securities trading in the secondary market, if any;

the redemption or repayment features, if any, of these debt securities;

the level, direction and volatility of market interest rates generally; and

market rates of interest higher or lower than rates borne by the debt securities.

Holders of Ares Capital's debt securities should also be aware that there may be a limited number of buyers if and when they decide to sell their debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

***Terms relating to redemption may materially adversely affect Ares Capital's noteholders' return on any debt securities that Ares Capital may issue.***

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

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

Ares Capital's credit ratings are an assessment by third parties of its ability to pay its obligations. Consequently, real or anticipated changes in Ares Capital's credit ratings will generally affect the market value of its debt securities. Ares Capital's credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities.



*Ares Capital may fail to complete the Transactions.*

While there can be no assurances as to the exact timing, or that the Transactions will be completed at all, Ares Capital expects to complete the Transactions as early as the fourth quarter of 2016. The completion of the Transactions is subject to certain conditions, including, among others, American Capital stockholder approval, Ares Capital stockholder approval, required regulatory approvals, receipt of certain third party consents and other customary closing conditions. Ares Capital intends to complete the Transactions as soon as possible; however, Ares Capital cannot assure stockholders that the conditions required to completed the Transactions will be satisfied or waived on the anticipated schedule, or at all. If the Transactions are not completed, Ares Capital will have incurred substantial expenses for which no ultimate benefit will have been received. See "Risks Relating to the Transactions" If the Transactions do not close, neither Ares Capital nor American Capital will benefit from the expenses incurred in their pursuit." In addition, the merger agreement provides that, in connection with the termination of the merger agreement under specified circumstances, American Capital or Ares Capital may be required to pay the other party a termination fee of \$140 million. See "Risks Relating to the Transactions" Under certain circumstances, American Capital and Ares Capital are obligated to pay each other a termination fee upon termination of the merger agreement." See "Description of the Merger Agreement" for a description of the terms of the merger agreement and "Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed. Any investment decision stockholders make should be made with the understanding that the completion of the Transactions may not happen as scheduled, or at all.

**Risks Relating to American Capital**

*American Capital may fail to complete the Transactions.*

While there can be no assurances as to the exact timing, or that the Transactions will be completed at all, American Capital expects to complete the Transactions as early as the fourth quarter of 2016. The completion of the Transactions is subject to certain conditions, including, among others, American Capital stockholder approval, Ares Capital stockholder approval, required regulatory approvals, receipt of certain third party consents and other customary closing conditions. American Capital intends to complete the Transactions as soon as possible; however, American Capital cannot assure stockholders that the conditions required to complete the Transactions will be satisfied or waived on the anticipated schedule, or at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

American Capital's business requires a substantial amount of capital to operate. American Capital historically has financed its operations, including the funding of new investments, through cash generated by American Capital's operating activities, the repayment of debt investments, the sale of equity investments, the issuance of debt by special purpose affiliates to which American Capital has contributed loan assets, the sale of American Capital's stock and through secured and unsecured



borrowings. American Capital's ability to continue to rely on such sources or other sources of capital is affected by restrictions in the Investment Company Act relating to the incurrence of additional indebtedness as well as changes in the capital markets from the recent economic recession. It is also affected by legal, structural and other factors. There can be no assurance that American Capital will be able to earn or access the funds necessary for American Capital's liquidity requirements.

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

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

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

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

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

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

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

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

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

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

***American Capital may experience fluctuations in its quarterly results.***

American Capital has experienced and could experience material fluctuations in its quarterly operating results due to a number of factors including, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, placing and removing investments on non-accrual status, the degree to which American Capital encounters competition in its markets, the ability to sell investments at attractive terms, the ability to fund and close suitable investments, the timing of the recognition of fee income from closing investment transactions and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

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

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

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

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

investments that satisfy its investment objectives or that American Capital will be able to meet its investment goals.

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

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

***American Capital's business is dependent on external financing.***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***American Capital may not realize gains from its equity investments.***

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

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

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

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

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

In addition, beneficial holders of 5% or more of American Capital's voting securities may be required to make certain filings with the Nevada Gaming Authorities and beneficial holders of greater than 10% of American Capital's voting securities are required to file an application, be investigated, and be found suitable by the Nevada Gaming Authorities. Certain entities considered to be institutional investors who are holding American Capital's voting securities for investment purposes only may seek a waiver of this finding of suitability requirement. An applicant for licensing or a finding of suitability is required to pay all costs of the GCB investigation. Entities that fail to comply with these requirements

may be guilty of a criminal offense. Thus, for so long as American Capital is a controlling member of Hard 8, changes in control of American Capital through merger, consolidation, acquisition of assets or stock, management or otherwise may not occur without complying with Nevada law, including approval of the NGC. Also, persons having a material relationship or involvement with an entity proposing to acquire control of American Capital would need to be investigated and licensed as part of the approval process relating to a change of control transaction.

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

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

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

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

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

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

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

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

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

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

***American Capital may not pay any cash dividends.***

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

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

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

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

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

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

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

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

price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;

significant volatility in the market price and trading volume of securities of BDCs, financial service companies, asset managers or other companies in American Capital's sector, which is not necessarily related to the operating performance of particular companies;

changes in laws, regulatory policies, tax guidelines or financial accounting standards, particularly with respect to BDCs;

changes in American Capital's earnings or variations in operating results;

announcements with respect to significant transactions, including with respect to the Transactions;

any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts and the market in general;

decreases in American Capital's net asset value per share;

general economic trends and other external factors; and

loss of a major funding source.

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

***American Capital common stock may be difficult to resell.***

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

actual or anticipated fluctuation in American Capital's operating results;

volatility in American Capital's common stock price;

changes in expectations as to American Capital's future financial performance or changes in financial estimates of securities analysts; and

departures of key personnel.



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

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

## Risks Relating to the Transactions

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

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

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

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

changes in the business, operations or prospects of Ares Capital or American Capital;

the financial condition of current or prospective portfolio companies of Ares Capital or American Capital;

interest rates or general market or economic conditions;

market assessments of the likelihood that the Transactions will be completed and the timing of the Transactions; and

market perception of the future profitability of the combined company.

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

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

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

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

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

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

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

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

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

investment portfolio to perform as expected, could have a material adverse effect on the financial results of the combined company.

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

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

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

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

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

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

Certain agreements of American Capital and Ares Capital or their affiliates, including with respect to certain funds managed by ACAM and its affiliates, will or may require the consent or waiver of one or more counter-parties in connection with the Transactions. The failure to obtain any such consent or waiver may permit such counter-parties to terminate, or otherwise increase their rights or the combined company's obligations under, any such agreement because the Transactions may violate an anti-assignment, change of control or other provision relating to any of such transactions. If this happens, Ares Capital may have to seek to replace such an agreement with a new agreement or seek

an amendment to such agreement. American Capital and Ares Capital cannot assure you that Ares Capital will be able to replace or amend any such agreement on comparable terms or at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the payment of any termination fee or reverse termination fee or reimbursement of the counterparties' fees and expenses, if required under the circumstances, could adversely affect the financial condition and liquidity of American Capital or Ares Capital.

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

No assurance can be given that the Transactions will be completed. The merger agreement provides for the payment by American Capital to Ares Capital of a termination fee of \$140 million if the merger agreement is terminated by American Capital or Ares Capital under certain circumstances. If American Capital stockholders do not adopt the merger agreement and the merger agreement is terminated, American Capital will be required to reimburse Ares Capital for its expenses up to \$15 million, which amount will reduce, on a dollar for dollar basis, any termination fee that becomes payable by American Capital to Ares Capital. In addition, the merger agreement provides for a

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

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

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

Under certain circumstances, upon termination of the merger agreement, American Capital could be required to pay to Ares Capital a termination fee of \$140 million or Ares Capital could be required to pay to American Capital a reverse termination fee of \$140 million. See "Description of the Merger Agreement Termination of the Merger Agreement." These provisions, which are typical for transactions of this type, might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of American Capital from considering or proposing such an acquisition even if such potential competing acquiror were prepared to pay consideration with a higher per share market price than the price per share market price to be paid by Ares Capital pursuant to the merger agreement or might result in a potential competing acquiror proposing to pay a lower per share price to acquire American Capital than it might otherwise have proposed to pay.

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

The Transactions are subject to closing conditions, including certain approvals of American Capital's and Ares Capital's respective stockholders that, if not satisfied, will prevent the Transactions from being completed. The closing condition that American Capital stockholders adopt the merger agreement may not be waived under applicable law and must be satisfied for the Transactions to be completed. American Capital currently expects that all directors and executive officers of American Capital will vote their shares of American Capital common stock in favor of the proposals presented at the American Capital annual meeting required to complete the Transactions. If American Capital

stockholders do not adopt the merger agreement and the Transactions are not completed, the resulting failure of the Transactions could have a material adverse impact on American Capital's business and operations. The closing condition that Ares Capital stockholders approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement may not be waived and must be satisfied for the Transactions to be completed. Ares Capital currently expects that all directors and executive officers of Ares Capital will vote their shares of Ares Capital common stock in favor of the proposals presented at the Ares Capital special meeting required to complete the Transactions. If the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price that is below its then current net asset value per share, if applicable, or the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements are not approved and the Transactions are not completed, the resulting failure of the Transactions may, in specified circumstances, result in the payment by Ares Capital to American Capital of a \$140 million reverse termination fee.

In addition to the required approvals of American Capital's and Ares Capital stockholders, the Transactions are subject to a number of other conditions beyond American Capital's control that may prevent, delay or otherwise materially adversely affect its completion. Neither American Capital nor Ares Capital can predict whether and when these other conditions will be satisfied.

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

Certain conditions to American Capital's and Ares Capital's obligations to complete the Transactions may be waived, in whole or in part, to the extent legally allowed, either unilaterally or by agreement of American Capital and Ares Capital. In the event that any such waiver does not require resolicitation of stockholders, the parties to the merger agreement will have the discretion to complete the Transactions without seeking further stockholder approval. The conditions requiring the approval of American Capital's and Ares Capital's stockholders, however, cannot be waived.

***Certain persons related to American Capital have interests in the Transactions that differ from the interests of American Capital stockholders.***

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

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

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



merger agreement restricts American Capital from taking actions that it might otherwise consider to be in its best interests. These restrictions may prevent American Capital from pursuing certain business opportunities that may arise prior to the completion of the Transactions. In addition, if the merger agreement is terminated and prior to the termination, American Capital loses key personnel, the business of American Capital could be harmed. Please see the section entitled "Description of the Merger Agreement Conduct of Business Pending Completion of the Transactions" for a description of the restrictive covenants to which American Capital is subject.

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

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

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

The businesses of Ares Capital and American Capital differ in some respects and, accordingly, the results of operations of the combined company and the market price of Ares Capital common stock after the completion of the Transactions may be affected by factors different from those currently affecting the independent results of operations of each of Ares Capital and American Capital. These factors include:

greater number of shares outstanding;

different composition of stockholder base;

different portfolio composition and asset management activities;

different management structure; and

different asset allocation and capitalization.

Accordingly, the historical trading prices and financial results of Ares Capital and American Capital may not be indicative of these matters for the combined company following the completion of the Transactions. For a discussion of the business of Ares Capital and of certain factors to consider in connection with its business, see "Business of Ares Capital." For a discussion of the business of American Capital and of certain factors to consider in connection with its business, see "Business of American Capital."

**SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF AMERICAN CAPITAL**

The following selected financial and other data as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 are derived from American Capital's consolidated financial statements, which have been audited by Ernst & Young LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this document. The selected financial and other data as of and for the six months ended June 30, 2016 and June 30, 2015 and other quarterly financial information is derived from American Capital's unaudited consolidated financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The data should be read in conjunction with American Capital's consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations of American Capital" and "Senior Securities of American Capital," which are included elsewhere in this document.

**AMERICAN CAPITAL, LTD.**  
**SELECTED CONSOLIDATED FINANCIAL DATA**  
**As of and For the Six Months Ended June 30, 2016 and June 30, 2015 and**  
**As of and For the Years Ended December 31, 2015, 2014, 2013, 2012 and 2011**  
**(dollar amounts in millions, except per share data and as otherwise indicated)**

	As of and For the Six Months Ended June 30,		As of and For the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
	(unaudited)	(unaudited)					
Total Operating Revenue	\$ 304	\$ 322	\$ 671	\$ 471	\$ 487	\$ 646	\$ 591
Total Operating Expenses	139	147	293	288	255	263	288
Net Operating Income Before Income Taxes	165	175	378	183	232	383	303
Tax (Provision) Benefit(1)	(45)	(58)	(125)	(66)	(76)	14	145
Net Operating Income ("NOI")	120	117	253	117	156	397	448
Loss on Extinguishment of Debt, Net of Tax						(3)	
Net Realized Gain (Loss), Net of Tax(1)	103	(436)	(627)	152	(55)	(270)	(310)
Net Realized Earnings (Loss)	223	(319)	(374)	269	101	124	138
Net Unrealized (Depreciation) Appreciation, Net of Tax(1)	(197)	396	187	165	83	1,012	836
Net Increase (Decrease) in Net Assets Resulting from Operations ("Net Earnings (Loss)")	\$ 26	\$ 77	\$ (187)	\$ 434	\$ 184	\$ 1,136	\$ 974
<b>Per Share Data:</b>							
<b>NOI:</b>							
Basic	\$ 0.53	\$ 0.43	\$ 0.95	\$ 0.44	\$ 0.53	\$ 1.24	\$ 1.30
Diluted	\$ 0.52	\$ 0.41	\$ 0.95	\$ 0.42	\$ 0.51	\$ 1.20	\$ 1.26
<b>Net Earnings (Loss):</b>							
Basic	\$ 0.12	\$ 0.28	\$ (0.70)	\$ 1.62	\$ 0.63	\$ 3.55	\$ 2.83
Diluted	\$ 0.11	\$ 0.27	\$ (0.70)	\$ 1.55	\$ 0.61	\$ 3.44	\$ 2.74
<b>Balance Sheet Data:</b>							
Total Assets	\$ 5,334	\$ 8,085	\$ 6,240	\$ 7,640	\$ 6,009	\$ 6,319	\$ 5,961
Total Debt	\$ 784	\$ 2,107	\$ 1,253	\$ 1,703	\$ 791	\$ 775	\$ 1,251
Total Stockholders' Equity	\$ 4,418	\$ 5,456	\$ 4,822	\$ 5,472	\$ 5,126	\$ 5,429	\$ 4,563
NAV Per Share	\$ 20.77	\$ 20.35	\$ 19.88	\$ 20.50	\$ 18.97	\$ 17.84	\$ 13.87
<b>Other Data (Unaudited):</b>							
Number of Portfolio Companies at Period End	123	439	171	402	132	139	152
New Investments(2)	\$ 298	\$ 1,928	\$ 3,305	\$ 3,610	\$ 1,107	\$ 719	\$ 317
Realizations(3)	\$ 1,512	\$ 819	\$ 3,721	\$ 2,765	\$ 1,208	\$ 1,498	\$ 1,066
Weighted Average Effective Interest Rate on Debt Investments at Period End(4)	8.4%	6.4%	8.4%	6.6%	10.0%	11.4%	10.7%
LTM NOI Return on Average Stockholders' Equity(5)	5.2%	3.7%	4.8%	2.2%	2.9%	7.7%	10.7%
LTM Net Realized Earnings (Loss) Return on Average Stockholders' Equity(5)	3.4%	(1.7)%	(7.1)%	5.1%	1.9%	2.4%	3.3%
LTM Net (Loss) Earnings Return on Average Stockholders' Equity(5)	(4.9)%	4.2%	(3.5)%	8.2%	3.4%	22.1%	23.3%
Assets Under Management(6)	\$ 75,628	\$ 81,474	\$ 73,342	\$ 86,422	\$ 93,210	\$ 116,800	\$ 68,106
Earnings Assets Under Management(7)	\$ 19,256	\$ 22,752	\$ 20,711	\$ 22,107	\$ 18,603	\$ 18,642	\$ 13,496

(1)

Beginning in 2011, American Capital was no longer taxed as a RIC under Subchapter M of the Code and instead became subject to taxation as a corporation under Subchapter C of the Code. As a result, American Capital recorded a net deferred tax asset of \$428 million in 2011 comprised of a deferred tax benefit of \$145 million in NOI, \$75 million in net realized (loss) gain and \$208 million in net unrealized appreciation.



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- (2) New investments include amounts as of the investment dates that are committed.
- (3) Realizations represent cash proceeds received upon the exit of investments including payment of scheduled principal amortization, debt prepayments, proceeds from loan syndications and sales, payment of accrued PIK notes, and dividends and payments associated with accreted original issue discounts ("OID") and sale of equity and other securities.
- (4) Weighted average effective interest rate on debt investments as of period end is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of OID and market discount earned on accruing debt investments, divided by (b) total debt investments at amortized cost.
- (5) Return represents net increase or decrease in net assets resulting from operations. Average equity is calculated based on the quarterly stockholders' equity balances.
- (6) Assets under management include both (i) the total assets of American Capital and (ii) the total assets of the funds under management by ACAM, excluding any direct investment American Capital has in those funds.
- (7) Earning assets under management include both (i) the total assets of American Capital and (ii) the total third party earning assets under management by ACAM from which the associated base management fees are calculated, excluding any direct investment American Capital has in those funds.

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

	2016	
	Q2	Q1
Total operating revenue	\$ 142,259	\$ 162,198
Net operating income ("NOI")	\$ 45,177	\$ 74,417
Net increase (decrease) in net assets resulting from operations	\$ 105,732	\$ (79,778)
NOI per basic common share(1)	\$ 0.21	\$ 0.31
NOI per diluted common share(1)	\$ 0.20	\$ 0.31
Net earnings (loss) per basic common share(2)	\$ 0.49	\$ (0.34)
Net earnings (loss) per diluted common share(2)	\$ 0.47	\$ (0.34)
Weighted Average Shares Outstanding		
Basic	216,645	234,990
Diluted	226,694	234,990

	2015			
	Q4	Q3	Q2	Q1
Total operating revenue	\$ 173,434	\$ 176,175	\$ 167,200	\$ 154,215
Net operating income ("NOI")	\$ 61,941	\$ 74,971	\$ 66,671	\$ 49,876
Net (decrease) increase in net assets resulting from operations	\$ (226,932)	\$ (36,785)	\$ 61,932	\$ 15,162
NOI per basic common share(1)	\$ 0.24	\$ 0.28	\$ 0.25	\$ 0.18
NOI per diluted common share(1)	\$ 0.24	\$ 0.28	\$ 0.24	\$ 0.18
Net (loss) earnings per basic common share(2)	\$ (0.88)	\$ (0.14)	\$ 0.23	\$ 0.06
Net (loss) earnings per diluted common share(2)	\$ (0.88)	\$ (0.14)	\$ 0.22	\$ 0.05
Weighted Average Shares Outstanding				
Basic	257,598	267,705	272,433	271,080
Diluted	257,598	267,705	283,433	282,920

	2014			
	Q4	Q3	Q2	Q1
Total operating revenue	\$ 158,291	\$ 128,663	\$ 98,818	\$ 84,149
Net operating income ("NOI")	\$ 35,422	\$ 50,995	\$ 25,486	\$ 5,079
Net increase (decrease) in net assets resulting from operations	\$ 37,492	\$ 114,722	\$ 211,711	\$ 69,922
NOI per basic common share(1)	\$ 0.13	\$ 0.19	\$ 0.10	\$ 0.02
NOI per diluted common share(1)	\$ 0.12	\$ 0.18	\$ 0.09	\$ 0.02
Net earnings per basic common share(2)	\$ 0.14	\$ 0.43	\$ 0.80	\$ 0.26
Net earnings per diluted common share(2)	\$ 0.14	\$ 0.41	\$ 0.76	\$ 0.25
Weighted Average Shares Outstanding				
Basic	268,964	267,141	266,183	270,668
Diluted	281,106	279,950	278,453	283,424

(1) Effective October 1, 2014, European Capital's financial results have been consolidated with the financial results of American Capital.

(2) Quarterly amounts may not equal full-year amounts due to changes in the weighted average shares outstanding.

**SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF ARES CAPITAL**

The following selected financial and other data as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 are derived from Ares Capital's consolidated financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in this document. The selected financial and other data as of and for the six months ended June 30, 2016 and June 30, 2015 and other quarterly financial information is derived from Ares Capital's unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results as of and for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The data should be read in conjunction with Ares Capital's consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ares Capital" and "Senior Securities of Ares Capital," which are included elsewhere in this document.

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA**

**As of and For the Six Months Ended June 30, 2016 and June 30, 2015 and**  
**As of and For the Years Ended December 31, 2015, 2014, 2013, 2012 and 2011**  
**(dollar amounts in millions, except per share data and as otherwise indicated)**

	As of and For the Six Months Ended June 30,		As of and For the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
	(Unaudited)	(Unaudited)					
Total Investment Income	\$ 493.3	\$ 502.7	\$ 1,025.4	\$ 989.0	\$ 881.7	\$ 748.0	\$ 634.5
Total Expenses	266.1	266.4	499.8	532.9	437.2	387.9	344.6
Net Investment Income Before Income Taxes	227.2	236.3	525.6	456.1	444.5	360.1	289.9
Income Tax Expense, Including Excise Tax	9.2	6.1	17.8	18.3	14.1	11.2	7.5
Net Investment Income	218.0	230.2	507.8	437.8	430.4	348.9	282.4
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies, Extinguishment of Debt and Other Assets	71.0	16.9	(129.1)	153.2	58.1	159.3	37.1
Net Increase in Stockholders' Equity Resulting from Operations	\$ 289.0	\$ 247.1	\$ 378.7	\$ 591.0	\$ 488.5	\$ 508.2	\$ 319.5
<b>Per Share Data:</b>							
Net Increase in Stockholder's Equity Resulting from Operations:							
Basic	\$ 0.92	\$ 0.79	\$ 1.20	\$ 1.94	\$ 1.83	\$ 2.21	\$ 1.56
Diluted	\$ 0.92	\$ 0.79	\$ 1.20	\$ 1.94	\$ 1.83	\$ 2.21	\$ 1.56
Cash Dividends Declared and Payable(1)	\$ 0.76	\$ 0.81	\$ 1.57	\$ 1.57	\$ 1.57	\$ 1.60	\$ 1.41
Net Asset Value	\$ 16.62	\$ 16.80	\$ 16.46	\$ 16.82	\$ 16.46	\$ 16.04	\$ 15.34
Total Assets(2)	\$ 9,207.6	\$ 9,088.6	\$ 9,506.8	\$ 9,454.3	\$ 8,093.7	\$ 6,360.6	\$ 5,359.7
Total Debt (Carrying Value)(2)	\$ 3,785.4	\$ 3,546.0	\$ 4,113.9	\$ 3,881.0	\$ 2,938.5	\$ 2,155.3	\$ 2,045.9
Total Debt (Principal Amount)	\$ 3,859.6	\$ 3,648.6	\$ 4,196.6	\$ 3,999.3	\$ 3,078.8	\$ 2,293.8	\$ 2,170.5
Total Stockholders' Equity	\$ 5,218.0	\$ 5,282.4	\$ 5,173.3	\$ 5,283.7	\$ 4,904.4	\$ 3,988.3	\$ 3,147.3
<b>Other Data:</b>							
Number of Portfolio Companies at Period End(3)	214	207	218	205	193	152	141
Principal Amount of Investments Purchased	\$ 1,016.0	\$ 1,395.4	\$ 3,905.0	\$ 4,534.3	\$ 3,493.2	\$ 3,161.6	\$ 3,239.0
Principal Amount of Investments Sold and Repayments	\$ 1,203.4	\$ 1,830.6	\$ 3,651.3	\$ 3,212.8	\$ 1,801.4	\$ 2,482.9	\$ 2,468.2
Total Return Based on Market Value(4)	5.0%	10.6%	1.3%	(3.3)%	10.5%	23.6%	2.3%
Total Return Based on Net Asset Value(5)	5.5%	4.7%	7.2%	11.8%	11.4%	14.3%	10.5%
Weighted Average Yield of Debt and Other Income Producing Securities at Fair Value(6):	9.9%	10.6%	10.3%	10.1%	10.4%	11.3%	12.0%
Weighted Average Yield of Debt and Other Income Producing Securities at Amortized Cost(6):	9.8%	10.6%	10.1%	10.1%	10.4%	11.4%	12.1%

(1)

Includes an additional dividend of \$0.05 per share paid in the six months ended June 30, 2015, an additional dividend of \$0.05 per share paid in the year ended December 31, 2015, an additional dividend of \$0.05 per share





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paid in the year ended December 31, 2014, an additional dividend of \$0.05 per share paid in the year ended December 31, 2013 and additional dividends of \$0.10 per share in the aggregate paid in the year ended December 31, 2012.

- (2) Certain prior year amounts have been reclassified to conform to the 2016 presentation. In particular, unamortized debt issuance costs were previously included in other assets and were reclassified to long-term debt as a result of the adoption of Accounting Standards Update ("ASU") 2015-03, Interest Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs during the first quarter of 2016.
- (3) Includes commitments to portfolio companies for which funding had yet to occur.
- (4) For the six months ended June 30, 2016, the total return based on market value equaled the increase of the ending market value at June 30, 2016 of \$14.20 per share from the ending market value at December 31, 2015 of \$14.25 per share plus the declared and payable dividends of \$0.76 per share for the six months ended June 30, 2016, divided by the market value at December 31, 2015. For the six months ended June 30, 2015, the total return based on market value equaled the increase of the ending market value at June 30, 2015 of \$16.46 per share from the ending market value at December 31, 2014 of \$15.61 per share plus the declared and payable dividends of \$0.81 per share for the six months ended June 30, 2015, divided by the market value at December 31, 2014. For the year ended December 31, 2015, the total return based on market value equaled the decrease of the ending market value at December 31, 2015 of \$14.25 per share from the ending market value at December 31, 2014 of \$15.61 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2015, divided by the market value at December 31, 2014. For the year ended December 31, 2014, the total return based on market value equaled the decrease of the ending market value at December 31, 2014 of \$15.61 per share from the ending market value at December 31, 2013 of \$17.77 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2014, divided by the market value at December 31, 2013. For the year ended December 31, 2013, the total return based on market value equaled the increase of the ending market value at December 31, 2013 of \$17.77 per share from the ending market value at December 31, 2012 of \$17.50 per share plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2013, divided by the market value at December 31, 2012. For the year ended December 31, 2012, the total return based on market value equaled the increase of the ending market value at December 31, 2012 of \$17.50 per share from the ending market value at December 31, 2011 of \$15.45 per share plus the declared and payable dividends of \$1.60 per share for the year ended December 31, 2012, divided by the market value at December 31, 2011. For the year ended December 31, 2011, the total return based on market value equaled the decrease of the ending market value at December 30, 2011 of \$15.45 per share from the ending market value at December 31, 2010 of \$16.48 per share plus the declared and payable dividends of \$1.41 per share for the year ended December 31, 2011, divided by the market value at December 31, 2010. Ares Capital's shares fluctuate in value. Ares Capital's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (5) For the six months ended June 30, 2016, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$0.76 per share for the six months ended June 30, 2016, divided by the beginning net asset value for the period. For the six months ended June 30, 2015, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$0.81 per share for the six months ended June 30, 2015, divided by the beginning net asset value for the period. For the year ended December 31, 2015, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2015, divided by the beginning net asset value. For the year ended December 31, 2014, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2014, divided by the beginning net asset value for the period. For the year ended December 31, 2013, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.57 per share for the year ended December 31, 2013, divided by the beginning net asset value for the period. For the year ended December 31, 2012, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.60 per share for the year ended December 31, 2012 divided by the beginning net asset value for the period. For the year ended December 31, 2011, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$1.41 per share for the year ended December 31, 2011 divided by the beginning net asset value for the period. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan and the issuance of common stock in connection with any equity offerings and the equity components of any convertible notes issued during the period. Ares Capital's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.
- (6) "Weighted average yield of debt and other income producing securities" is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at amortized cost or at fair value

as applicable.

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

	2016	
	Q2	Q1
Total investment income	\$ 245,262	\$ 248,050
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees	\$ 144,614	\$ 145,614
Income based fees and capital gains incentive fees	\$ 39,350	\$ 32,884
Net investment income before net realized and unrealized gains	\$ 105,264	\$ 112,730
Net realized and unrealized gains	\$ 52,136	\$ 18,811
Net increase in stockholders' equity resulting from operations	\$ 157,400	\$ 131,541
Basic and diluted earnings per common share	\$ 0.50	\$ 0.42
Net asset value per share as of the end of the quarter	\$ 16.62	\$ 16.50

	2015			
	Q4	Q3	Q2	Q1
Total investment income	\$ 261,676	\$ 260,948	\$ 249,479	\$ 253,247
Net investment income before net realized and unrealized gains (losses) and income based fees and capital gains incentive fees	\$ 150,782	\$ 159,691	\$ 145,134	\$ 146,822
Income based fees and capital gains incentive fees	\$ 3,679	\$ 29,214	\$ 36,631	\$ 25,145
Net investment income before net realized and unrealized gains (losses)	\$ 147,103	\$ 130,477	\$ 108,503	\$ 121,677
Net realized and unrealized gains (losses)	\$ (132,390)	\$ (13,618)	\$ 38,019	\$ (21,101)
Net increase in stockholders' equity resulting from operations	\$ 14,713	\$ 116,859	\$ 146,522	\$ 100,576
Basic and diluted earnings per common share	\$ 0.05	\$ 0.37	\$ 0.47	\$ 0.32
Net asset value per share as of the end of the quarter	\$ 16.46	\$ 16.79	\$ 16.80	\$ 16.71

	2014			
	Q4	Q3	Q2	Q1
Total investment income	\$ 270,917	\$ 253,396	\$ 224,927	\$ 239,719
Net investment income before net realized and unrealized gains and income based fees and capital gains incentive fees	\$ 166,532	\$ 149,722	\$ 127,699	\$ 141,589
Income based fees and capital gains incentive fees	\$ 38,347	\$ 44,432	\$ 35,708	\$ 29,253
Net investment income before net realized and unrealized gains	\$ 128,185	\$ 105,290	\$ 91,991	\$ 112,336
Net realized and unrealized gains	\$ 25,202	\$ 72,449	\$ 50,840	\$ 4,656
Net increase in stockholders' equity resulting from operations	\$ 153,387	\$ 177,739	\$ 142,831	\$ 116,992
Basic and diluted earnings per common share	\$ 0.49	\$ 0.57	\$ 0.48	\$ 0.39
Net asset value per share as of the end of the quarter	\$ 16.82	\$ 16.71	\$ 16.52	\$ 16.42

**UNAUDITED SELECTED PRO FORMA CONSOLIDATED FINANCIAL DATA**

The following tables set forth unaudited pro forma condensed consolidated financial data for Ares Capital and American Capital as a combined company after giving effect to the mergers. The information as of June 30, 2016 is presented as if the mergers had been completed on June 30, 2016 and after giving effect to the Mortgage Manager Sale and certain other transactions that occurred or are expected to occur subsequent to June 30, 2016 (collectively, the "Other Pro Forma Transactions"). The unaudited pro forma condensed consolidated financial data for the six months ended June 30, 2016 and for the year ended December 31, 2015 are presented as if the mergers and the Other Pro Forma Transactions had been completed on December 31, 2014. Such unaudited pro forma condensed consolidated financial data is based on the historical financial statements of Ares Capital and American Capital from publicly available information and certain assumptions and adjustments as discussed in Note 3 of the accompanying notes to the pro forma condensed consolidated financial statements in the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements." In the opinion of management, adjustments necessary to reflect the direct effect of these transactions have been made. The merger of Acquisition Sub with and into American Capital will be accounted for under the acquisition method of accounting as provided by ASC 805-50, *Business Combinations-Related Issues*. See section entitled "Accounting Treatment" for additional information.

The unaudited pro forma condensed consolidated financial data should be read together with the respective historical audited and unaudited consolidated financial statements and related notes of American Capital and Ares Capital included in this document. The unaudited pro forma condensed consolidated financial data are presented for illustrative purposes only and do not necessarily indicate what the future operating results or financial position of the combined company will be following completion of the mergers. The unaudited pro forma condensed consolidated financial data does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the mergers or any future restructuring or integration expenses related to the mergers. Additionally, the unaudited pro forma condensed consolidated financial data does not include any estimated net increase (decrease) in stockholders' equity resulting from operations or other asset sales and repayments that are not already reflected that may occur between June 30, 2016 and the completion of the mergers.

Ares Capital and American Capital cannot assure you that the Transactions will be completed as scheduled, or at all. See "Description of the Transactions" for a description of the terms of the Transactions, "Risk Factors Risks Relating to Ares Capital Ares Capital may fail to complete the Transactions" for a description of the risks associated with a failure to complete the Transactions and "Risk Factors Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed.

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(dollar amounts in millions)

	For the Six Months Ended June 30, 2016		For the Year Ended December 31, 2015	
Total Investment Income	\$	734	\$	1,580
Total Expenses		360		755
Net Investment Income Before Taxes		374		825
Income Tax Expense, Including Excise Tax		9		18
Net Investment Income		365		807
Net Realized and Unrealized Gains (Losses) on Investments, Foreign Currencies and Extinguishment of Debt		48		(352)
Net Increase in Stockholders' Equity Resulting from Operations	\$	413	\$	455

	Actual Ares Capital As of June 30, 2016		Pro Forma Ares Capital As of June 30, 2016	
Total Assets	\$	9,208	\$	12,384
Total Debt (at Carrying Value)	\$	3,785	\$	5,086
Stockholders' Equity	\$	5,218	\$	6,904

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### UNAUDITED PRO FORMA PER SHARE DATA

The following selected unaudited consolidated pro forma per share information for the six months ended June 30, 2016 and for the year ended December 31, 2015 is presented as if the mergers and the Other Pro Forma Transactions had been completed on December 31, 2014. The unaudited pro forma consolidated net asset value per common share outstanding reflects the mergers and the Other Pro Forma Transactions as if they had been completed on June 30, 2016.

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

Ares Capital and American Capital cannot assure you that the Transactions will be completed as scheduled, or at all. See "Description of the Transactions" for a description of the terms of the Transactions, "Risk Factors Risks Relating to Ares Capital Ares Capital may fail to complete the Transactions" for a description of the risks associated with a failure to complete the Transactions and "Risk Factors Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed.

	As of and For the Six Months Ended				For the Year Ended December 31, 2015			
	June 30, 2016		June 30, 2016		December 31, 2015		December 31, 2015	
	Ares Capital	American Capital	Pro forma Consolidated- Ares Capital	Per Equivalent American Capital(3)	Ares Capital	American Capital	Pro forma Consolidated- Ares Capital	Per Equivalent American Capital(3)
Net Increase (Decrease) in Stockholders' Equity Resulting from Operations:								
Basic	\$ 0.92	\$ 0.12	\$ 0.97	\$ 0.47	\$ 1.20	\$ (0.70)	\$ 1.07	\$ 0.52
Diluted	\$ 0.92	\$ 0.11	\$ 0.97	\$ 0.47	\$ 1.20	\$ (0.70)	\$ 1.07	\$ 0.52
Cash Dividends Declared(1)	\$ 0.76	\$	\$ 0.76	\$ 0.37	\$ 1.57	\$	\$ 1.57	\$ 0.76
Net Asset Value per Share(2)	\$ 16.62	\$ 20.77	\$ 16.24	\$ 7.85				

- (1) The cash dividends declared per share represent the actual dividends declared per share for the period presented. The pro forma consolidated cash dividends declared are the dividends per share as declared by Ares Capital.
- (2) The pro forma consolidated net asset value per share is computed by dividing the pro forma consolidated net assets as of June 30, 2016 by the pro forma consolidated number of shares outstanding.
- (3) The American Capital equivalent pro forma per share amount is calculated by multiplying the pro forma consolidated Ares Capital per share amounts by the common stock exchange ratio of 0.483.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's, or their portfolio companies', future business, operations, operating results or prospects;

the return or impact of current and future investments;

the impact of a protracted decline in the liquidity of credit markets;

the impact of fluctuations in interest rates;

the impact of changes in laws or regulations (including the interpretation thereof) governing the operations of Ares Capital, American Capital or, following the completion of the Transactions, the combined company, or the operations of Ares Capital's or American Capital's portfolio companies or the operations of Ares Capital's or American Capital's competitors;

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

Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's ability to recover unrealized losses;

market conditions and Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's ability to access debt markets and additional debt and equity capital;

contractual arrangements and relationships with third parties, including parties to Ares Capital's co-investment programs;

the general economy and its impact on the industries in which Ares Capital, American Capital or, following the completion of the Transactions, the combined company invests;

uncertainty surrounding the financial stability of the U.S., the E.U. and China;

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

Middle East turmoil and the potential for fluctuating energy prices and its impact on the industries in which Ares Capital, American Capital or, following the completion of the Transactions, the combined company, invest;

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



expected financings and investments;

the adequacy of cash resources and working capital;

the timing, form and amount of any dividend distributions;

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

the ability of Ares Capital's and, following the completion of the Transactions, the combined company's investment adviser to locate suitable investments and to monitor and administer investments;

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

the likelihood that the Transactions are completed and the anticipated timing of their completion;

the period following the completion of the Transactions;

the ability of Ares Capital's and American Capital's businesses to successfully integrate if the Transactions are completed;

Ares Capital's, American Capital's or, following the completion of the Transactions, the combined company's ability to successfully complete and integrate any other acquisitions; and

American Capital's future operating results and business prospects if the Transactions are not completed.

Words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions identify forward-looking statements, although not all forward-looking statements include these words. Ares Capital's, American Capital's or, following the Transactions, the combined company's actual results and conditions could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this document.

The forward-looking statements included in this document have been based on information available to Ares Capital and American Capital on the date of this document, as appropriate, and neither Ares Capital nor American Capital assumes any obligation to update any such forward-looking statements. Although neither Ares Capital nor American 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 American 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.

**THE ANNUAL MEETING OF AMERICAN CAPITAL**

**Date, Time and Place of the American Capital Annual Meeting**

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

If an American Capital stockholder wishes to attend the American Capital annual meeting in person, American Capital requests that such stockholder register in advance with its Investor Relations department either by email at IR@AmericanCapital.com or by telephone at (301) 951-5917. Attendance at the American Capital annual meeting will be limited to persons presenting proof of stock ownership on the record date and picture identification. If a stockholder holds shares of American Capital common stock directly in such stockholder's name as the stockholder of record, proof of ownership could include a copy of an account statement or a copy of stock certificate(s). If a stockholder holds shares of American Capital common stock through an intermediary, such as a broker, bank or other nominee, proof of stock ownership could include a proxy from such stockholder's broker, bank or other nominee or a copy of a brokerage or bank account statement.

**Purpose of the American Capital Annual Meeting**

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

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

See "Description of the Transactions," "Description of the Merger Agreement," "American Capital Proposal #4: Election of Directors," and "American Proposal #5: Ratification of Independent Public Accountant" for more information.

**THE AMERICAN CAPITAL BOARD OF DIRECTORS, INCLUDING THE INDEPENDENT  
DIRECTORS, UNANIMOUSLY RECOMMENDS  
THAT AMERICAN CAPITAL STOCKHOLDERS VOTE:**

**"FOR" THE ADOPTION OF THE MERGER AGREEMENT.**

**"FOR" THE APPROVAL, ON AN ADVISORY, NON-BINDING BASIS, OF THE PAYMENT OF CERTAIN  
COMPENSATION THAT WILL OR MAY BECOME PAYABLE TO AMERICAN**



**CAPITAL'S NAMED EXECUTIVE OFFICERS PURSUANT TO THEIR EMPLOYMENT AND OTHER ARRANGEMENTS WITH AMERICAN CAPITAL AND THE MERGER AGREEMENT, IN CONNECTION WITH THE COMPLETION OF THE MERGERS AND CERTAIN OTHER TRANSACTIONS AS CONTEMPLATED THEREIN.**

**"FOR" THE APPROVAL OF ANY ADJOURNMENTS OF THE AMERICAN CAPITAL ANNUAL MEETING FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES AT THE TIME OF THE MEETING TO ADOPT THE MERGER AGREEMENT.**

**"FOR" THE ELECTION OF TEN DIRECTORS TO THE AMERICAN CAPITAL BOARD OF DIRECTORS, EACH TO SERVE UNTIL THE EARLIER OF THE EXPIRATION OF A ONE-YEAR TERM AND THE COMPLETION OF THE TRANSACTIONS.**

**"FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP TO SERVE AS AMERICAN CAPITAL'S INDEPENDENT PUBLIC ACCOUNTANT FOR THE YEAR ENDING DECEMBER 31, 2016.**

The American Capital board of directors does not intend to bring other matters before the American Capital annual meeting except items incidental to the conduct of the meeting. However, on all other matters properly brought before the meeting, or any adjournments or postponements thereof, by the American Capital board of directors or others, the persons named as proxies in the accompanying proxy, or their substitutes, will vote at their discretion.

#### **Quorum and Adjournments**

In order for American Capital to conduct the American Capital annual meeting, holders representing a majority of outstanding shares of American Capital common stock as of [ • ], 2016, must be present in person or by proxy at the meeting. This is referred to as a quorum. A stockholder's shares of American Capital common stock are counted as present at the meeting if the stockholder attends the meeting and votes in person or properly returns a proxy by internet, telephone or mail. Abstentions and shares of record held by a broker, bank or other nominee ("broker shares") that are voted on any matter are included in determining the number of shares present. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

American Capital stockholders will also be asked to consider the proposal to approve any adjournments of the American Capital annual meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the meeting to adopt the merger agreement. 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 American Capital annual meeting, whether or not a quorum exists.

#### **Record Date; Vote Required**

##### ***Record Date***

The record date for the American Capital annual meeting is [ • ], 2016. The record date is established by the American Capital board of directors and only stockholders of record of American Capital at the close of business on the record date are entitled to:

receive notice of the meeting; and

vote at the meeting and any adjournments or postponements of the meeting.

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Each stockholder of record of American Capital on the record date is entitled to one vote for each share of American Capital common stock held. On the record date, there were [ • ] shares of American Capital common stock legally outstanding.

### *Vote Required*

**American Capital Proposal #1.** American Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, the proposal to adopt the merger agreement. A majority of the outstanding shares of American Capital common stock entitled to vote on the proposal must vote "FOR" the proposal in order for it to be approved. Because the vote on the proposal is based on the total number of shares outstanding, abstentions and "broker non-votes" will have the same effect as voting "AGAINST" the approval of the proposal.

**American Capital Proposal #2.** American Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, the proposal. A majority of the votes cast by the holders of American Capital common stock present or represented and entitled to vote at the American Capital annual meeting must vote "FOR" the proposal in order for it to be approved. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

**American Capital Proposal #3.** American Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, the proposal. A majority of the votes cast by the holders of American Capital common stock present or represented and entitled to vote at the American Capital annual meeting must vote "FOR" the proposal in order for it to be approved. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

**American Capital Proposal #4.** American Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, the election of each director nominated in American Capital Proposal #4. A majority of the votes cast by the holders of American Capital common stock present or represented and entitled to vote at the American Capital annual meeting must vote "FOR" the election of a director nominee in order for such director nominee to be elected. In the context of the election of ten directors at the American Capital annual meeting, it will mean that each of the ten director nominees will be required to receive more votes "FOR" than "AGAINST" to be elected. Abstentions and broker non-votes will have no effect on the outcome of the proposal. As described in more detail under "American Capital board of directors and Governance Matters Director Resignation Policy," a director nominee who does not receive a majority of the votes cast will be required to tender his or her resignation.

**American Capital Proposal #5.** American Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, the proposal to ratify the appointment of American Capital's independent auditor. A majority of the votes cast by the holders of American Capital common stock present or represented and entitled to vote at the American Capital annual meeting must vote "FOR" the proposal to ratify the appointment of American Capital's independent auditor in order for the proposal to be approved. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

### **Voting of Directors, Executive Officers and Elliott**

As of the record date for the American Capital annual meeting, American Capital's directors and executive officers were entitled to vote approximately [ • ] shares of American Capital common stock, or approximately [ • ]% of total shares outstanding on that date.

Elliott, Elliott International and certain of American Capital's directors and executive officers have each entered into voting and support agreements. See "Description of the Transactions Stockholder Voting and Support Agreements" for a description of these agreements. As of the record date for the

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American Capital annual meeting, Elliott, Elliott International and American Capital's directors and officers who have entered into these agreements were entitled to vote approximately [ • ] shares of American Capital common stock, or approximately [ • ]% of total shares outstanding on that date. American Capital currently expects that Elliott, Elliott International and each of these directors and executive officers will vote their shares in favor of the proposals to be presented at the American Capital annual meeting.

### **Voting of Proxies**

A proxy is a stockholder's legal designation of another person to vote the stock that such stockholder owns. That other person is called a proxy. If a stockholder designates someone as a proxy in a written document, that document also is called a proxy or a proxy card. Samuel A. Flax and John R. Erickson have been designated as proxies by the American Capital board of directors for the American Capital annual meeting.

All properly executed written proxies, and all properly completed proxies submitted by telephone or by the internet, that are delivered pursuant to this solicitation will be voted at the American Capital annual meeting in accordance with the directions given in the proxy, unless the proxy is revoked before the completion of voting at the meeting.

### *Types of Stockholders*

There are two possible ways for stockholders to hold shares of American Capital common stock:

***Stockholders of Record.*** If a stockholder's shares of American Capital common stock are registered in such stockholder's name on the books and records of American Capital's transfer agent, then such stockholder is a stockholder of record.

***Stockholders Holding Shares in Street Name.*** If a stockholder's shares of American Capital common stock are held through an intermediary in the name of such stockholder's broker, bank or other nominee, such stockholder's shares are held in street name.

If a stockholder receives more than one proxy card, then such stockholder has multiple accounts with brokers and/or American Capital's transfer agent. All shares of American Capital common stock should be voted. American Capital recommends that American Capital stockholders who receive more than one proxy card contact their broker and/or American Capital's transfer agent to consolidate as many accounts as possible under the same name and address. American Capital's transfer agent is Computershare Trust Company, N.A. ("Computershare Trust Company"). Computershare Trust Company's address is P.O. Box 30170 College Station, Texas 77842-3170, and stockholders can reach Computershare Trust Company at 1-800-733-5001 (from within the United States or Canada) or 781-575-3400 (from outside the United States or Canada).

### *Voting Methods*

An American Capital stockholder may submit a proxy or vote shares of American Capital common stock by any of the following methods:

***By Telephone or the Internet.*** Stockholders of American Capital can vote their shares of American Capital common stock via telephone or the internet as instructed in the proxy card or the voting instruction form. The telephone and internet procedures are designed to authenticate a stockholder's identity, to allow common stockholders to vote their shares and to confirm that their instructions have been properly recorded.

***By Mail.*** Stockholders of American Capital who receive a paper proxy card or voting instruction form or request a paper proxy card or voting instruction form by telephone or internet may elect

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to vote by mail and should complete, sign and date the proxy card or voting instruction form and mail it in the pre-addressed envelope that accompanies the delivery of the proxy card or voting instruction form. For stockholders of record, proxy cards submitted by mail must be received by the date and time of the American Capital annual meeting. For stockholders who hold their shares through an intermediary, such as a broker, bank or other nominee, the voting instruction form submitted by mail must be mailed by the deadline imposed by such stockholder's broker, bank or other nominee for the shares of American Capital common stock to be voted.

***In Person.*** Shares of American Capital common stock held in a stockholder's name as the stockholder of record on the record date for the American Capital annual meeting may be voted by such stockholder in person at the meeting. Shares held beneficially by a stockholder in street name on the record date may be voted by such stockholder in person at the American Capital annual meeting only if such stockholder obtains a legal proxy from the broker, bank or other nominee that holds such stockholder's shares of American Capital common stock giving such stockholder the right to vote the shares and brings that proxy to the meeting.

For shares held through a benefit or compensation plan or a broker, bank or other nominee, a stockholder may vote by submitting voting instructions to the plan's trustee, broker, bank or nominee.

### ***Unspecified Proxies***

Stockholders of American Capital should specify their voting choice for each matter on the accompanying proxy for the American Capital annual meeting. If no specific choice is made for one or more matters, proxies that are signed and returned will be voted "**FOR**" each proposal and "**FOR**" each nominee for director set forth on the proxy.

### ***Unreturned Proxies***

It is important that all stockholders vote their shares of American Capital common stock.

The shares of American Capital common stock held by a stockholder of record will not be voted if such stockholder does not provide a proxy, unless such stockholder votes in person at the American Capital annual meeting.

The shares of American Capital common stock held by a stockholder who holds shares in street name and who does not provide a signed and dated voting instruction form to such stockholder's broker, bank or other nominee may be voted by such broker, bank or other nominee under a limited number of circumstances. Specifically, under applicable rules, shares held in the name of a broker, bank or other nominee may be voted by a broker, bank or other nominee on certain "routine" matters if a stockholder does not provide voting instructions.

The only proposal to be voted on at the American Capital annual meeting that is considered a "routine" matter for which brokers, banks or other nominees may vote uninstructed shares is the ratification of the appointment of Ernst & Young LLP as American Capital's independent public accountant.

The other proposals (specifically, American Capital Proposal #1, American Capital Proposal #2, American Capital Proposal #3 and American Capital Proposal #4) are not considered "routine" under applicable rules, so the broker, bank or other nominee cannot vote American Capital common stock shares on any of those proposals unless a stockholder provides to the broker, bank or other nominee voting instructions for each of these matters. If a stockholder does not provide voting instructions on a matter, that stockholder's shares will not be voted on the matter, which is referred to as a "broker non-vote."



**Revocability of Proxies**

The enclosed proxy for the American Capital annual meeting is solicited on behalf of the American Capital board of directors and is revocable at any time prior to the voting of the proxy, by the filing of an instrument revoking it, or a duly executed proxy bearing a later date, with American Capital's Secretary, addressed to American Capital's principal executive offices at 2 Bethesda Metro Center, 14th Floor, Bethesda, Maryland 20814. In the event that any American Capital stockholder attends the American Capital annual meeting, such stockholder may revoke such stockholder's proxy and vote personally at the meeting.

**Solicitation of Proxies**

American Capital will pay the cost of this solicitation of proxies. In addition to the use of mail, American Capital's officers and employees may solicit proxies in person or by telephone, email or facsimile. Upon request, American Capital will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding American Capital's proxy materials to beneficial owners of American Capital common stock. It is contemplated that additional solicitation of proxies will be made in the same manner under the engagement and direction of Georgeson Inc., 1290 Avenue of the Americas, New York, New York 10104, at an anticipated cost of \$15,000, plus reimbursement of out-of-pocket expenses.

**Independent Tabulator**

American Capital will retain an independent tabulator to receive and tabulate the proxies and independent inspectors of election to certify the results of the American Capital annual meeting.

**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 [ • ], 2016 at [ • ] p.m., New York time, at [ • ].

**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 at a price below its then current net asset value per share, if applicable;

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

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

See "Description of the Transactions" and "Description of the Merger Agreement" for more information.

**THE ARES CAPITAL BOARD OF DIRECTORS, INCLUDING THE INDEPENDENT  
DIRECTORS, UNANIMOUSLY RECOMMENDS  
THAT ARES CAPITAL STOCKHOLDERS VOTE:**

**"FOR" THE APPROVAL OF THE ISSUANCE OF THE SHARES OF ARES CAPITAL COMMON STOCK TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT AT A PRICE BELOW ITS THEN CURRENT NET ASSET VALUE PER SHARE, IF APPLICABLE.**

**"FOR" THE APPROVAL OF THE ISSUANCE OF THE SHARES OF ARES CAPITAL COMMON STOCK TO BE ISSUED PURSUANT TO THE MERGER AGREEMENT IN ACCORDANCE WITH NASDAQ LISTING RULE REQUIREMENTS.**

**"FOR" THE APPROVAL OF THE ADJOURNMENT OF THE ARES CAPITAL SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES AT THE TIME OF THE ARES CAPITAL SPECIAL MEETING TO APPROVE THE FOREGOING PROPOSALS.**

**Record Date**

The record date for determination of Ares Capital stockholders entitled to vote at the Ares Capital special meeting is the close of business on [ • ], 2016. As of [ • ], 2016, 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 common stock of Ares Capital entitled to cast a majority of the votes entitled to be cast will 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



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for purposes of determining whether a quorum is present for the transaction of all business at the Ares Capital special meeting. However, abstentions are not counted as votes cast on the matters to be considered at the Ares Capital special meeting.

Ares Capital stockholders will also be asked to consider a proposal to adjourn 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 will have no effect on the adjournment vote.

### **Vote Required**

Each share of Ares Capital common stock has one vote.

### ***Ares Capital Proposal #1: Issuance of the Shares of Ares Capital Common Stock to be Issued Pursuant to the Merger Agreement at a Price Below its Then Current Net Asset Value Per Share, If Applicable.***

Ares Capital stockholders may vote "**FOR**" or "**AGAINST**," or they may "**ABSTAIN**" from voting on, Ares Capital Proposal #1 (to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable).

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

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

If the shares of Ares Capital common stock to be issued pursuant to the merger agreement are issued at a price that is equal to or above its then current net asset value per share, or if the amount of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below

then current net asset value does not exceed 25% of Ares Capital's then outstanding shares and Ares Capital's board of directors makes certain determinations as required under the Investment Company Act, then Ares Capital stockholder approval of this proposal is not required in order to complete the Transactions.

Assuming the mergers had been completed on June 30, 2016, based on the financial information of Ares Capital and American Capital as of June 30, 2016 as set forth in the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements," the shares of Ares Capital common stock to be issued pursuant to the merger agreement would have been issued at a price of approximately \$15.14 per share, which would have been below Ares Capital's net asset value per share of \$16.62 as of June 30, 2016. Such issuance would have resulted in existing Ares Capital stockholders experiencing an immediate dilution of 2% in the net asset value of the Ares Capital common stock they held.

The information in the preceding paragraph is presented for illustrative purposes only. Until the Transactions are completed, the price at which the shares of Ares Capital common stock are to be issued pursuant to the merger agreement will continue to fluctuate, and accordingly, there can be no assurance as to whether such issuance of Ares Capital common stock will be at a price at or above, or below, its then current net asset value per share. Additionally, the financial information set forth in the "Unaudited Pro Forma Condensed Consolidated Financial Statements" is also provided for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position of the combined company following completion of the Transactions. See "Unaudited Pro Forma Condensed Consolidated Financial Statements" for more information.

***Ares Capital Proposal #2: Issuance of the Shares of Ares Capital Common Stock to be Issued Pursuant to the Merger Agreement in Accordance with NASDAQ Listing Rule Requirements.***

Ares Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, Ares Capital Proposal #2 (to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements).

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

***Ares Capital Proposal #3: Adjournment of Special Meeting.***

Ares Capital stockholders may vote "FOR" or "AGAINST," or they may "ABSTAIN" from voting on, Ares Capital Proposal #3 (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 Ares Capital Proposal #1 and Ares Capital Proposal #2). The affirmative vote of holders of at least a "majority" of the votes cast on the matter at a meeting by the holders of shares present in person or by proxy at the Ares Capital special meeting (meaning the number of shares voted "for" a proposal must exceed the number of shares voted "against" such proposal) is required to approve Ares Capital Proposal #3. Ares Capital 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. Abstentions are not considered votes cast for the foregoing purpose, and will have no effect on the vote for Ares Capital Proposal #3.

#### **Voting of Management**

At the close of business on [ • ], 2016, Ares Capital's executive officers and directors owned beneficially or of record [ • ] shares of Ares Capital common stock, representing less than 1% of Ares Capital's outstanding shares of common stock on that date.

In connection with the merger agreement, on May 23, 2016, American Capital entered into voting and support agreements with certain members of Ares Capital's senior management team and board of directors, pursuant to which such members of senior management and the board of directors, as applicable, agreed to vote their respective shares of Ares Capital common stock in favor of the Transactions. See "Description of the Transactions Stockholder Voting and Support Agreements" for more information.

#### **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 Ares Capital 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 Ares Capital Proposal #1 (to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable), approval of Ares Capital Proposal #2 (to approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements) and approval of Ares Capital Proposal #3 (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 Ares Capital Proposal #1 and Ares Capital Proposal #2). Ares Capital 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 the Ares Capital 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.

If the shares of Ares Capital common stock of an Ares Capital stockholder are held in an account by a broker, bank or other institution or nominee, the institution or nominee will not vote the stockholder's shares unless the stockholder provides instructions to the institution or nominee on how to vote the shares. These Ares Capital stockholders should instruct their institution or nominee how to vote their shares by following the voting instructions provided by each institution or nominee. If the shares of Ares Capital common stock of an Ares Capital stockholder are held in an account by a broker, bank or other institution or nominee, the stockholder may vote such shares at the Ares Capital special meeting only if the stockholder obtains proper written authority from such institution or nominee and presents it at the meeting.

#### **Revocability of Proxies**

Any Ares Capital stockholder "of record" (i.e., a stockholder holding shares directly in the stockholder's 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 attending the Ares Capital special meeting and voting in person. However, the mere presence at the Ares Capital special meeting by the

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stockholder does not revoke the proxy. If the stockholder's shares are held in an account by a broker, bank or other institution or nominee, to revoke any voting instructions prior to the time the vote is taken at the Ares Capital special meeting, the stockholder must contact such broker, bank or other institution or nominee to determine how to revoke the stockholder's vote in accordance with the policies of the broker, bank or other institution or nominee a sufficient time in advance of the Ares Capital special meeting.

Unless revoked as stated above, the shares of Ares Capital common stock represented by valid proxies will be voted on all matters to be acted upon at the Ares Capital special meeting. Ares Capital 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 Transactions will be borne by the party incurring such expenses. 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 Ares Capital 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 or Ares Capital's administrator, without special compensation therefor, may solicit proxies personally or by telephone, electronic mail, facsimile or other electronic means from Ares Capital stockholders.

Ares Capital has engaged the services of D.F. King & Co., Inc., for the purpose of assisting in the solicitation of proxies at an anticipated cost of approximately \$15,000, plus reimbursement of certain expenses and fees for additional services requested. Please note that D.F. King & Co., Inc. may solicit proxies by telephone on behalf of Ares Capital. They will not attempt to influence how Ares Capital stockholders vote their shares of Ares Capital common stock, but only ask that Ares Capital stockholders take the time to authorize their respective proxies. Ares Capital stockholders may also be asked if they would like to authorize a proxy over the telephone and to have their voting instructions transmitted to Ares Capital's proxy solicitor.

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.

## DESCRIPTION OF THE TRANSACTIONS

*The discussion in this document, which includes the material terms of the Transactions 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 herein by reference in its entirety.*

### **General Description of the Transactions**

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

### **Simplified Structure Before the Completion of the Mergers**



## Simplified Structure Following the Completion of the Mergers

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

If the mergers are completed, each share of American Capital common stock outstanding immediately prior to the effective time will be converted into the right to receive, in accordance with the merger agreement, (1) \$6.41 per share in cash from Ares Capital, (2) \$1.20 per share in cash from Ares Capital Management, acting solely on its own behalf, (3) a fixed exchange ratio of 0.483 shares of Ares Capital common stock, subject to the payment of cash in lieu of fractional shares and (4) \$2.45 per share in cash, which represents the per share cash consideration paid to American Capital pursuant to the Mortgage Manager Sale, which can be approximately summarized as follows:

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

Additionally, depending on the effective time, each share of American Capital common stock issued and outstanding immediately prior to such effective time will be converted into the right to receive, if any, (1) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the fourth quarter of 2016, 37.5% of the exchange ratio times Ares Capital's dividend for such quarter, *plus* (2) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the first quarter of 2017, 75% of the exchange ratio times Ares Capital's dividend for such quarter, *plus* (3) if the closing occurs after the record date with respect to Ares Capital's dividend for any subsequent quarter beginning with the second quarter of 2017, 100%



of the exchange ratio times Ares Capital's dividend for such quarter. Based on the number of shares of American Capital common stock outstanding on the date of the merger agreement, this would result in approximately 110.8 million shares of Ares Capital common stock being exchanged for approximately 229.3 million outstanding shares of American Capital common stock. The exchange ratio will not be adjusted, including for any dividends declared by Ares Capital.

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

### **Background of the Transactions**

American Capital's management and board of directors regularly review and consider potential strategic options for American Capital in light of its performance, its business needs and the challenges and opportunities presented by the economic and industry environment.

On November 5, 2014, American Capital publicly announced that its board of directors had approved a plan to split American Capital's businesses by transferring most of American Capital's investment assets to two newly established BDCs, each of which would enter into management agreements pursuant to which such companies would be managed by American Capital, and having American Capital continue primarily in the asset management business. American Capital also announced that it planned to spin-off the new BDCs to its stockholders, resulting in three, publicly traded companies.

On May 6, 2015, American Capital announced that its board of directors had revised its plan to spin off to its stockholders two newly established BDCs. Instead, American Capital announced its plans to spin-off only one new BDC, to be known as American Capital Income, Ltd. ("ACAP"), which was expected to own most of American Capital's existing investment assets, and which would enter into a management agreement pursuant to which ACAP would be managed by American Capital.

On September 30, 2015, American Capital filed its preliminary proxy statement in connection with the proposed spin-off, pursuant to which it sought approval of several matters related to the proposed spin-off. In addition, on such date, ACAP filed a notice of intent to elect BDC status on Form N-6F and filed a Registration Statement on Form 10 in connection with the proposed spin-off.

Following American Capital's filing of its preliminary proxy statement in connection with the proposed spin-off, the respective management of Ares Management and Ares Capital began to consider possible strategic transactions involving American Capital or one or more affiliates. During this time period, the respective management of Ares Management and Ares Capital held internal meetings to discuss such possible strategic transactions.

On November 5, 2015, American Capital posted on its website a three-year financial forecast for American Capital and ACAP, which was discussed in an investor call held that day. There was general disappointment among members of American Capital's management and the American Capital board of directors with investor reaction to the proposed spin-off, as reflected in the market price for American Capital common stock.

On the morning of November 16, 2015, representatives from the Elliott Parties contacted Malon Wilkus, Chief Executive Officer and Chairman of the board of directors of American Capital, and indicated their opposition to American Capital's planned spin-off of ACAP. Shortly after the call, the Elliott Parties filed a Schedule 13D with the SEC, reporting ownership of an approximately 8.4% economic interest in American Capital as of November 13, 2015, of which approximately 3.7% was held through derivative instruments. In the Schedule 13D, the Elliott Parties also disclosed a letter delivered that day to American Capital's board of directors which expressed the Elliott Parties' view that the

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planned spin-off put valuable assets at risk, served to entrench management and significantly limited options for future stockholder value creation. That same day, the Elliott Parties filed a preliminary proxy statement soliciting American Capital stockholders for votes against American Capital's proposed spin-off of ACAP, among other matters.

After the filing of the Elliott Parties' Schedule 13D, on November 16, 2015, representatives of American Capital's management held telephonic meetings regarding the Elliott Parties' position with representatives from Goldman Sachs and Credit Suisse, both of which had previously been acting as financial advisors to American Capital on various matters. Later in the day on November 16, 2015, American Capital's board of directors held a telephonic meeting, which included representatives from management, to discuss the materials publicly released earlier in the day by the Elliott Parties and to consider possible responses and strategic alternatives.

On November 17, 2015, Mr. Wilkus, joined by John Erickson, American Capital's President, Structured Finance and Chief Financial Officer, and American Capital's financial advisors, met in person with representatives of the Elliott Parties to discuss the Elliott Parties' position regarding American Capital's proposed spin-off of ACAP and the Elliott Parties' alternative proposals to enhance stockholder value.

On November 20, 2015, Messrs. Wilkus and Erickson had a telephonic conference with representatives of the Elliott Parties to follow up on topics discussed at the November 17, 2015 in-person meeting.

On November 21, 2015, the Elliott Parties wrote a letter to American Capital's board of directors regarding the November 20, 2015 conversation between representatives of the Elliott Parties and Messrs. Wilkus and Erickson. In such letter, the Elliott Parties requested that American Capital's board of directors review certain discussions alleged to have occurred during such November 20, 2015 telephonic conversation.

On November 22, 2015, American Capital's board of directors held a telephonic meeting of the board, which included representatives from management and American Capital's financial advisors, to discuss events since the board's meeting on November 16, 2015. Mr. Wilkus and American Capital's financial advisors discussed the conversations American Capital's financial advisors and representatives of management previously had with the Elliott Parties. The participants of the meeting discussed proposed responses and alternatives to the spin-off, and the intention to retain Goldman Sachs and Credit Suisse to act as American Capital's financial advisors in connection therewith. At the meeting, the American Capital board of directors determined to revise and expand American Capital's then-existing stock buyback program, established in the third quarter of 2015, by increasing the authorized value of such program to a range of \$600 million to \$1 billion from the prior range of \$300 million to \$600 million.

On November 23, 2015, Ares Management wrote a letter to Mr. Wilkus proposing that such parties engage in a dialogue regarding possible strategic transactions involving Ares Management and/or affiliates thereof and American Capital or one or more affiliates thereof.

American Capital's board of directors met on November 24, 2015, and determined to undertake a full strategic review of alternatives for maximizing stockholder value, including a potential sale of American Capital or its various business lines, in whole or in part, and the previously proposed spin-off of ACAP. American Capital's board of directors determined that such strategic review would be conducted by the Strategic Review Committee, to be comprised of the following non-executive members of the board: Neil Hahl (chair), Kristen Manos, Kenneth Peterson and David Richards. American Capital's board of directors established a retainer for service on the Strategic Review Committee at the rate of \$40,000 per year, payable quarterly, and determined that Mr. Hahl, as the

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chair of the Strategic Review Committee, would receive an additional retainer of \$20,000 per year, also payable quarterly.

Also on November 24, 2015, Mr. Wilkus contacted telephonically several of the independent directors of AGNC and American Capital Mortgage Investment Corp. ("MTGE"), each a real estate investment trust ("REIT") that was managed by subsidiaries of ACMM, to inform them of American Capital's strategic review process.

On November 25, 2015, American Capital issued a press release announcing the actions taken at the November 22, 2015 and November 24, 2015 meetings described above.

Also on November 25, 2015, Mr. Wilkus responded to the letter from Ares Management received on November 23, 2015, noting the appointment of the Strategic Review Committee and stating that it would be premature to engage in any discussions with representatives from Ares Management at that time.

Also on November 25, 2015, the Strategic Review Committee held an initial organizational meeting. The Strategic Review Committee held additional meetings, attended by American Capital's financial advisors and representatives of management, on November 30, 2015, and December 3, 2015, each to discuss the upcoming December 9, 2015 meeting of the full board of directors of American Capital, discussions between representatives of American Capital and the Elliott Parties, the retention of legal counsel and other matters.

Also on November 25, 2015, the Elliott Parties filed an amendment to their Schedule 13D, reporting an increase in their ownership stake of American Capital to approximately 9.1% as of November 24, 2015, of which approximately 4.4% was held through derivative instruments.

Between early December 2015 and mid-January 2016, representatives of Ares Capital held meetings or telephone calls with a limited number of stockholders of American Capital, including the Elliott Parties, to discuss the possibility of a transaction between Ares Capital and American Capital. Some of these meetings or calls were also attended by representatives of Ares Capital's financial and legal advisors.

On December 9, 2015 and December 10, 2015, American Capital's board of directors held an in-person meeting of the full board with representatives of management, Goldman Sachs and Credit Suisse, as American Capital's financial advisors, and Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), acting as American Capital's legal advisors, to discuss the strategic review process and the status of communications with the Elliott Parties. Goldman Sachs and Credit Suisse presented preliminary views on potential strategic alternatives considered by the Strategic Review Committee that could be undertaken by American Capital. Skadden reviewed director duties and standards of judicial review with the board of directors and discussed potential considerations associated with transaction structures that could result from the strategic review process. These potential considerations included the need for consent by the independent directors of each of AGNC and MTGE to the continuation of AGNC's and MTGE's respective management agreements with the applicable ACMM subsidiary in connection with a transaction that would result in a change of control of such ACMM subsidiary, including a whole company sale of American Capital.

On December 10, 2015, Ares Capital's board of directors held a telephonic meeting of the board, which included representatives of Ares Capital's management, to discuss, among other things, a potential strategic transaction involving American Capital. Ares Capital's management reviewed with the board American Capital's business, American Capital's historical valuation and the key transaction benefits and considerations of a potential strategic transaction.

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On December 16, 2015, the Elliott Parties filed an amendment to their Schedule 13D reporting an increase in their ownership stake of American Capital to approximately 10.3% as of December 15, 2015, of which approximately 5.6% was held through derivative instruments.

Also on December 16, 2015, the Strategic Review Committee and American Capital's financial advisors conducted in-person meetings with the Elliott Parties and a representative of another significant stockholder of American Capital ("Party 1") in which the attendees discussed American Capital's existing stock buyback program to undertake accretive stock repurchases, the valuation of American Capital and ways to best maximize American Capital's stockholder value.

On December 18, 2015, the Strategic Review Committee met with American Capital's financial and legal advisors and representatives of management to discuss the meetings held between representatives of American Capital and certain of American Capital's significant stockholders and to discuss the presentation of American Capital's financial advisors to be given at an upcoming meeting of American Capital's board of directors, to be held on January 7, 2016. The Strategic Review Committee met again, telephonically, on December 29, 2015 and in person on January 5, 2016, along with American Capital's financial and legal advisors and representatives of management, to review drafts of such financial advisors' presentation to be given to American Capital's board of directors. At the meeting on January 5, 2016, the Strategic Review Committee, with advice from American Capital's financial and legal advisors, concluded that they would recommend to American Capital's full board of directors that the board of directors authorize the solicitation of offers for the purchase of American Capital or various business lines, in whole or in part.

On December 21, 2015, Ares Capital engaged Wells Fargo Securities as a financial advisor in connection with a potential transaction.

On December 22, 2015, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, at which representatives of management provided the board with an update of a potential strategic transaction with American Capital, discussed the valuation and investment portfolio of American Capital, reviewed the terms of a draft proposal letter to be sent to the Strategic Review Committee and discussed and confirmed the engagement of Wells Fargo Securities as a financial advisor in connection with the potential transaction. Ares Capital's board of directors also discussed the potential engagement of BofA Merrill Lynch as a financial advisor in connection with the potential transaction.

On January 4, 2016, Ares Capital engaged BofA Merrill Lynch as a financial advisor in connection with a potential transaction.

On January 7, 2016, American Capital's board of directors held an in-person meeting, attended by representatives of management and American Capital's financial and legal advisors, at which the strategic review process was discussed, including the aforementioned meetings with the Elliott Parties and Party 1. At such meeting, American Capital's financial advisors made a lengthy presentation outlining strategic alternatives for American Capital, including the previously announced proposed spin-off, sales of certain business lines or a sale of American Capital in its entirety. American Capital's financial advisors reviewed their preliminary financial analyses of American Capital and American Capital's various business lines in multiple strategic scenarios. American Capital's senior management recommended to the American Capital board of directors that American Capital solicit offers to purchase American Capital or various business lines, in whole or in part. At the meeting, American Capital's board of directors authorized American Capital's financial advisors to solicit offers to purchase American Capital or various business lines, in whole or in part. American Capital's board of directors instructed the Strategic Review Committee to work with Goldman Sachs and Credit Suisse to conduct the solicitation process. Following the meeting, American Capital publicly announced that its board of directors, after consultation with its financial and legal advisors, had completed the initial

phase of its previously announced strategic review process and had authorized the solicitation of offers to purchase American Capital or its various business lines, in whole or in part.

On January 11, 2016, representatives of American Capital's management approved a form confidentiality agreement, drafted by Skadden, to be sent to interested parties for execution (subject to negotiation and subsequent agreement between such parties and American Capital) prior to receiving non-public evaluation material about American Capital and its various business lines.

On January 12, 2016, the Strategic Review Committee met with American Capital's financial and legal advisors principally to review a draft process letter for the solicitation of offers for the purchase of American Capital or various business lines, in whole or in part. Also on January 12, 2016, Jones Day ("Jones Day") advised American Capital telephonically that it had been engaged as legal advisor to the independent directors of AGNC and MTGE in connection with American Capital's strategic review process and the potential implications for AGNC and MTGE with respect thereto.

On January 15, 2016, prior to executing a confidentiality agreement with American Capital (which was subsequently executed on February 5, 2016), Ares Capital sent a proposal letter to the Strategic Review Committee offering to purchase American Capital in a stock-for-stock merger whereby American Capital's stockholders would receive consideration that Ares Capital valued at \$16.00 per diluted share based on an exchange ratio that reflected the then recent trading levels of Ares Capital. Ares Capital's letter also indicated that Ares Capital's investment adviser, Ares Capital Management, would grant certain fee waivers of amounts payable to Ares Capital Management by Ares Capital under Ares Capital's investment advisory and management agreement in connection with the proposed transaction. Following receipt of such letter, American Capital's financial advisors, at the direction of the Strategic Review Committee, contacted representatives of Ares Capital and encouraged them to execute a confidentiality agreement and participate in American Capital's previously announced offer solicitation process.

On January 18, 2016, the Strategic Review Committee met with American Capital's financial and legal advisors to review the letter received from Ares Capital on January 15, 2016 and the initial response thereto, and to discuss the status of the offer solicitation process.

On January 19, 2016, representatives of the Elliott Parties sent a letter to American Capital's board of directors expressing concern with the pace of the solicitation of offers and urging American Capital to undertake discussions with the "most promising potential acquirers" as soon as possible. Later that day, representatives of American Capital's financial advisors had a telephonic meeting with representatives of the Elliott Parties. On January 20, 2016, the Strategic Review Committee met with American Capital's financial and legal advisors and representatives of management to discuss such communications with the Elliott Parties and the status of the offer solicitation process.

On January 26, 2016, the Elliott Parties filed an amendment to their Schedule 13D reporting an increase in their ownership stake of American Capital to approximately 11.9% as of the date thereof, of which approximately 7.1% was held through derivative instruments.

On January 28, 2016, American Capital's board of directors held its regularly scheduled in-person quarterly meeting, which included representatives from management and American Capital's financial and legal advisors, to discuss the strategic review process, including the Strategic Review Committee's meetings since the last meeting of the full board. The attendees also discussed certain materials to be provided to bidders that had been prepared by representatives of American Capital's management and American Capital's legal and financial advisors, including a confidential information packet, a first round process letter and a form of confidentiality agreement.

On February 8, 2016, the Strategic Review Committee met with American Capital's financial and legal advisors to receive an update on the offer solicitation process and to commence a process to

explore other strategic alternatives that could be undertaken in the event a sale transaction was not successful.

During January and February of 2016, at the direction of American Capital's board of directors, Goldman Sachs and Credit Suisse contacted 136 parties to assess interest in offers to purchase American Capital or its various business lines, in whole or in part, with 85 confidentiality agreements distributed to such potential bidders. With the assistance of Skadden and representatives of American Capital's management, 64 confidentiality agreements were negotiated and executed, including confidentiality agreements with Party 4 (executed January 28, 2016), Party 3 (executed February 4, 2016) and Ares Capital (executed February 5, 2016 and amended March 16, 2016). Throughout this time, representatives of management and American Capital's financial and legal advisors provided regular updates to the Strategic Review Committee and American Capital's board of directors regarding the strategic review process.

During the first week of February 2016, representatives of the parties who had executed confidentiality agreements were provided access to a preliminary electronic data room, which included a confidential information packet, supplementary financial and tax information, a detailed schedule of American Capital's investment assets and a first round process letter.

On February 9, 2016, Ares Capital's board of directors held its regular quarterly in-person meeting where, among other things, representatives of management provided the board with an update on the potential strategic transaction with American Capital.

On February 19, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, at which management and Ares Capital's financial advisors updated the board on the potential strategic transaction and reviewed with the board a draft letter of interest to be submitted to American Capital in connection with the proposed transaction.

On February 19, 2016, Ares Capital submitted a non-binding letter of interest to American Capital's financial advisors.

Between February 19, 2016 and February 25, 2016, American Capital's financial advisors received 18 initial indications of interest (including the letter of interest from Ares Capital), comprised of five whole company bids, 12 specific business line bids and one bid for ACAP BDC assets.

On February 23, 2016, the Strategic Review Committee met in person with representatives of American Capital's financial and legal advisors and representatives of management to review the initial indications of interest. A consensus was reached among the members of the Strategic Review Committee regarding which parties should be invited to participate in the second round of the offer solicitation process and the content of communications to be provided to various bidders. 11 parties were invited to the next phase of the bidding process, including four whole company bidders (Ares Capital, Party 3, Party 4 and Party 5), six specific business line bidders (Party 6, Party 7, Party 8, Party 9, Party 10 and Party 11) and one bidder for ACAP BDC assets (Party 12).

During the weeks of February 29, 2016, and March 7, 2016, representatives of American Capital's management and American Capital's financial advisors met with representatives of management and financial advisors for various bidders to initiate second round due diligence of American Capital's business and growth prospects. The second round diligence process was conducted over the following six weeks and included access to a second round electronic data room, which was opened on March 2, 2016, and various functional area due diligence calls with representatives of American Capital's management.

On March 4, 2016, the Strategic Review Committee met with American Capital's financial and legal advisors primarily to receive an update on various communications between such advisors and



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various bidders. During such meeting, the Strategic Review Committee continued earlier discussions regarding possible strategic alternatives if the offer solicitation process for the purchase of American Capital or its various business lines, in whole or in part, was not successful.

On March 7, 2016, representatives of the independent directors of AGNC and MTGE advised American Capital that the independent directors of AGNC and MTGE had retained J.P. Morgan ("JPM") as financial advisor to the independent directors of AGNC and MTGE. Later that day, American Capital received from Jones Day, on behalf of the independent directors of AGNC and MTGE, a list of requested information regarding AGNC, MTGE, American Capital and American Capital's strategic review process.

On March 11, 2016, the Strategic Review Committee held a telephonic meeting with American Capital's financial and legal advisors and received a report on additional meetings that representatives of such advisors had conducted with various bidders during recent days. The attendees of such meeting discussed the form purchase agreement to be provided to prospective bidders and also discussed communications with the independent directors of AGNC and MTGE.

Also on March 11, 2016, the Elliott Parties filed an amendment to their Schedule 13D, reporting an increase in their ownership stake of American Capital to approximately 13.2% as of the date thereof, of which approximately 8.0% was held through derivative instruments.

On March 13, 2016, Jones Day sent a letter, on behalf of the independent directors of AGNC and MTGE, to Skadden asserting a possible breach by the ACMM mortgage manager subsidiaries of their confidentiality obligations under the management agreements with AGNC and MTGE in connection with the strategic review process undertaken by American Capital, and demanding inspection of records and return of confidential information, among other demands.

On March 14, 2016, at the direction of the Strategic Review Committee, representatives from Skadden responded telephonically to Jones Day's March 13, 2016 letter acknowledging receipt thereof and responding to certain items in such March 13, 2016 letter.

Also, on or about March 14, 2016, American Capital's legal and financial advisors learned that JPM had contacted several potential alternative third party managers, some of which also were prospective purchasers of American Capital, and/or such prospective purchasers' advisors, regarding AGNC's and MTGE's potential need for a new third party manager depending on the results of American Capital's strategic review process. Through these contacts, and other direct and indirect conversations with the independent directors of AGNC and MTGE, representatives of American Capital's management and its legal and financial advisors learned that the independent directors of AGNC and MTGE, in addition to exploring the possibility of terminating AGNC's and MTGE's management agreements with such ACMM subsidiaries and replacing such ACMM subsidiaries with a third party manager, were exploring other alternatives to AGNC's and MTGE's management relationships with the ACMM subsidiaries, including the possibility of internalizing the management of AGNC and MTGE.

On March 15, 2016, the Strategic Review Committee met telephonically with American Capital's financial and legal advisors principally to discuss recent communications with the independent directors of AGNC and MTGE and their advisors.

Also on March 15, 2016, at the direction of American Capital's board of directors, American Capital's financial advisors sent a final round process letter to selected bidders in connection with indications of interest received between February 19, 2016 and February 25, 2016, requesting submission of final bids, along with mark-ups of the auction draft purchase agreement or merger agreement, as applicable, by April 8, 2016.

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Also on March 15, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal advisors, where, among other things, representatives of management provided the board with an update on the potential transaction with American Capital.

On March 16, 2016, representatives of Goldman Sachs and Credit Suisse held telephonic conferences with the financial advisor for the independent directors of AGNC and MTGE to discuss possible approaches for AGNC and MTGE in American Capital's strategic review process.

On March 17, 2016, the Strategic Review Committee held a telephonic meeting with American Capital's financial and legal advisors and representatives of management to discuss strategy, timing and process with respect to conversations with the independent directors of AGNC and MTGE regarding ACMM, including the possible sale of ACMM either as part of a whole company sale of American Capital or the separate sale of ACMM.

Also on March 17, 2016, Mr. Wilkus resigned as the Chairman and Chief Executive Officer and as a director of AGNC and MTGE. Dr. Alvin N. Puryear, a director of American Capital and of AGNC and MTGE, became the non-executive Chairman of AGNC and MTGE and Gary Kain, previously AGNC's and MTGE's President and Chief Investment Officer, assumed the additional role of Chief Executive Officer of both companies, and was elected to the board of each of AGNC and MTGE.

On March 22, 2016, American Capital's board of directors met in person with American Capital's financial and legal advisors and received a lengthy update on recent developments relating to American Capital's strategic review process, including the content and status of indications of interest, the second round bidding process and communications with the Elliott Parties. Such meeting included extensive discussion of the communications with the independent directors of AGNC and MTGE and a consensus was reached by the attendees of such meeting that American Capital would not object if members of ACMM's management (who were not employees of American Capital) worked with the independent directors of AGNC and MTGE to assist them with the possible submission of a bid to purchase ACMM.

On March 24, 2016, the Strategic Review Committee held a telephonic meeting with Skadden to discuss the withdrawal of Party 10 from the strategic review process.

On the morning of March 28, 2016, American Capital's financial advisors provided bidders with auction drafts of a merger agreement for a whole company transaction and a purchase and sale agreement for the sale of certain business lines.

On March 29, 2016, certain members of the Strategic Review Committee met with the independent directors of AGNC and MTGE to discuss possible alternatives regarding ACMM in connection with American Capital's strategic review process, including the possibility of AGNC or MTGE purchasing ACMM.

On April 5, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, to discuss and review the potential strategic transaction with American Capital. Ares Capital's management reviewed with the board of directors the significant due diligence conducted in connection with the potential transaction with American Capital. Ares Capital's management also reviewed and discussed with the board a summary of the contemplated transaction, key transaction considerations and certain financial information in connection with the potential transaction.

On April 8, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors to discuss the potential strategic transaction with American Capital. Ares Capital's management and financial advisors reviewed with the board certain financial information regarding the

transaction, as well as the status of discussions with American Capital, and Ares Capital's management and legal advisors reviewed with the board certain diligence information regarding the transaction. During the meeting, Ares Capital's board of directors approved the submission of its bid to American Capital in relation to the proposed transaction.

Also on April 8, 2016, the independent directors of Ares Capital's board of directors had a separate telephonic conference with representatives of Ares Capital's financial advisors and the legal advisor to the independent directors of the board. The independent directors reviewed and discussed with their legal advisor their duties and obligations as independent directors of the board as well as certain key considerations in connection with the potential transaction with American Capital. In addition, Ares Capital's financial advisors and the independent directors discussed certain financial matters in connection with the proposed transaction.

On April 8, 2016, American Capital received bids to acquire the whole company from each of Ares Capital, Party 3 and Party 4 and bids to acquire specific business lines from each of Party 5 and Party 6. Ares Capital's bid to acquire the whole company was equal to \$5.32 per share in cash (including \$0.42 per share in cash from Ares Capital Management) plus 0.74 shares of Ares Capital stock at a fixed exchange ratio. Ares Capital's bid also included certain fee waivers by Ares Capital Management of amounts payable to Ares Capital Management by Ares Capital under Ares Capital's investment advisory and management agreement. The aggregate implied purchase price of Ares Capital's bid equaled \$16.34 per share, based on market data as of April 8, 2016. Party 3's bid to acquire the whole company was equal to \$9.06 per share in cash plus 1.25 shares of Party 3's stock at a fixed exchange ratio. The aggregate implied purchase price of Party 3's bid was \$16.33 per share, based on market data as of April 8, 2016. Party 4's bid to acquire the whole company was equal to \$14.00 per share in cash. Party 5's bid to acquire the assets of ACMM and certain other assets of ACAM was equal to \$5.97 per share in cash, based on market data as of April 8, 2016, which equaled \$1,425 million aggregate consideration. Party 5's bid was comprised of \$575 million for the assets of ACMM, plus \$850 million for certain other assets of ACAM. Party 6's bid to acquire certain assets of American Capital was equal to \$2.03 per share in cash, based on market data as of April 8, 2016, which equaled \$484 million aggregate consideration. Party 6's bid was comprised of \$150 million for ACMM, plus \$334 million for other assets of American Capital. Each of Ares Capital and Party 3 provided a mark-up to the auction draft merger agreement previously provided by American Capital. Party 4 did not provide any mark-up to the auction draft merger agreement.

On April 9, 2016, the Strategic Review Committee held a telephonic meeting with representatives from American Capital's financial and legal advisors and representatives of management to discuss and analyze the bids received from Ares Capital, Party 3 and Party 5. The Strategic Review Committee instructed American Capital's financial and legal advisors to contact each of Ares Capital, Party 3 and Party 5 to request clarification regarding specific aspects of each such bid.

On April 10, 2016, American Capital's financial and legal advisors held telephonic conferences with each of Ares Capital, Party 3 and Party 5 to discuss each of their respective bids and ask clarifying questions related thereto.

Beginning in the week of April 10, 2016, management of American Capital, with the assistance of its financial and legal advisors, undertook a reverse due diligence process regarding Ares Capital and Party 3.

On April 12, 2016, the Strategic Review Committee met in person with American Capital's financial and legal advisors, and representatives of management, to review in detail the offers received on April 8, 2016, and to receive updated information on such offers from American Capital's financial and legal advisors, as well as to discuss next steps. At such meeting, representatives from Skadden also discussed the obligation of American Capital's advisors, directors and representatives of management to

disclose possible conflicts associated with any potential transaction. Representatives of Skadden also discussed the duties of directors related to consideration of a transaction.

On April 14, 2016, American Capital's board of directors held a telephonic meeting of the full board, together with representatives of management and American Capital's financial and legal advisors, to further discuss and analyze all bids received. Representatives of management and American Capital's financial and legal advisors updated American Capital's board of directors on the financial valuations attributed to each bid, the current status of negotiations with key bidders and the strategic review process generally, including the status of discussions with the independent directors of AGNC and MTGE.

Also on April 14, 2016, AGNC and MTGE sent a proposal letter to the Strategic Review Committee submitting a preliminary, non-binding proposal to acquire ACMM for \$500 million in cash. The proposal letter contemplated that all management fees paid to the ACMM subsidiaries by AGNC and MTGE, net of certain operating expenses, for the period from the date of the proposal letter until the closing of the sale would accrue to the buyer of ACMM. In addition, the proposal letter indicated that the acquisition of ACMM would either be made by AGNC as the sole buyer or through a joint purchase by AGNC and MTGE.

Also on April 14, 2016, the Strategic Review Committee met with American Capital's financial and legal advisors, both before and after the meeting of American Capital's full board of directors, to review the non-binding proposal received from the independent directors of AGNC and MTGE earlier that day.

On April 17, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, at which the board reviewed and discussed the submission of a revised bid to American Capital in connection with the proposed transaction. Ares Capital's management and Ares Capital's financial advisors reviewed with the board of directors American Capital's response to Ares Capital's initial bid and the proposal to submit a revised bid in connection with the proposed strategic transaction. Ares Capital's board of directors also reviewed with management certain financial information of American Capital and key transaction structure considerations in connection with the proposed transaction.

On April 17, 2016, American Capital's board of directors received a letter from Party 2 indicating its preliminary, non-binding proposal to American Capital pursuant to which Party 2 would reposition American Capital's core portfolio into more traditional income producing BDC investments, dispose of non-core assets and reduce operating expenses, in addition to other strategic plans. In connection with the proposal, Party 2 indicated it would be able to consummate a deal within 45-60 days of receipt of certain diligence related information and requested a reasonable period during which Party 2 would be allowed to complete diligence and negotiations on an exclusive basis.

On April 18, 2016 and April 19, 2016, certain members of the Strategic Review Committee and certain independent directors of AGNC and MTGE had informal discussions regarding the proposal letter, dated April 14, 2016, received from AGNC and MTGE. As a result of these discussions, an informal consensus was reached regarding a \$575 million purchase price for ACMM, but several significant transaction terms were left unresolved.

Also on April 18, 2016, Ares Capital submitted a revised whole company bid and a bid for American Capital based on the exclusion of ACMM from the whole company sale, in accordance with instructions provided by American Capital's financial advisors. Ares Capital's revised whole company bid provided for consideration equal to \$4.90 in cash from Ares Capital, plus shares of Ares Capital stock valued at \$11.04 per share, plus consideration equal to \$0.42 per share from Ares Capital Management, totaling \$16.36 per share, based on market data as of April 15, 2016, equal to

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consideration of \$3,921 million in the aggregate. Ares Capital's bid for American Capital based on the exclusion of ACMM from the whole company sale, assuming a purchase price of \$575 million for ACMM, provided for consideration equal to \$4.90 in cash from Ares Capital, plus shares of Ares Capital stock valued at \$8.06 per share, plus consideration equal to \$0.42 per share from Ares Capital Management, plus \$2.40 per share in cash from the proceeds of the ACMM sale, totaling \$15.77 per share, based on market data as of April 15, 2016, equal to \$3,781 million in the aggregate. Ares Capital's bid also included certain fee waivers by Ares Capital Management of amounts payable to Ares Capital Management by Ares Capital under Ares Capital's investment advisory and management agreement, in connection with the proposed transaction.

Also on April 18, 2016, Party 3 submitted a revised whole company bid and a bid for American Capital based on the exclusion of ACMM from the whole company sale, in accordance with instructions provided by American Capital's financial advisors. Party 3's revised whole company bid provided for consideration equal to \$9.06 in cash from Party 3, plus shares of Party 3's stock valued at \$7.65 per share, plus consideration equal to \$0.21 per share in cash consideration from Party 3's external advisor, totaling \$16.92 per share, based on market data as of April 15, 2016, equal to consideration of \$4,037 million in the aggregate. Party 3's bid for American Capital based on the exclusion of ACMM from the whole company sale, assuming a purchase price of \$575 million for ACMM, provided for consideration equal to \$6.41 in cash from Party 3, plus shares of Party 3's stock valued at \$7.45 per share, plus consideration equal to \$0.21 per share in cash consideration from Party 3's external advisor, plus \$2.41 per share in cash from the proceeds of the ACMM sale, totaling \$16.48 per share, based on market data as of April 15, 2016, equal to \$3,932 million in the aggregate.

Also on April 18, 2016, the Strategic Review Committee discussed the revised bids received from each of Ares Capital and Party 3, process and next steps, with American Capital's financial and legal advisors and representatives of management.

Representatives of American Capital's financial advisors held follow-up discussions with representatives of Party 3's financial advisors following Party 3's bid submitted on April 18, 2016. On April 20, 2016, Party 3 submitted a revised bid for American Capital based on the exclusion of ACMM from the whole company sale. Party 3's revised bid, assuming a purchase price of \$575 million for ACMM, provided for consideration equal to \$6.68 in cash from Party 3, plus shares of Party 3's stock valued at \$7.20 per share, plus consideration equal to \$0.28 per share in cash from Party 3's external advisor, plus \$2.41 per share in cash from the proceeds of the ACMM sale, totaling \$16.58 per share, based on market data as of April 15, 2016, equal to \$3,955 million in the aggregate.

Also on April 20, 2016, the Elliott Parties executed a confidentiality agreement with American Capital allowing the Elliott Parties to receive certain information regarding bids received by American Capital, as well as other developments in connection with American Capital's strategic review process.

On April 21, 2016, American Capital's board of directors met with American Capital's financial and legal advisors and representatives of management to receive an update on revised bids received in connection with the offer solicitation process for the sale of American Capital or its various business lines, in whole or in part. American Capital's financial advisors also gave a presentation to American Capital's board of directors regarding possible strategic alternatives that might be pursued in place of a sale transaction. American Capital's legal and financial advisors also gave American Capital's board of directors an update on discussions with the Elliott Parties.

On April 22, 2016, Mr. Hahl, Mr. Richards and representatives of American Capital's financial advisors met with representatives of the Elliott Parties to provide information regarding the status of current bids received by American Capital and the status of the strategic review process.

Also on April 22, 2016, after the meeting with the Elliott Parties, representatives of American Capital's financial advisors, at the direction of American Capital's board of directors, contacted each of

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Ares Capital and Party 3 indicating that the respective then-current bid submitted by Ares Capital or Party 3, as applicable, was too low. American Capital's financial advisors informed each of Ares Capital and Party 3 that, while such party needed to be willing to improve the financial terms of its bid, American Capital management and American Capital's financial and legal advisors were willing to begin discussing contractual terms and begin conducting reverse due diligence with such bidder. Following these discussions, American Capital's financial advisors submitted due diligence request lists to each of Ares Capital and Party 3.

On April 24, 2016, the financial advisors to the independent directors of AGNC and MTGE delivered an extensive due diligence request list to American Capital and its financial advisors.

On April 25, 2016, American Capital's financial advisors sent revised drafts of the proposed merger agreement mark-ups to each of Ares Capital's and Party 3's respective financial advisors.

Also on April 25, 2016, representatives of American Capital conducted follow-up meetings with the Elliott Parties regarding the status of the then-current bids received by American Capital and the strategic review process.

Also on April 25, 2016, American Capital's board of directors met with American Capital's financial and legal advisors and representatives of management to discuss the status of the various offers for the purchase of American Capital, in whole or in part, the timetable for upcoming meetings and possible strategic alternatives to a sale transaction.

On April 26, 2016, Skadden sent to Jones Day a draft agreement for the proposed sale of ACMM (the "Mortgage Manager Purchase Agreement"). Skadden and Jones Day exchanged several drafts of the Mortgage Manager Purchase Agreement between this date and May 23, 2016.

On April 26, 2016, Ares Capital's board of directors held its regular quarterly in-person meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal, financial and other advisors, where, among other things, Ares Capital's management and financial advisors reviewed with the board of directors an update on the potential transaction, the potential divestiture of ACMM by American Capital and the current status of Ares Capital's bid with American Capital.

On April 27, 2016, representatives from American Capital, including its financial and legal advisors, and representatives from Party 3, including its financial and legal advisors, negotiated key terms of a potential merger agreement and consideration related thereto.

Also on April 27, 2016, American Capital's board of directors met with American Capital's financial and legal advisors and representatives of management, principally to receive a presentation from American Capital's financial advisors regarding the valuation and feasibility of strategic alternatives to a sale transaction.

On the evening of April 27, 2016, following a preliminary indication from the Elliott Parties that they might possibly be interested in becoming a bidder for American Capital, Skadden sent a new form of confidentiality agreement to the Elliott Parties' legal advisors to be entered into between the Elliott Parties and American Capital. Following discussions between representatives from the Elliott Parties and their legal advisors and representatives from American Capital's management and its financial and legal advisors, the Elliott Parties advised American Capital that, after further consideration, they did not wish to become a bidder and would not execute the revised form confidentiality agreement.

Beginning on April 27, 2016, representatives of management and American Capital's financial and legal advisors gained access to datarooms containing diligence materials from each of Ares Capital and Party 3. Following receipt of such access, representatives of management, and American Capital's financial and legal advisors, met with representatives from each of Ares Capital and Party 3 and Ares Capital's and Party 3's respective financial and legal advisors to discuss American Capital's, and American Capital's financial and legal advisors', due diligence questions, status and follow-up requests.

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On April 28, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, to review and discuss the proposal to submit a revised bid to American Capital in connection with the proposed transaction. Ares Capital's board of directors also discussed with management and its legal advisors the status of legal documentation and due diligence in connection with the proposed transaction.

On the night of April 28, 2016, Latham & Watkins LLP ("Latham"), Ares Capital's legal advisor, sent a revised draft of a proposed merger agreement to Skadden.

On April 29, 2016, Mr. Wilkus and Mr. Hahl held a lengthy, in-person meeting with representatives from Party 4 to provide information about American Capital and its businesses.

Also on April 29, 2016, American Capital's financial advisors received a revised bid from Party 5 for specific business lines of American Capital. Party 5's revised bid equaled \$795 million in the aggregate for certain of American Capital's collateralized loan obligation ("CLO") positions and other assets of American Capital.

Also on April 29, 2016, Skadden and Jones Day discussed key issues regarding the draft of the Mortgage Manager Purchase Agreement, including issues related to indemnification, the possibility of conditioning the sale of ACMM on the closing of a whole company sale of American Capital, purchase price adjustments and other matters.

Late on the night of April 29, 2016, Party 3's legal advisors sent a revised draft of a proposed merger agreement to Skadden.

On May 2, 2016, Skadden and Jones Day discussed key open issues regarding the proposed draft of the Mortgage Manager Purchase Agreement. Jones Day informed Skadden that it was contemplated that AGNC would be the sole buyer in the transaction and that, following the acquisition of ACMM by AGNC, MTGE would continue to be managed by the applicable ACMM subsidiary, pursuant to a modified management agreement.

Also on May 2, 2016, Party 4 sent a proposal letter to American Capital indicating its interest in purchasing American Capital as a whole company, including ACMM, for \$18.50 per share in cash. Unlike certain bidders at this point, Party 4's proposal letter did not include a mark-up of the auction draft merger agreement. Party 4 indicated that any bid it submitted would be contingent on 30 days of exclusive negotiations with American Capital for the purposes of conducting Party 4's due diligence, obtaining required board approvals and obtaining debt financing.

On May 3, 2016, American Capital's board of directors met with American Capital's legal and financial advisors and representatives of management to receive an update on the offers for American Capital and the process regarding the sale of ACMM.

Also on May 3, 2016, representatives of American Capital's financial advisors sent a revised draft of the proposed merger agreement to Party 3's financial advisors and on May 4, 2016, American Capital's financial advisors sent a revised draft of the proposed merger agreement to Ares Capital's financial advisors.

On May 4, 2016, representatives of American Capital's financial advisors received an email from representatives of Party 4 stating that Party 4 was not prepared to submit a bid for American Capital with ACMM excluded from the transaction. Party 4 also indicated that it believed key due diligence and transactional tasks, including negotiation of definitive agreements, bank financing and due diligence, could be accomplished in 30 days, but stood by its proposal of May 2, 2016 of \$18.50 per share in cash for the whole company, including ACMM.

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On May 5, 2016, representatives of American Capital's management, along with American Capital's financial and legal advisors, held an in-person meeting with representatives of Party 3's management, as well as Party 3's financial and legal advisors, to discuss the financial terms of Party 3's bid and key transaction terms to be included in the proposed merger agreement with Party 3.

On May 5, 2016, Mr. Hahl initiated a telephonic conversation with an independent director of AGNC and MTGE who had been designated as a point of contact by the independent directors of each of AGNC and MTGE and inquired as to whether and on what terms each of AGNC and MTGE would consider providing consent to the continuation of its respective management agreement with the applicable ACMM subsidiary in connection with a whole company sale of American Capital that included ACMM. Such independent director indicated that the independent directors of AGNC and MTGE were of the view that the "internalization" of the management of AGNC and MTGE would be the most attractive alternative for the stockholders of each of AGNC and MTGE.

Also on May 5, 2016, Skadden, along with representatives of American Capital's management and certain members of the Strategic Review Committee, conducted a telephonic conference with Jones Day to discuss key terms regarding the sale of ACMM.

On May 5, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, at which representatives of management and Ares Capital's legal and financial advisors reviewed with the board the potential transaction with American Capital, the potential sale of ACMM and the status of the current bid proposal with American Capital. Also, Latham updated Ares Capital's board of directors on the status of the transaction documentation and provided a summary of the material terms of the draft proposed merger agreement with American Capital.

On May 6, 2016, Skadden received a revised draft of the proposed merger agreement with Ares Capital from Latham.

Also on May 6, 2016, American Capital's board of directors met with American Capital's legal advisors and representatives of management to receive an update on discussions with various bidders and to discuss the expected schedule for consideration of such bids.

On May 7, 2016, the independent director of AGNC and MTGE who had been designated as a point of contact by the independent directors of each of AGNC and MTGE called Mr. Hahl regarding his inquiry of May 5, 2016 concerning whether and on what terms the independent directors of AGNC and MTGE would consider providing consent to a whole company sale of American Capital that included ACMM. Such independent director stated that, in accordance with the fiduciary duties of AGNC's and MTGE's independent directors, such directors would be willing to consider a proposal for such consent, but that, based on advice from their advisors, such directors were of the view that the "internalization" of the management of AGNC and MTGE remained the most attractive alternative for the stockholders of each of AGNC and MTGE. Such independent director indicated that, if the independent directors of AGNC and MTGE were to provide such consent, they would expect AGNC and MTGE to receive "meaningful economic consideration." Such independent director and Mr. Hahl discussed such consideration in general terms, including a reduction in the management fee rate payable by AGNC and MTGE and/or an up-front payment to AGNC and MTGE in lieu of a rate reduction, as well as the possibility of extending the term of such management agreements. Such independent director indicated that such an extension was strongly disfavored by AGNC's and MTGE's independent directors.

On May 7, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, at which representatives of management and Ares Capital's financial advisors reviewed and discussed with the board the terms of a proposed revised bid to be submitted to American Capital.



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Ares Capital's management and financial advisors also reviewed with the board certain updated financial information and key transaction considerations in connection with the proposed transaction.

On May 8, 2016, representatives from American Capital, as well as its financial and legal advisors, held telephonic conferences with representatives of each of Ares Capital and Party 3, respectively, to discuss contractual terms related to each of Ares Capital's and Party 3's bids.

Also on May 8, 2016, Mr. Wilkus and a representative of Credit Suisse had further discussions with Party 4, informing Party 4 that American Capital and its financial and legal advisors were ready and willing to spend time with Party 4 in connection with Party 4's requested 30-day diligence process. Mr. Wilkus and Mr. Hahl also encouraged Party 4 to submit a mark-up of the auction draft merger agreement, which had not accompanied Party 4's \$18.50 per share cash indication of interest and to revise such indication of interest to reflect a bid for American Capital as a whole company excluding ACMM.

On May 9, 2016, each of Ares Capital and Party 3 submitted updated bid proposals. Ares Capital also included financial support materials and a presentation providing support for its bid. The implied value of Ares Capital's bid was \$17.03 per share, based on market data as of May 9, 2016, or \$3,939 million in the aggregate, comprised of \$2.49 in cash from the sale of ACMM at a purchase price of \$575 million, \$6.16 in cash from Ares Capital, \$7.30 in Ares Capital's stock (based on a fixed exchange ratio of 0.483 shares of Ares Capital's stock per share of American Capital stock) and \$1.08 in cash from Ares Capital Management. Ares Capital's bid also included certain fee waivers by Ares Capital Management of amounts payable to Ares Capital Management by Ares Capital under Ares Capital's investment advisory and management agreement, in connection with the proposed transaction. Ares Capital's bid contained approximately 57.1% cash in the aggregate. The implied value of Party 3's bid was \$16.94 per share, based on market data as of May 9, 2016, or \$3,917 million in the aggregate, comprised of \$2.49 in cash from the sale of ACMM at a purchase price of \$575 million, \$6.28 in cash from Party 3, \$7.39 in Party 3's stock (based on a fixed exchange ratio of 1.327 shares of Party 3's stock per share of American Capital stock) and \$0.78 in Party 3's external advisor's stock (which, at the option of Party 3, could be paid in cash in lieu of stock). On the same day, at the direction of Ares Capital, Ares Capital's financial advisors sent a revised draft of the proposed merger agreement to American Capital's financial advisors.

Also on May 9, 2016, American Capital's financial advisors sent a revised draft of the proposed merger agreement to Party 3's financial advisors.

On May 10, 2016, each of Ares Capital and Party 3, respectively, submitted draft confidentiality agreements, through each of their respective advisors, to the Elliott Parties to permit the Elliott Parties to review each of their bids in detail.

Also on May 10, 2016, the Strategic Review Committee held a meeting to discuss the status of bids received and the strategic review process. In addition, the Strategic Review Committee further considered strategic alternatives to a sale transaction, including the continuation of American Capital as a stand-alone business. For further information regarding the forecasts of American Capital as a stand-alone business, please see "Financial Forecasts and Estimates American Capital."

Also on May 10, 2016, representatives of American Capital's financial advisors contacted Party 4's financial advisor to request the name of Party 4's legal advisor so that American Capital's financial and legal advisors could follow up on the status of a potential mark-up of the auction draft merger agreement. Party 4's financial advisor did not respond to the request from American Capital's financial advisors. Based on, among other things, this lack of response, Party 4's need for 30 days of due diligence and Party 4's unwillingness to proceed with a transaction that would not include Party 4's purchase of ACMM, no further outreach to Party 4 or its financial advisors was made. Representatives of American Capital thereafter received no communication from Party 4.

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On May 11, 2016, Ares Capital and Party 3 each executed separate confidentiality agreements with the Elliott Parties to permit sharing of information related to each of their bids with the Elliott Parties. Subsequent to the execution of the respective confidentiality agreements, representatives from American Capital's financial advisors and certain members of the Strategic Review Committee conducted meetings with the Elliott Parties to discuss each of Ares Capital's and Party 3's respective bids and review the terms thereof with the Elliott Parties. At the meeting, American Capital's financial advisors discussed their preliminary financial analysis of each of Ares Capital's and Party 3's bids received on May 9, 2016. American Capital's financial and legal advisors and certain members of the Strategic Review Committee also discussed the key transaction terms that were being negotiated with each of Ares Capital and Party 3. The representatives of the Elliott Parties expressed a preliminary preference for Ares Capital's proposal.

Also on May 11, 2016, the Elliott Parties filed an amendment to their Schedule 13D, reporting an increase (which resulted from share buybacks by American Capital) in their ownership of American Capital to approximately 14.4% as of the date thereof, of which approximately 8.7% was held through derivative instruments.

On May 12, 2016, American Capital's board of directors held an in-person meeting attended by the full board, as well as representatives of management and American Capital's financial and legal advisors, to discuss the status of the bids received from each of Ares Capital and Party 3, including regarding financial terms and contractual terms related thereto. American Capital's board of directors, representatives of management and American Capital's financial and legal advisors also discussed the status of discussions relating to the proposed sale of ACMM to AGNC. At the invitation of American Capital's board of directors, representatives from each of Ares Capital and Party 3 attended a portion of the in-person meeting and separately presented their respective bids to American Capital's board of directors. The presentations given by representatives of each of Ares Capital and Party 3 contained key financial and contractual terms of the respective bid, as well as a discussion of each respective bidder's proposed plans and vision for the joint company following consummation of the proposed transaction. During the course of the meeting, the representatives present for Party 3 advised American Capital's board of directors that Party 3 was prepared to increase its proposal, contingent upon American Capital entering into an exclusivity agreement with Party 3. The terms of such increased proposal included an additional 1.5 million shares of Party 3's external advisor's stock (equivalent to approximately \$25 million of value) and \$32 million in net asset value of Party 3's stock (equivalent to approximately \$25 million of value), equal to an increased offer of \$50 million in the aggregate, or a total revised value of \$17.36 per share of American Capital stock, based on market data as of May 12, 2016. The representatives of Party 3 informed American Capital's board of directors that such increased proposal would only be valid until the end of the day on May 12, 2016. Following the presentations by Ares Capital and Party 3, American Capital's board of directors discussed each of Ares Capital's and Party 3's presentations with representatives of American Capital's management and American Capital's financial and legal advisors. Following the meeting, at the direction of American Capital's board of directors, American Capital's financial advisors contacted representatives of Ares Capital requesting that Ares Capital increase the merger consideration for its bid by \$75 million.

Also at this meeting, American Capital's board of directors' Compensation, Corporate Governance and Nominating Committee recommended that the retainer paid to members of the Strategic Review Committee be increased to \$80,000 per year, payable quarterly in advance, with Mr. Hahl, as the chair of the Strategic Review Committee, to be paid an additional retainer of \$20,000 per year, in both cases retroactive to the appointment of the Strategic Review Committee in the fourth quarter of 2015. The recommendation was based on the extensive work done by the Strategic Review Committee and was unanimously approved by American Capital's board of directors.

On May 12, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial

advisors, at which representatives of management and Ares Capital's financial advisors updated the board on the status of the proposed transaction with American Capital, provided a summary of the recent meeting with American Capital's board of directors, discussed increasing the merger consideration and explained the next steps in the process. Following the meeting, at the direction of Ares Capital, Ares Capital's financial advisors contacted representatives of American Capital's financial advisors, indicating that Ares Capital would increase its offer, subject to American Capital entering into an exclusivity agreement with Ares Capital and ceasing its stock buybacks under American Capital's then-authorized stock buyback program, as this would continue to impact the cash component of the consideration offered.

On May 12, 2016, at the direction of American Capital's board of directors, American Capital's financial advisors informed Party 3 that American Capital was not prepared to move forward with Party 3 at that time.

On May 13, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, where representatives of management updated the board on the current status of the proposed transaction with American Capital and noted to the board that American Capital had informed Ares Capital that American Capital was prepared to move forward with Ares Capital on the proposed transaction at that time. Ares Capital's management and financial advisors reviewed with the board of directors certain financial information and the terms of Ares Capital's bid in connection with the proposed transaction.

On May 13, 2016, Ares Capital submitted its final bid to American Capital's financial advisors reflecting a \$75 million increase in aggregate consideration contingent upon American Capital entering into an exclusivity agreement with Ares Capital and ceasing its stock buybacks under American Capital's then-authorized stock buyback program, as discussed the previous day.

Also on May 13, 2016, at the direction of American Capital's board of directors, Skadden responded to Jones Day's letter dated March 13, 2016, acknowledging receipt thereof and confirming certain items in such letter and reiterating American Capital's belief that no materially impermissible action had been taken pursuant to the management agreements between each of AGNC and MTGE and the ACMM subsidiaries.

Also on May 13, 2016, representatives from American Capital's management and representatives from Ares Capital's management met with members of the Elliott Parties' management to discuss Ares Capital's bid.

On May 13, 2016, representatives of Ares Capital's management and Ares Capital's legal and financial advisors met with representatives from the Elliott Parties and the Elliott Parties' legal advisor as well as with representatives of American Capital's financial advisors, who attended the meeting on behalf of American Capital, to discuss the proposed acquisition of American Capital by Ares Capital and request that the Elliott Parties and their affiliates sign a voting and support agreement in connection with the proposed transaction. Ares Capital's legal advisor also had provided the Elliott Parties and the Elliott Parties' legal advisor with a draft voting and support agreement. After the meeting, the parties continued to negotiate and exchange drafts of the voting and support agreement until Ares Capital and the Elliott Parties entered into a definitive voting and support agreement on May 23, 2016, pursuant to which the Elliott Parties and their affiliates agreed to, among other things, to vote in favor of the proposed merger agreement, subject to certain conditions.

On May 13, 2016, Skadden sent a revised draft of the proposed merger agreement with Ares Capital to Latham.

On May 14, 2016, representatives from American Capital's management and American Capital's financial and legal advisors held telephonic conferences with representatives from Ares Capital's management and Ares Capital's financial and legal advisors to further discuss contractual terms related to Ares Capital's bid.

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On May 15, 2016, Latham sent a revised draft of a proposed merger agreement with Ares Capital to Skadden and highlighted key open issues to be discussed.

On May 16, 2016, representatives of American Capital's management and American Capital's financial and legal advisors held telephonic conferences with representatives of Ares Capital's management and Ares Capital's financial and legal advisors to discuss the key open issues sent by Latham on May 15, 2016.

Also on May 16, 2016, Latham sent a draft form of stockholder voting and support agreement to Skadden to be executed by certain individuals of American Capital's management and board of directors pursuant to which, among other items, each such individual would agree to vote his or her shares of American Capital common stock in favor of adopting the merger agreement. The parties agreed that certain individuals of Ares Capital's management and board of directors would enter into a similar voting and support agreement, as well.

Also on May 16, 2016, the Elliott Parties' representatives reached out to representatives of American Capital requesting that American Capital, in consideration of the Elliott Parties entering into a support agreement relating to the proposed transaction, enter into a settlement agreement containing certain provisions relating to the reconstitution of American Capital's board of directors if the mergers were not completed. Representatives of the Elliott Parties sent a term sheet at American Capital's request to Skadden.

Also on May 16, 2016, Party 3 rescinded access to its virtual dataroom previously granted to American Capital and American Capital's legal and financial advisors. One day later, at the request of Ares Capital, American Capital rescinded access to its virtual dataroom previously granted to Party 3 and Party 3's legal and financial advisors.

Also on May 16, 2016, representatives of American Capital and of the independent directors of AGNC and MTGE reached tentative agreement on most significant outstanding issues regarding the Mortgage Manager Purchase Agreement, including a reduction in the purchase price for the proposed sale of ACMM to AGNC from \$575 million to \$562 million in exchange for AGNC's relinquishment of its position that AGNC should receive the management fee revenues of ACMM from the April 14, 2016 date of the original proposal letter.

On the evening of May 16, 2016, American Capital's board of directors held a telephonic meeting of the full board with representatives of management and American Capital's financial and legal advisors to discuss the status of negotiations with Ares Capital. Representatives from American Capital, along with American Capital's financial and legal advisors, provided American Capital's board of directors with updates since the prior meeting of the full board of directors, held on May 12, 2016, and presented American Capital's board of directors with Ares Capital's revised proposal, including Ares Capital's requests to enter into an exclusivity agreement and for American Capital to cease its stock buybacks. American Capital's board of directors, with the assistance of representatives from Goldman Sachs and Credit Suisse, reviewed the implied value of Ares Capital's final bid, received on May 13, 2016, which totaled \$4,020 million in the aggregate, or \$17.35 per share, based on market data as of May 13, 2016, comprised of \$6.37 in cash per share from Ares Capital, \$7.37 per share in Ares Capital stock (based on a fixed exchange ratio of 0.483 shares of Ares Capital's stock per share of American Capital stock), \$1.19 in cash per share from Ares Capital Management and an assumed \$2.43 in cash per share from the proceeds of the proposed ACMM sale. American Capital's board of directors approved entry into the exclusivity agreement with Ares Capital. American Capital's board of directors also authorized American Capital's management to cease the existing stock buyback program. Following the meeting of American Capital's board of directors, Skadden provided Latham with a draft exclusivity agreement.

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On May 17, 2016, following negotiation of the terms thereof, Ares Capital and American Capital entered into an exclusivity agreement, pursuant to which the parties thereto agreed to an exclusivity period which would expire at 5:00 p.m. ET on May 23, 2016. American Capital also provided written notice to its broker to cease its stock buybacks, including under American Capital's existing Rule 10b5-1 trading plan. That same day, Skadden provided a revised draft of the proposed merger agreement to Latham. After sending the revised draft of the proposed merger agreement, representatives from American Capital's management and American Capital's financial and legal advisors held a telephonic conference with representatives from Ares Capital's management and Ares Capital's financial and legal advisors to further discuss open items and contractual terms related to Ares Capital's bid.

On May 17, 2016, Ares Capital's board of directors held a telephonic meeting of the board, attended by representatives of Ares Capital's management and Ares Capital's legal and financial advisors, at which representatives of Ares Capital's management and legal advisors reviewed and discussed with the board the status of the legal documentation related to the proposed transaction with American Capital, including the draft merger agreement between Ares Capital, American Capital and the other parties thereto and due diligence matters in relation to the proposed transaction with American Capital. Ares Capital's management and financial advisors reviewed with the board of directors certain financial matters in relation to the proposed transaction with American Capital.

Also on May 17, 2016, representatives from the Elliott Parties requested that they be provided a copy of the draft merger agreement between Ares Capital, American Capital and the other parties thereto.

Later on May 17, 2016, the Strategic Review Committee held a telephonic meeting with representatives from management and American Capital's financial and legal advisors to discuss the Elliott Parties' request that American Capital enter into a settlement agreement and the terms related thereto. The Strategic Review Committee, representatives of management and Skadden drafted a letter responding to the Elliott Parties' initial term sheet received on May 16, 2016. Representatives from the Elliott Parties sent a revised term sheet to representatives from American Capital with few modifications to the provisions requested in the original term sheet. Following receipt of the revised term sheet, the Strategic Review Committee and representatives of management requested a meeting of American Capital's full board of directors.

Also on the evening of May 17, 2016, Skadden sent a revised draft of the Mortgage Manager Purchase Agreement to Jones Day. Following distribution of the revised draft to Jones Day, Skadden sent this draft of the Mortgage Manager Purchase Agreement to Latham to be shared with Ares Capital.

On May 18, 2016, the full board of directors of American Capital held a telephonic conference with representatives from management and American Capital's financial and legal advisors to discuss the Elliott Parties' settlement agreement term sheet, the requests related thereto and proposed responses. American Capital's board of directors agreed to give the Strategic Review Committee authority to negotiate terms of a letter agreement with the Elliott Parties, subject to approval of American Capital's full board of directors. Later that day, Skadden sent a draft of the letter agreement with the Elliott Parties to the Elliott Parties' legal advisors.

Also on May 18, 2016, Latham sent Skadden a revised draft of the proposed merger agreement. That day, Latham also sent Skadden a draft fee waiver letter whereby, in connection with consummation of the merger agreement, Ares Capital Management would provide transaction support and waive certain of Ares Capital's fees payable to Ares Capital Management pursuant to the investment advisory and management agreement between such parties (the "Transaction Support Fee Waiver Agreement"). Later that day, representatives of American Capital's management and American Capital's financial and legal advisors held telephonic conferences with representatives of Ares Capital's

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management and Ares Capital's financial and legal advisors to further discuss contractual terms related to Ares Capital's bid.

On May 19, 2016, representatives from American Capital's management and the Elliott Parties discussed a revised proposal between the Elliott Parties and American Capital. Following such discussions, Skadden sent a revised letter agreement to the Elliott Parties' legal advisors.

Also on May 19, 2016, Skadden sent revised drafts of the proposed Transaction Support Fee Waiver Agreement and form of voting and support agreement to Latham.

Also on May 19, 2016, the board of directors of American Capital held a meeting attended by the full board, as well as representatives of management and American Capital's financial and legal advisors, in which some members participated telephonically, to discuss the proposed merger agreement and the proposed mergers, as well as the status of American Capital's discussions with the Elliott Parties and the letter agreement related thereto. American Capital's board of directors considered several written and oral presentations prepared by representatives of management and American Capital's financial advisors and legal advisors with respect to, among other things, due diligence, director duties, the proposed mergers and the proposed merger agreement. Representatives of Goldman Sachs and Credit Suisse each reviewed their respective preliminary financial analyses of the merger consideration and the proposed mergers. Additionally, American Capital's board of directors, with the assistance of representatives from Goldman Sachs and Credit Suisse, reviewed the implied value of Ares Capital's final bid, received on May 13, 2016. Each of Goldman Sachs and Credit Suisse also noted the fee waivers to be granted by Ares Capital Management, pursuant to the Transaction Support Fee Waiver Agreement, and discussed Ares Capital's proposed debt financing in connection with the transaction. On May 19, 2016, American Capital ceased stock buybacks under its existing stock buyback program.

On May 19, 2016, the independent directors of Ares Capital's board of directors had a telephonic conference with representatives of Ares Capital's financial advisors and the legal advisor to the independent directors. The independent directors and Ares Capital's financial advisors discussed and reviewed certain financial matters in connection with the proposed transaction with American Capital.

On May 19, 2016, the independent directors of Ares Capital's board of directors had another telephonic conference with representatives of the legal advisor to the independent directors of the board and Latham. Latham reviewed the proposed merger agreement with the independent directors and discussed certain diligence and other related matters in connection with the proposed transaction.

On May 20, 2016, representatives of American Capital's management and American Capital's financial and legal advisors, met in person with representatives of Ares Capital's management and Ares Capital's financial and legal advisors to discuss contractual terms of the draft merger agreement and documents related thereto.

Also on May 20, 2016, representatives from the Elliott Parties sent a revised draft of the proposed letter agreement to Skadden.

Throughout the day on each of May 20, 2016, May 21, 2016 and May 22, 2016, representatives of American Capital's management, and American Capital's financial and legal advisors, discussed terms of the proposed merger agreement with Ares Capital's management and Ares Capital's financial and legal advisors, including closing conditions related to certain third party consents, including the consents of investment funds and other investment products managed by ACAM and its subsidiaries to the continuation of their investment management relationships, purchase price adjustment for net operating income earned by American Capital between signing and closing, termination fees and payment of each party's transaction expenses under certain events of termination, interim operating covenants and disclosure schedules, among other matters. Skadden and Latham exchanged several revised drafts of

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such merger agreement and documents related thereto, including the Transaction Support Fee Waiver Agreement, form of voting and support agreement and disclosure schedules, throughout this time.

Also throughout the day on each of May 20, 2016, May 21, 2016 and May 22, 2016, representatives of American Capital's management, and American Capital's legal advisors, discussed terms of the proposed Mortgage Manager Purchase Agreement with representatives from MTGE and AGNC and Jones Day, including with respect to a transition services agreement, indemnification matters and closing conditions. Skadden and Jones Day exchanged several revised drafts of the Mortgage Manager Purchase Agreement and documents related thereto, including a transition services agreement and disclosure schedules, throughout this time.

On May 21, 2016, American Capital entered into a confidentiality agreement with Party 1 pursuant to which Party 1 could receive certain information related to the strategic review process, the proposed mergers and the proposed sale of ACMM. Pursuant to this confidentiality agreement, American Capital was required to issue a press release by May 25, 2016 at 9:00 a.m. New York time disclosing the confidential information provided to Party 1 that constituted material non-public information.

On the morning of May 22, 2016, Ares Capital's board of directors held a telephonic meeting of the board attended by representatives of Ares Capital's management and legal, financial and other advisors to consider the merger agreement and the transactions. Ares Capital's board of directors considered several written and oral presentations prepared by representatives of management and the other advisors, with respect to, among other things, the projected financial impact of the proposed transaction, due diligence, director duties, the Transaction Support Fee Waiver Agreement, the stockholder voting and support agreement to be entered into by and among American Capital and certain individual stockholders of Ares Capital, the sale of ACMM, the mergers and the merger agreement. Ares Capital's financial advisors reviewed their financial analyses of the Ares Capital consideration with Ares Capital's board of directors. Ares Capital's board of directors then determined to recess and hold the remainder of the meeting later that day.

During the recess of the meeting of Ares Capital's board of directors, the independent directors of Ares Capital's board of directors had a separate telephonic conference with representatives of Ares Capital's financial advisors and the legal advisor to the independent directors. Ares Capital's financial advisors and the independent directors further reviewed and discussed the financial analyses of the Ares Capital consideration and additional matters in connection with the proposed transaction with American Capital.

On the evening of May 22, 2016, American Capital's board of directors held a telephonic meeting attended by the full board, as well as representatives of management and American Capital's financial and legal advisors, to consider the proposed merger agreement, the proposed Mortgage Manager Purchase Agreement and the proposed letter agreement with the Elliott Parties, and to receive an update on the status of negotiations of each such agreement and the documents related thereto. At such meeting, American Capital's board of directors, with the assistance of representatives from Goldman Sachs and Credit Suisse, reviewed the implied value of Ares Capital's final bid, received on May 13, 2016, which totaled \$3,989 million in the aggregate, or \$17.40 per share, based on market data as of May 20, 2016 (and the total number of shares of American Capital outstanding after taking into account shares repurchased through May 19, 2016), comprised of \$6.41 in cash per share from Ares Capital, \$7.34 per share in Ares Capital stock (based on a fixed exchange ratio of 0.4830 shares of Ares Capital's stock per share of American Capital stock), \$1.20 in cash per share from Ares Capital Management and \$2.45 in cash per share from the proceeds of the proposed ACMM sale.

American Capital's board of directors requested that its financial advisors provide an update on the financial analyses discussed at American Capital's board meeting on May 19, 2016. Following such discussion, Credit Suisse, at the request of American Capital's board of directors, rendered its oral opinion, which was subsequently confirmed by delivery of a written opinion, dated May 23, 2016, to the

effect that, based on and subject to various assumptions made, procedures followed, matters considered and limitations on the review undertaken, as of that date, the Aggregate Consideration (as defined in the section entitled " Opinions of Financial Advisors to the American Capital Board of Directors Credit Suisse Securities (USA) LLC") to be received by holders of shares of American Capital common stock in the merger was fair, from a financial point of view, to such stockholders, other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates.

Immediately following Credit Suisse's rendition of its oral opinion, Goldman Sachs, at the request of American Capital's board of directors, rendered its oral opinion, which was subsequently confirmed by delivery of a written opinion, dated May 23, 2016, to the effect that, as of that date and based upon and subject to the factors and assumptions set forth in Goldman Sachs' opinion, the Aggregate Per Share Consideration (as defined in the section entitled " Opinions of Financial Advisors to the American Capital Board of Directors Goldman, Sachs & Co.") to be paid to holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of shares of American Capital common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

Representatives from Skadden then discussed the terms of the proposed merger agreement, the proposed Mortgage Manager Purchase Agreement and the proposed letter agreement with the Elliott Parties and provided American Capital's board of directors with updates on a number of outstanding matters since the prior meeting of the board of directors. With the assistance of Skadden and American Capital's financial advisors, American Capital's board of directors also reviewed and discussed the reasons for entering into the merger agreement with Ares Capital and the Mortgage Manager Purchase Agreement.

On the evening of May 22, 2016, Ares Capital's board of directors reconvened the meeting of the board, attended by representatives of Ares Capital's management and legal, financial and other advisors to further consider the merger agreement and the Transactions. Representatives of Wells Fargo Securities, at the request of Ares Capital's board of directors, reviewed with the Ares Capital board of directors its financial analysis of the Ares Capital consideration and delivered to the Ares Capital board of directors an oral opinion, which was confirmed by delivery of a written opinion dated May 23, 2016, to the effect that, based upon and subject to the various assumptions and limitations set forth therein, the Ares Capital consideration to be paid by Ares Capital was fair, from a financial point of view, to Ares Capital. Representatives of BofA Merrill Lynch, at the request of Ares Capital's board of directors, reviewed with the Ares Capital board of directors its financial analysis of the Ares Capital consideration to be paid by Ares Capital and delivered to the Ares Capital board of directors an oral opinion, which was confirmed by delivery of a written opinion dated May 23, 2016, to the effect that, as of that date, and based upon and subject to the various assumptions and limitations described in its opinion, the Ares Capital consideration to be paid by Ares Capital was fair, from a financial point of view, to Ares Capital.

After taking into consideration all of the information presented during the board meetings held with respect to the Transactions, Ares Capital's board of directors 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, 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 at a price below its then current net asset value per share, if applicable, and to issue shares of Ares Capital common stock in connection with the merger in accordance with NASDAQ listing rule requirements, declared the Transaction Support Fee Waiver Agreement to be in the best interests of Ares Capital and its stockholders and unanimously approved and adopted the Transaction Support Fee Waiver Agreement. In addition, the audit committee of Ares Capital's board of directors, after taking



into consideration all of the information presented during the board and committee meetings held with respect to the Transactions, declared the Transaction Support Fee Waiver Agreement to be in the best interests of Ares Capital and its stockholders and unanimously authorized Ares Capital to enter into the Transaction Support Fee Waiver Agreement.

On the evening of May 22, 2016, American Capital's board of directors, after taking into consideration all of the information presented during board meetings and meetings of the Strategic Review Committee with respect to the strategic review process and the Transactions, including the current meeting, approved and adopted the merger agreement, the Mortgage Manager Purchase Agreement and the letter agreement with the Elliott Parties, and authorized American Capital's officers to sign the proposed merger agreement, the proposed Mortgage Manager Purchase Agreement, the proposed letter agreement with the Elliott Parties and such other documents required to effectuate the transactions contemplated thereby.

On the morning of May 23, 2016, American Capital, Ares Capital, and the other parties thereto executed the merger agreement, and American Capital, AGNC, and the other parties thereto executed the Mortgage Manager Purchase Agreement. The Mortgage Manager Purchase Agreement included a release by AGNC of all claims arising out of the matters described in the March 13, 2016 letter sent by Jones Day to Skadden. Concurrently with the signing of the Mortgage Manager Purchase Agreement, MTGE also executed and delivered a release of all claims arising out of the matters described in the March 13, 2016 letter sent by Jones Day to Skadden.

Also on the morning of May 23, 2016, following execution and delivery of the merger agreement and the Mortgage Manager Purchase Agreement, American Capital and Ares Capital issued a joint press release publicly announcing the Transactions. Later that morning, American Capital and Ares Capital held a joint conference call discussing the mergers.

Also on May 23, 2016, American Capital and the Elliott Parties entered into a definitive letter agreement (the "Letter Agreement") in connection with the mergers, pursuant to which American Capital and the Elliott Parties each agreed, among other things, that it would use its reasonable best efforts to enter into a subsequent settlement agreement (the "Settlement Agreement") on the terms described in the Letter Agreement. Under the terms of the Letter Agreement, American Capital and the Elliott Parties each agreed to use their reasonable best efforts to complete discussions and enter into the Settlement Agreement by 8:00 a.m. New York time on June 6, 2016. That same day, the Elliott Parties filed an amendment to their Schedule 13D with the SEC, (1) confirming their beneficial ownership of 12,475,000 shares of American Capital's common stock, (2) disclosing their entrance into the Letter Agreement and (3) disclosing the entrance of the Elliott Parties into a voting and support agreement with Ares Capital, pursuant to which the Elliott Parties agreed to vote in favor of the proposed merger agreement, subject to certain conditions.

Pursuant to the terms of the Letter Agreement, on June 2, 2016, the Elliott Parties' legal advisors emailed a draft of the Settlement Agreement to Skadden. Such draft of the Settlement Agreement reflected the general terms and conditions set forth in the Letter Agreement.

Between June 2, 2016 and June 6, 2016, Skadden and the Elliott Parties' legal advisors negotiated the potential terms of the Settlement Agreement to be entered into between American Capital and the Elliott Parties, as contemplated by and substantially based on the terms of the Letter Agreement.

On June 6, 2016, American Capital's board of directors met telephonically with representatives of Skadden to discuss, among other things, the ongoing settlement negotiations with the Elliott Parties and the Elliott Parties' legal advisors. Referring to materials provided to American Capital's board of directors in advance of the meeting, representatives from Skadden reported that, since the last meeting of American Capital's board of directors, representatives from Skadden and representatives of American Capital's management had been negotiating with representatives of the Elliott Parties' legal

advisors regarding the terms of the proposed Settlement Agreement. Representatives from Skadden then reviewed a detailed summary of the proposed key terms of the Settlement Agreement to be entered into by and between American Capital and the Elliott Parties. Following a discussion among American Capital's board of directors, the board of directors approved the Settlement Agreement with the Elliott Parties, substantially in the form presented. All but one of American Capital's directors voted in favor of adopting the Settlement Agreement. For further information regarding the Settlement Agreement, see "Description of the Transactions Elliott Settlement Agreement."

Also on June 6, 2016, the Elliott Parties filed an amendment to their Schedule 13D, reporting an increase in their ownership stake of American Capital to approximately 15.9% as of June 3, 2016, of which approximately 10.0% was held through derivative instruments. In such Schedule 13D, the Elliott Parties also further disclosed their entrance into the Settlement Agreement with American Capital.

On July 1, 2016, the transactions contemplated by the Mortgage Manager Purchase Agreement were consummated in accordance with the terms of such agreement and AGNC issued a press release announcing the closing of such transaction.

## Reasons for the Transactions

### *American Capital*

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

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

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

the fact that upon completion of the Transactions, American Capital stockholders will be entitled to receive total merger consideration of approximately \$4.0 billion, which represents an implied value of \$17.40 per share of American Capital common stock, based on Ares Capital's closing stock price of \$15.19 on May 20, 2016, in a series of transactions comprised of (i) \$1.47 billion in cash or \$6.41 per share, without interest, from Ares Capital; *plus* (ii) \$275 million in cash or \$1.20 per share, without interest, from Ares Capital Management; *plus* (iii) \$562 million in cash or \$2.45 per share, without interest, from the sale of ACMM; *plus* (iv) the fixed exchange ratio of 0.483 shares of Ares Capital common stock for each share of American Capital common stock, valued at \$7.34 per share of American Capital common stock based on Ares Capital's closing stock price of \$15.19 as of May 20, 2016 (the last trading day prior to the public announcement of the Transactions);

the fact that the total implied value of the merger consideration of \$17.40 per share of American Capital common stock represents (i) an 11.4% premium over the closing price of American Capital common stock on May 20, 2016 (the last trading day prior to the public announcement of the Transactions); (ii) a 24.6% premium over the closing price of American Capital common stock on January 7, 2016, (the date of the announcement that American Capital concluded its initial phase of strategic review and announced it would solicit offers to purchase American Capital or its business lines); (iii) a 21.6% premium over the closing price of American Capital common stock on November 13, 2015 (the last trading day prior to the filing of a Schedule 13D by the Elliott Parties); (iv) a 25.1% premium over the closing price of

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American Capital common stock on November 24, 2015 (the last trading day prior to the public announcement by American Capital of its strategic review process); and (v) a 10.2% premium over the 30-day volume-weighted average closing price of American Capital common stock and a 25.0% premium over the 52-week volume-weighted average closing price of American Capital common stock, in each case for the period through May 20, 2016;

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

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

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

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

the fact that if the mergers are completed after certain dates, American Capital stockholders will receive additional consideration based on an exchange adjusted percentage of Ares Capital's dividend payments, specifically (i) if the mergers are completed after the record date for Ares Capital's dividend payable for the fourth quarter of 2016, American Capital stockholders will receive 37.5% of the exchange ratio multiplied by Ares Capital's dividend for such quarter; *plus* (ii) if the mergers are completed after the record date for Ares Capital's dividend payable for the first quarter of 2017, American Capital stockholders will receive 75.0% of the exchange ratio multiplied by Ares Capital's dividend for such quarter; *plus* (iii) if the mergers are completed after the record date for Ares Capital's dividend payable for any subsequent quarter beginning with the second quarter of 2017, American Capital stockholders will receive 100% of the exchange ratio multiplied by Ares Capital's dividend for such quarter;

the fact that Ares Capital Management, which serves as the investment adviser to Ares Capital, has agreed to waive up to \$100 million in income based fees payable for the ten calendar quarters beginning with the first full quarter following the completion of the Transactions, in an amount of up to \$10 million of the income based fees to the extent earned and payable to Ares Capital Management in such quarter, to support the expected profitability of the combined company during the integration and portfolio repositioning period for the combined company, as more fully described below under the section entitled "Description of the Transactions Transaction Support Fee Waiver Agreement";

the fact that the merger should be taxable to American Capital stockholders for U.S. federal income tax purposes, as more fully described below under the section entitled "Material U.S. Federal Income Tax Consequences of the Transactions," and that, for most such U.S. stockholders (other than those with a low tax basis), no significant difference may exist between a taxable and non-taxable transaction given the large cash component of the merger consideration (which would generally be taxable to U.S. stockholders in either a taxable or non-taxable transaction);

the fairness opinion of Goldman Sachs, dated May 23, 2016, as presented to American Capital's board of directors to the effect that, as of that date and based upon and subject to the factors and assumptions set forth in such opinion, the Aggregate Per Share Consideration (as defined in the section entitled "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors Goldman, Sachs & Co." in this document) to be paid to holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement (as defined below) and their respective affiliates) of shares of American Capital common stock pursuant to the merger agreement was fair from a financial point of view to such holders, as more fully described below under the section entitled "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors Goldman, Sachs & Co."; and

the fairness opinion of Credit Suisse, dated May 23, 2016, as presented to American Capital's board of directors to the effect that, based on and subject to various assumptions made, procedures followed, matters considered and limitations on the review undertaken, as of that date, the Aggregate Per Share Consideration (as defined in the section entitled "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors Credit Suisse Securities (USA) LLC") to be received by holders of shares of American Capital common stock in the merger was fair, from a financial point of view, to such stockholders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates), as more fully described below under the section entitled "Description of the Transactions Opinions of Financial Advisors to the American Capital Board of Directors Credit Suisse Securities (USA) LLC."

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

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

the belief of American Capital's board of directors, which belief was formed based on a review of the results of the strategic review process, with the assistance of American Capital's management and its financial and legal advisors, at prior meetings of American Capital's board of directors and of the Strategic Review Committee, respectively, that the Transactions are more favorable to American Capital stockholders than the opportunities and alternatives reasonably available to American Capital, which American Capital's board of directors evaluated with the assistance of American Capital's management and its financial and legal advisors, taking into account the potential risks, rewards and uncertainties associated with each alternative, including, among other opportunities and alternatives, the following: (1) pursuing a full liquidation of American Capital; (2) pursuing the continuing divestiture of certain assets of American Capital combined with additional stock repurchases or the payment of special dividends with the goal of operating a smaller publicly-traded BDC; and (3) pursuing business combinations with entities other than Ares Capital, including Party 3 and Party 4; and

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

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

the fact that the combined company will be a leading BDC in the United States;

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

the fact that the combined company will have, on a pro forma basis, more than \$12 billion in investments at fair value as of March 31, 2016;

the fact that the mergers will provide additional scale and portfolio diversification for the combined company, which will position the combined company, among other things, to (1) capitalize on favorable market conditions; (2) originate larger transactions with increased final hold positions; (3) capture increased underwriting and distribution fees from greater syndication opportunities; and (4) enhance access to lower cost capital from banks and capital market participants;

the changing landscape of middle market sponsored finance lending, the industry in which American Capital and Ares Capital operate, including, among other things, (i) the fact that the increased volatility in the financing markets is leading to enhanced pricing and terms as borrowers demand certainty of capital; (ii) the increase in supply driven by growth of the global non-investment grade credit markets, refinancing opportunities from maturing debt and potential realizations from private equity fund investments; and (iii) the tightening credit standards faced by regulated institutions, which may create attractive lending opportunities for the combined company;

the fact that the receipt of shares of Ares Capital common stock in exchange for shares of American Capital common stock will permit American Capital stockholders to receive dividend payments in the combined company by participating in Ares Capital's dividend, which has been consistently paid during Ares Capital's eleven and a half year history as a public company;

the fact that the receipt of shares of Ares Capital common stock in exchange for shares of American Capital common stock will result in American Capital stockholders receiving Ares Capital common stock that may be more liquid than American Capital common stock, given the increased size and diversification of the equity base of the combined company as a result of the mergers;

the fact that American Capital stockholders will have an ability to participate in the future growth of Ares Capital, including any future upside in the stock price of Ares Capital and potential synergies expected to result from the mergers;

the pro forma financial metrics of the combined company and the opportunity for American Capital stockholders to participate in the long-term prospects of the combined company;

Ares Capital's strong track record of success with its 2010 acquisition of Allied Capital Corporation, a BDC, which transaction was valued at approximately \$908 million;

American Capital's historical performance and American Capital's ability to make future dividend payments to American Capital stockholders; and

American Capital's knowledge of Ares Capital's business, operations, financial condition, earnings and prospects, taking into account the results of American Capital's business and legal due diligence review of Ares Capital's operations, its portfolio companies and other corporate and financial matters conducted by American Capital's management with the assistance of its

financial and legal advisors and that no significant issues were uncovered as a result of such review.

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

the significant difficulty of selling ACMM or its mortgage manager subsidiaries as part of a whole company sale of American Capital or otherwise as part of a sale to a third party, because of (1) the need for consent by the independent directors of each of AGNC and MTGE if there were a sale of American Capital, ACAM or ACMM that changed control of the ACMM mortgage manager subsidiaries; (2) the reluctance of those independent directors to engage in discussions on the terms on which they would grant such consent because they strongly favored AGNC's internalization of its management function; (3) the fact that the independent directors of AGNC and MTGE would have likely required significant economic consideration to be provided to AGNC and MTGE if such consent were granted, such as a reduction in the management fee payable by AGNC and MTGE and/or the payment of a consent fee to them; and (4) the unwillingness of those independent directors to engage in discussions about extending the terms of the management agreements for each of AGNC and MTGE, and the fact that, in the absence of such an extension, each of AGNC and MTGE would, following a sale of American Capital, ACAM or ACMM that changed control of the ACMM subsidiaries, with the consent of AGNC and MTGE, continue to have the right to terminate its management agreement, against payment of a termination fee, effective as of the end of the applicable annual renewal term, in accordance with the terms of the applicable existing management agreement;

the fact that as a result of negotiations between American Capital and MTGE and AGNC, American Capital entered into the Mortgage Manager Purchase Agreement to sell ACMM to AGNC for \$562 million in cash and that the proceeds of such sale would constitute a part of the merger consideration; and

the fact that the Mortgage Manager Sale (i) was not linked to or conditioned on the mergers; (ii) did not include a right of American Capital's board of directors to consider superior third-party offers and accept one to replace the Mortgage Manager Purchase Agreement; (iii) was contemplated to have a closing date set for as early as July 1, 2016 with limited closing conditions, including no financing contingency; (iv) had a high likelihood of completion; and (v) imposed limited contingent obligations on either American Capital or Ares Capital other than contingent obligations related to transition services.

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

the fact that the merger agreement is unlikely to unduly deter third parties from making unsolicited acquisition proposals given that:

the merger agreement does not preclude American Capital from responding to and negotiating with respect to certain unsolicited acquisition proposals from third parties made prior to the time American Capital stockholders adopt the merger agreement if any such third party makes an unsolicited acquisition proposal that American Capital's board of directors determines in good faith, after consultation with its financial and legal advisors, constitutes or could reasonably be expected to result in a "superior proposal" (as defined in the merger agreement) and that the failure of American Capital's board of directors to respond to such superior proposal would reasonably be expected to be inconsistent with the fiduciary duties of American Capital's board of directors;

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

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

if American Capital's board of directors determines in good faith, after consultation with its financial and legal advisors, that an unsolicited acquisition proposal constitutes a superior proposal, American Capital's board of directors can terminate the merger agreement, subject to certain procedural requirements, including a four-day match period for Ares Capital, and enter into a definitive agreement with respect to such superior proposal, provided that, concurrently with such termination, American Capital pays to Ares Capital a termination fee of \$140 million;

the likelihood that the proposed mergers would be completed based on, among other things:

the absence of a financing condition in the merger agreement;

the level of commitments made by American Capital and Ares Capital to obtain applicable regulatory approvals and third party consents, including with respect to the HSR Act, regulatory approvals from United Kingdom and Guernsey and third party consents from certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016, which in the view of American Capital's board of directors made it likely that the mergers would be completed;

the receipt of an executed debt commitment letter from certain of Ares Capital's lenders increasing the size of Ares Capital's credit facility in connection with financing the mergers; and

the termination date under the merger agreement, which allows for time that is expected to be sufficient to complete the mergers;

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

the fact that the merger agreement imposes a continuing obligation on Ares Capital to provide indemnification to and maintain insurance for officers and directors of American Capital;

the fact that the merger agreement specifies that, in connection with the mergers, American Capital's options and certain other compensatory equity (*i.e.*, PIP shares) will generally be treated in the same manner as American Capital's common stock, and the fact that because the vast majority of such options and other equity have already vested, the occurrence of the change of control from the Transactions will not accelerate a significant amount of options or other equity;

the fact that the merger agreement includes a reciprocal termination fee of \$140 million, or approximately 3.5% of the aggregate equity value of the mergers, which is reasonable and would not preclude or substantially impede a possible superior proposal from being made, especially in light of the extensive public process undertaken by American Capital and its financial advisors;

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





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of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, respectively; and

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

*The Elliott Parties.* American Capital's board of directors considered the results of negotiations with the Elliott Parties, holders of approximately a 15.7% economic interest in American Capital as of the date of this document, including:

the fact that both Elliott and Elliott International entered into the Elliott Support Agreement, as more fully described under the section entitled "Description of the Transactions Stockholder Voting and Support Agreements"; and

the fact that the Elliott Parties entered into a settlement agreement with American Capital, pursuant to which American Capital's board of directors would be reconstituted if the merger agreement is terminated for any reason, which included, among other terms, (1) setting the size of American Capital's board of directors at ten directors and (2) appointing one director selected by the Elliott Parties and three additional independent directors to be mutually agreed upon by American Capital and the Elliott Parties to replace four incumbent directors of American Capital's board of directors, as more fully described below under the section entitled "Description of the Transactions Elliott Settlement Agreement."

*Other Factors Considered by American Capital's Board of Directors.* American Capital's board of directors considered the following additional factors, all of which it viewed as supporting its decision to approve the merger agreement:

the fact that the combined company will be externally managed by Ares Capital Management, which currently serves as the investment adviser to Ares Capital;

the fact that appraisal rights under the DGCL are available to holders of American Capital common stock who comply with all of the required procedures under the DGCL, which allows such holders to seek appraisal of the fair value of their shares of American Capital common stock as determined by the Delaware Court of Chancery, as more fully described below under the section entitled "Appraisal Rights of American Capital Stockholders";

the fact that American Capital's senior management recommended in favor of the mergers;

the fact that certain senior management and certain directors of American Capital entered into voting and support agreements with Ares Capital to vote in favor of the mergers, and pursuant to such agreements, such persons are permitted to sell up to 25% of the aggregate spread value of such persons' respective options of American Capital prior to the completion of the mergers, as more fully described below under the section entitled "Description of the Transactions Stockholder Voting and Support Agreements";

the fact that following confidential discussions with members of the Strategic Review Committee, other major stockholders of American Capital were consulted and expressed support for the mergers; and

the financial strength of Ares Capital as well as its reputation for being a well-run BDC.

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American Capital's board of directors weighed these advantages and opportunities against a number of other risks and potential negative factors concerning the merger agreement and the mergers, including:

the challenges inherent in the combination of two companies of the size and scope of American Capital and Ares Capital, including the risk that integration costs may be greater than anticipated and the possible diversion of management attention for an extended period of time;

the challenges of developing and executing a successful strategy and business plan for the combined company, including the risk of not capturing all the anticipated synergies between American Capital and Ares Capital and the risk that other anticipated benefits of the mergers might not be realized;

the restrictions in the merger agreement on American Capital's ability to respond to and negotiate certain unsolicited acquisition proposals from third parties, the requirement that American Capital pay Ares Capital a \$140 million termination fee if the merger agreement is terminated under certain circumstances and the risk that such restrictions and termination fee may discourage third parties that might otherwise have an interest in a business combination with, or acquisition of, American Capital from making unsolicited acquisition proposals;

the restrictions in the merger agreement on the conduct of American Capital's business during the period between execution of the merger agreement and the completion of the mergers;

the risk that American Capital stockholders may vote down the merger approval at the American Capital annual meeting and the risk that Ares Capital stockholders may vote down the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements at the Ares Capital special meeting;

the risk that the completion of the mergers was conditioned on either the completion of the Mortgage Manager Sale or the obligation of American Capital and Ares Capital to negotiate an alternative transaction to complete the proposed sale of ACMM, if the Mortgage Manager Sale was not completed;

the risk that regulatory agencies may object to and challenge the mergers or may impose terms and conditions in order to resolve those objections that adversely affect the financial results of the combined company, as more fully described below under the section entitled "Description of the Transactions Regulatory Approvals Required for the Transactions";

the challenges of completing certain restructuring actions necessary to complete the acquisition of American Capital in reliance upon Ares Capital's existing exemptive relief;

the challenges of obtaining required third party consents from certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016, as more fully described below under the section entitled "Description of the Transactions Other Third Party Consents Required for the Transactions";

the amount of time it could take to complete the mergers, including the fact that the completion of the mergers depends on factors outside of American Capital's or Ares Capital's control, and the risk that the pendency of the mergers for an extended period of time following the announcement of the execution of the merger agreement could have an adverse impact on American Capital or on the combined company;

the potential for diversion of management and employee attention during the period prior to the completion of the mergers and the potential negative effects on American Capital's and/or the combined company's businesses as a result of such diversion;

the risk that key American Capital personnel will be hired by ACMM and that their availability under the Transition Services Agreement (as defined below) will be limited;

the risk that the combined company might not achieve its projected financial results;

the risk that changes in the regulatory landscape or new industry developments, including changes in regulations that would affect the combined company's classification as a BDC, may adversely affect the synergies anticipated to result from the mergers;

the risk that, upon completion of the mergers, the counterparties under certain material contracts of American Capital may be able to exercise certain "change of control" rights; and

the risks of the type and nature described under the section entitled "Risk Factors" in this document and the matters described under the section entitled "Special Note Regarding Forward-Looking Statements."

The foregoing discussion of the factors considered by American Capital's board of directors is not intended to be exhaustive, but rather includes the principal factors considered by American Capital's board of directors. In view of the wide variety of factors considered in connection with its evaluation of the mergers and the complexity of these matters, American Capital's board of directors did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger agreement and to make its recommendations to American Capital stockholders. In addition, individual members of American Capital's board of directors may have given differing weights to different factors. American Capital's board of directors conducted an overall review of the factors described above, including thorough discussions with American Capital's management and its financial and legal advisors.

In considering the recommendation of American Capital's board of directors to approve the merger proposal, American Capital stockholders should be aware that American Capital's directors and executive officers may have interests in the mergers that are different from, or in addition to, those of American Capital stockholders generally. For additional information, see the section entitled "Description of the Transactions Interests of Certain Persons Related to American Capital in the Transactions." The explanation of the reasoning of American Capital's board of directors and certain information presented in this section are forward-looking in nature and, therefore, the information should be read in light of the factors discussed in the section entitled "Special Note Regarding Forward-Looking Statements."

### *Ares Capital*

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

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

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

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

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

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

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

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

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

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

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

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

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

its understanding of Ares Capital's and American Capital's respective businesses, portfolio companies, operations, financial condition, earnings, risks and prospects, taking into account the results of Ares Capital's business and legal due diligence review of American Capital's



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operations, its portfolio companies and other corporate and financial matters conducted by Ares Capital's management and its legal advisors and financial advisors;

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

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

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

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

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

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

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

the fact that the merger agreement includes a reciprocal termination fee of \$140 million, or approximately 3.5% of the aggregate equity value of the Transactions;

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

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

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

the termination date under the merger agreement, which allows for time that is expected to be sufficient to complete the Transactions; and

the fact that the stock portion of the merger consideration is a fixed number of shares and thus avoids fluctuations in the number of shares of Ares Capital common stock payable as merger consideration.

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*Other Factors Considered by the Ares Capital Board of Directors.* The Ares Capital board of directors considered the following additional factors:

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 American Capital's portfolio companies may differ



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materially from the values that Ares Capital may ultimately realize and the fair value of American 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 American Capital operate, including industry, economic and market conditions, the competitive environment and the likely impact of these factors on Ares Capital and American Capital in light of, and in the absence of, the Transactions;

the review by Ares Capital's board of directors with its advisors of the structure of the Transactions and the financial and other terms of the Transactions;

the fact that the completion of the Transactions is conditioned on, among other things, the successful completion of the Mortgage Manager Sale and American Capital obtaining requisite consents from certain funds;

the fact that the implied market value of the stock portion 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 American Capital common stock;

the potential opportunities for cost savings and synergies as a result of the Transactions, together with the risks associated with achieving such cost savings and synergies;

the likelihood of a successful integration of American 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 size of the transaction relative to Ares Capital's market capitalization and the fact that the total merger consideration represented a premium of approximately 11.4% based on the closing prices of Ares Capital common stock and American Capital common stock on May 20, 2016 (which was the last full trading day before public announcement of the Transactions) and that American Capital stockholders would own approximately 26% of the combined company following completion of the Transactions; and

the need to obtain Ares Capital stockholder and American Capital stockholder approvals in order to complete the Transactions.

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 indirect financial interests in the Transactions that are different from, and/or in addition to, the interests of Ares Capital stockholders. For example, Ares Capital Management's base management fee is based on a percentage of Ares Capital's total assets (other than cash and cash equivalents). Because total assets under management will increase as a result of the Transactions, the dollar amount of Ares Capital Management's base management fee will likely increase as a result of the Transactions. In addition, the income based fee and capital gains incentive fee payable by Ares Capital to Ares Capital Management may be impacted as a result of the Transactions.

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

earned and payable by Ares Capital in such quarter pursuant to and as calculated under its investment advisory and management agreement. For more information regarding Ares Capital Management's interests in the Transactions 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 considered by the Ares Capital board of directors includes the material factors considered by the Ares Capital board of directors but it is not intended to be exhaustive and may not include all the factors considered by the Ares Capital board of directors. In view of the wide variety of factors considered in connection with its evaluation of the Transactions and the complexity of those matters, the Ares Capital board of directors did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to enter into the merger agreement. Rather, the Ares Capital board of directors viewed its position as being based on the totality of the information presented to it and the factors it considered by it, including its discussions with, and questioning of, members of Ares Capital's management and outside legal and financial advisors. In addition, individual members of the Ares Capital board of directors may have given differing weights to different factors.

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.

In considering the recommendation of the Ares Capital board of directors to approve (1) the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price below its then current net asset value per share, if applicable, and (2) the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, Ares Capital stockholders should be aware that, as discussed above, Ares Capital's investment adviser may have interests in the Transactions that are different from, or in addition to, those of Ares Capital stockholders generally. For additional information, see the section entitled "Interests of Ares Capital's Investment Adviser in the Transactions" in this document. The explanation of the reasoning of the Ares Capital board of directors and certain information presented in this section are forward-looking in nature and, therefore, the information should be read in light of the factors discussed in the section entitled "Special Note Regarding Forward-Looking Statements" in this document.

#### **Recommendation of the Board of Directors of American Capital**

At its meeting on May 22, 2016, the American Capital board of directors, including the independent directors, unanimously approved the adoption of the merger agreement and determined that the merger agreement and the Transactions, are advisable, fair to and in the best interests of American Capital and its stockholders. The American Capital board of directors, including the independent directors, unanimously recommends that American Capital stockholders vote "FOR" the adoption of the merger agreement, which provides for the Transactions.

#### **Recommendation of the Board of Directors of Ares Capital**

At its meeting May 22, 2016, Ares Capital's board of directors, including the independent directors, unanimously approved the merger agreement and the Transactions and determined that the merger agreement and the Transactions, including the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement at a price per share that is below its then current net asset value, if applicable, and the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements, are advisable and in the best interest of Ares Capital and its stockholders. The Ares Capital board of directors, including the independent directors, unanimously recommends that Ares Capital stockholders vote "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger

agreement at a price per share that is below its then current net asset value, if applicable, and "FOR" the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement in accordance with NASDAQ listing rule requirements.

**Opinions of Financial Advisors to the American Capital Board of Directors**

*Goldman, Sachs & Co.*

Goldman Sachs delivered its oral opinion, subsequently confirmed in writing, to the American Capital board of directors that, as of May 23, 2016, and based upon and subject to the factors and assumptions set forth therein, the Aggregate Per Share Consideration to be paid to holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of shares of American Capital common stock pursuant to the merger agreement was fair from a financial point of view to such holders. For purposes of Goldman Sachs' opinion, the "Aggregate Per Share Consideration" was defined as the aggregate of \$6.41 per share in cash, without interest, from Ares Capital, \$1.20 per share in cash, without interest, from Ares Capital Management, \$2.45 per share in cash, without interest, and 0.483 of a share of Ares Capital common stock per share.

**The full text of the written opinion of Goldman Sachs, dated May 23, 2016, which sets forth assumptions made, procedures followed, matters considered, qualifications and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of the American Capital board of directors in connection with its consideration of the Transactions. The Goldman Sachs opinion is not a recommendation as to how any holder of shares of American Capital common stock should vote with respect to the Transactions or any other matter.**

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

the Mortgage Manager Purchase Agreement;

annual reports to stockholders and Annual Reports on Form 10-K of American Capital and Ares Capital for the five fiscal years ended December 31, 2015;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of American Capital and Ares Capital;

certain other communications from American Capital and Ares Capital to their respective stockholders;

certain publicly available research analyst reports for American Capital and Ares Capital; and

certain internal financial analyses and forecasts for American Capital for each of the years from 2016 to 2018, prepared by the management of American Capital (the "American Capital Forecasts"), including an analysis of the value of certain of American Capital's assets (including net asset value estimates) prepared by American Capital's management (the "Valuations") and estimates of the tax benefits to American Capital from American Capital's deferred tax assets (including anticipated usage of net operating loss carryforwards and the timing thereof) prepared by American Capital's management, certain internal financial analyses and forecasts for Ares Capital, prepared by Ares Capital's management (the "Ares Capital Forecasts") and certain internal pro forma financial analyses and forecasts for Ares Capital, prepared by Ares Capital's management (the "Combined Company Forecasts" and, together with the American Capital Forecasts and the Ares Capital Forecasts, the "Forecasts"), including certain operating synergies projected by the managements of American Capital and Ares Capital, in each case, as approved for Goldman Sachs' use by the American Capital board of directors.

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Goldman Sachs also held discussions with members of senior management of each of American Capital and Ares Capital regarding such members' assessment of the strategic rationale for, and the potential benefits of, the Transactions and the past and current business operations, financial condition and future prospects of American Capital and Ares Capital; reviewed the reported price and trading activity for shares of American Capital common stock and shares of Ares Capital common stock; compared certain financial and stock market information for each of American Capital and Ares Capital with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain business combinations in the business development company industry; and performed such other studies and analyses, and considered such other factors, as it deemed appropriate.

Goldman Sachs expressed no opinion as to any adjustment to the Mortgage Manager consideration, which is subject to adjustment pursuant to the merger agreement. Goldman Sachs also expressed no opinion as to the ACAM merger, which will occur concurrently with the closing of the merger.

For purposes of rendering its opinion, Goldman Sachs, with American Capital's consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, Goldman Sachs, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs assumed with American Capital's consent, that the Forecasts, including the Valuations, were reasonably prepared on a basis reflecting the best then-currently available estimates and judgments of American Capital's management and the American Capital board of directors. Goldman Sachs did not review individual credit files nor did it make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of American Capital or Ares Capital or any of their respective subsidiaries and, except for the Valuations, Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the completion of the Transactions will be obtained without any adverse effect on American Capital or Ares Capital or on the expected benefits of the Transactions in any way meaningful to its analysis. Goldman Sachs has assumed that the Transactions will be completed on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis. Goldman Sachs has further assumed that the transactions contemplated by the Mortgage Manager Purchase Agreement will be completed prior to the effective time (or concurrently or substantially concurrently with the effective time) on the terms set forth in the Mortgage Manager Purchase Agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to Goldman Sachs' analysis.

Goldman Sachs' opinion does not address the underlying business decision of American Capital to engage in the Transactions or the relative merits of such Transactions as compared to any strategic alternatives that may be available to American Capital; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs' opinion addresses only the fairness from a financial point of view to the holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of shares of American Capital common stock, as of the date of the opinion, of the Aggregate Per Share Consideration to be paid to such holders pursuant to the merger agreement. Goldman Sachs' opinion does not express any view on, and does not address, any other term or aspect of the merger agreement or the Transactions or any term or aspect of any voting, support or other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the Transactions, including any allocation of the Aggregate Per Share Consideration, the form or structure of the Transactions, the Mortgage Manager Purchase Agreement or the transactions contemplated thereby, the fairness of the Transactions to, or any consideration received in connection therewith by, the holders of any other class of securities,

creditors, or other constituencies of American Capital; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of American Capital, or class of such persons, in connection with the Transactions, whether relative to the Aggregate Per Share Consideration to be paid to the holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of shares of American Capital common stock pursuant to the merger agreement or otherwise. Goldman Sachs' opinion does not express any view on, and does not address, the make-up dividend amount. Goldman Sachs does not express any opinion as to the prices at which shares of Ares Capital common stock will trade at any time or as to the impact of the Transactions on the solvency or viability of American Capital, Ares Capital, Ares Capital Management, ACAM, IHAM, IHAM GP, ACMM or AGNC or the ability of American Capital, Ares Capital, Ares Capital Management, ACAM, IHAM, IHAM GP, ACMM or AGNC to pay their respective obligations when they come due. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of Goldman Sachs' written opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of such opinion. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the American Capital board of directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before May 20, 2016, the last trading day before the public announcement of the Transactions, and is not necessarily indicative of current market conditions.

#### *Historical Stock Trading Analysis*

Goldman Sachs analyzed the implied value of the Aggregate Per Share Consideration in relation to the closing share price of shares of American Capital common stock on (1) May 20, 2016, and the associated 30-day and 52-week volume weighted trading averages, (2) November 13, 2015, the trading day prior to the filing of Elliott's initial Schedule 13D, and (3) November 24, 2015, the trading day prior to the announcement of the commencement of American Capital's strategic review. For purposes of this analysis only, Goldman Sachs calculated the implied value of the Aggregate Per Share Consideration by multiplying the exchange ratio of 0.483 of a share of Ares Capital common stock per share of American Capital common stock by \$15.19, the closing price for shares of Ares Capital common stock on May 20, 2016, and adding the \$10.06 of cash consideration per share of American Capital common stock payable in connection with the merger.

This analysis indicated that the implied value of the Aggregate Per Share Consideration to be paid to holders of shares of American Capital common stock represented:

a premium of 11.4% based on the closing share price of American Capital common stock on May 20, 2016;

a premium of 10.2% based on the 30-day volume-weighted trading average price of American Capital common stock as of May 20, 2016;

a premium of 25.0% based on the 52-week volume-weighted trading average price of American Capital common stock as of May 20, 2016;

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a premium of 21.6% based on the closing share price of American Capital common stock on November 13, 2015; and

a premium of 25.1% based on the closing share price of American Capital common stock on November 24, 2015.

### *Selected Transactions Analysis*

Goldman Sachs analyzed certain information relating to the following selected transactions in the business development company industry since 2009:

Pennant Park Floating Rate Capital's acquisition of MCG Capital Corporation announced in April 2015 (0.99x);

Ares Capital's acquisition of Allied Capital Corporation announced in October 2009 (0.54x); and

Prospect Capital Corporation's acquisition of Patriot Capital Funding, Inc. announced in August 2009 (0.52x).

For each of the selected transactions, Goldman Sachs calculated and compared aggregate consideration as a multiple of net asset value, which is included in parentheses for each such transaction above. While none of the companies that participated in the selected transactions are directly comparable to American Capital and none of the selected transactions are directly comparable to the proposed merger, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of American Capital's results, market size and product profile, and as such, for purposes of this analysis, the selected transactions may be considered similar to the proposed merger.

The following table presents the results of this analysis:

	Selected Transactions		
	Range	Median	Mean
Aggregate Per Share Consideration as a Multiple of Net Asset Value	0.52x 0.99x	0.54x	0.69x

Then, Goldman Sachs derived a range of illustrative prices per share of American Capital common stock by multiplying the range in the table above by American Capital's net asset value as of March 31, 2016, as reported in American Capital's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and dividing by the total number of fully diluted shares of American Capital outstanding as of May 20, 2016, calculated on a treasury stock method basis, using information provided by American Capital's management. This resulted in a range of illustrative values per share of American Capital common stock of \$9.72 to \$18.51.

### *Illustrative Distributable Cash Flow Analysis*

#### *American Capital Standalone*

Goldman Sachs performed an illustrative distributable cash flow analysis on American Capital, using the American Capital Forecasts, to derive a range of illustrative values per share of American Capital common stock. Using discount rates ranging from 9.0% to 10.0%, reflecting estimates of American Capital's cost of equity, Goldman Sachs discounted to present value as of March 31, 2016, (i) estimates of the distributable cash flow to be generated by American Capital for the last three quarters of 2016 through the calendar year ending 2018, as reflected in the American Capital Forecasts, as adjusted to exclude outflows related to share repurchases and inflows related to options exercised from April 1, 2016, to May 20, 2016 and (ii) a range of illustrative terminal values for American Capital, calculated by applying multiples ranging from 0.60x to 1.10x to an estimate of the net asset

value of American Capital as of December 31, 2018, as reflected in the American Capital Forecasts. Goldman Sachs used a range of discount rates from 9.0% to 10.0% derived by application of the Capital Asset Pricing Model, which requires certain company-specific inputs, including a beta for the company, as well as certain financial metrics for the United States financial markets generally. Goldman Sachs derived a range of illustrative prices per share of American Capital common stock by adding the ranges of present values it derived using (i) the estimated distributable cash flows and (ii) the illustrative terminal values, in each case as described above, and dividing the resulting range by the total number of fully diluted shares of American Capital outstanding as of May 20, 2016, calculated on a treasury stock method basis, using information provided by American Capital's management. This resulted in a range of illustrative present values per share of American Capital common stock of \$14.96 to \$18.36.

*Pro Forma Combined Company*

Goldman Sachs also performed an illustrative distributable cash flow analysis on American Capital and Ares Capital, on a combined company basis (which is referred to as the "combined company"), using the Combined Company Forecasts, to derive a range of illustrative values per share of American Capital common stock.

First, Goldman Sachs derived a range of illustrative present values of the combined company. Using discount rates ranging from 7.0% to 8.0%, reflecting estimates of the combined company's cost of equity, Goldman Sachs discounted to present value as of March 31, 2016, (i) estimates of the distributable cash flow to be generated by the combined company for the last quarter of 2016 through the calendar year ending 2019, as reflected in the Combined Company Forecasts and (ii) a range of illustrative terminal values for the combined company, calculated by applying multiples ranging from 0.60x to 1.10x to an estimate of the net asset value of the combined company as of December 31, 2019, as reflected in the Combined Company Forecasts. Goldman Sachs used a range of discount rates from 7.0% to 8.0% derived by application of the Capital Asset Pricing Model, which requires certain company-specific inputs, including a beta for the company, as well as certain financial metrics for the United States financial markets generally. Goldman Sachs then derived a range of illustrative present values of the combined company by adding the ranges of present values it derived using (i) the estimated distributable cash flows and (ii) the illustrative terminal values, in each case as described above.

Goldman Sachs subsequently derived a range of illustrative present values for the implied per share value of the Ares Capital common stock component of the merger consideration by multiplying the range of illustrative present values of the combined company, as described above, by 26%, the approximate percentage of shares of Ares Capital common stock to be held by holders of shares of American Capital common stock following the completion of the mergers, using information provided by Ares Capital's management and approved for Goldman Sachs' use by the American Capital board of directors, and dividing the resulting range by the total number of fully diluted shares of American Capital common stock outstanding as of May 20, 2016, calculated on a treasury stock method basis using information provided by American Capital's management. Finally, Goldman Sachs added the undiscounted cash consideration of \$10.06 to the resulting range to derive a range of illustrative present values per share of American Capital common stock of \$15.97 to \$19.41.

*Miscellaneous*

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or

analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to American Capital or Ares Capital or the Transactions.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs' providing its opinion to American Capital's board of directors as to the fairness from a financial point of view of the Aggregate Per Share Consideration to be paid to holders (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of shares of American Capital common stock pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of American Capital, Ares Capital, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The merger consideration was determined through arm's-length negotiations between American Capital and Ares Capital (as well as the parties to the Mortgage Manager Purchase Agreement) and was approved by American Capital's board of directors. Goldman Sachs provided advice to American Capital during these negotiations. Goldman Sachs did not, however, recommend any specific amount or form of consideration to American Capital or its board of directors or that any specific amount or form of consideration constituted the only appropriate consideration for the Transactions.

As described in the section entitled "Reasons for the Transactions," Goldman Sachs' opinion to the American Capital board of directors was one of many factors taken into consideration by the American Capital board of directors in making its determination to approve the adoption of the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as *Annex B*.

Goldman Sachs and its affiliates are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs and its affiliates and employees, and funds or other entities they manage or in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of American Capital, Ares Capital, any of their respective affiliates and third parties, including Elliott, a significant stockholder of American Capital, and Ares Management, and their respective affiliates and, if applicable, their respective portfolio companies, or any currency or commodity that may be involved in the Transactions. Goldman Sachs acted as financial advisor to American Capital in connection with, and participated in certain of the negotiations leading to, the Transactions. Goldman Sachs has provided certain financial advisory and/or underwriting services to American Capital and its affiliates from time to time. During the two year period ended May 23, 2016, Goldman Sachs received compensation for financial advisory and/or underwriting services provided by its Investment Banking Division to American Capital and/or its affiliates of approximately \$750,000. Goldman Sachs has also provided certain financial advisory and/or underwriting services to Ares Management, Ares Capital and/or their respective affiliates and affiliated portfolio companies from time to time for which its Investment Banking Division has received, and may receive, compensation, including having acted as financial advisor to Energy Investors Funds Group, funds managed by an affiliate of Ares Management, in connection with the sale of two hydroelectric power facilities in May 2015; as bookrunner with respect to the public offering of 11,363,636 shares of Ares Management



common stock in May 2014; as co-manager with respect to the public offering of 422,000,000 shares of Ozner Water International Holding Ltd., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in June 2014; as joint bookrunner with respect to a public offering of 4.000% Senior Notes due 2024 (aggregate principal amount \$250 million) an indirect subsidiary of Ares Management in October 2014; as financial advisor to Advanstar Inc., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in connection with its sale to UBM PLC in December 2014; as joint lead arranger with respect to a \$720 million bank loan to American Tire Distributors Inc., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in March 2015; as joint lead arranger with respect to a \$200 million bank loan to CHG Healthcare Services Inc., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in May 2015; and as co-manager with respect to a public offering of 5.250% Guaranteed Senior Notes due 2025 (aggregate principal amount \$325 million) by an indirect subsidiary of Ares Management in August 2015. During the two year period ended May 23, 2016, Goldman Sachs received compensation for financial advisory and/or underwriting services provided by its Investment Banking Division to Ares Management, Ares Capital and/or their respective affiliates and affiliated portfolio companies of approximately \$25 million. Goldman Sachs may also in the future provide financial advisory and/or underwriting services to American Capital, Ares Capital, Elliott, Ares Management and their respective affiliates and, if applicable, any of their respective portfolio companies, for which its Investment Banking Division may receive compensation. Affiliates of Goldman Sachs also may have co-invested with Ares Capital, Elliott, Ares Management and their respective affiliates from time to time and may have invested in limited partnership units of affiliates of Ares Management and Elliott from time to time and may do so in the future. During the two year period ended May 23, 2016, the Investment Banking Division of Goldman Sachs has not been engaged by Elliott or its affiliates to provide financial advisory or underwriting services for which Goldman Sachs has received compensation.

The American Capital board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to those contemplated by the merger agreement. Pursuant to a letter agreement dated November 23, 2015, American Capital engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transactions. Pursuant to the terms of this engagement letter, American Capital paid to Goldman Sachs \$3.0 million prior to the announcement of the Transactions and agreed to pay Goldman Sachs a transaction fee that was estimated, based on the information available as of the date of announcement, to be approximately \$13.7 million, all of which is payable upon the completion of the merger. In addition, American Capital will pay a discretionary fee of \$2.0 million to Goldman Sachs upon the completion of the merger. In addition, American Capital has agreed to reimburse Goldman Sachs for certain of its reasonable expenses, including reasonable attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

#### *Credit Suisse Securities (USA) LLC*

American Capital retained Credit Suisse to act as its financial advisor in connection with the Transactions. In connection with Credit Suisse's engagement, the American Capital board of directors requested that Credit Suisse evaluate the fairness, from a financial point of view, to the holders of shares of American Capital common stock (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of the Aggregate Per Share Consideration (as defined below) to be received by such stockholders pursuant to the terms of the merger agreement. For purposes of Credit Suisse's opinion, the "Aggregate Per Share Consideration" was defined as the aggregate of \$6.41 per share in cash, without interest, from Ares Capital, \$1.20 per share in cash, without interest, from Ares Capital Management, \$2.45 per share in cash, without interest, and 0.483 of a share of Ares Capital common stock per share.

On May 23, 2016, at a meeting of the American Capital board of directors held to evaluate the proposed Transactions, Credit Suisse rendered to the American Capital board of directors an oral opinion, subsequently confirmed by delivery of a written opinion dated May 23, 2016, to the effect that, based on and subject to various assumptions made, procedures followed, matters considered and limitations on the review undertaken, as of that date, the Aggregate Per Share Consideration to be received by holders of shares of American Capital common stock in the merger was fair, from a financial point of view, to such stockholders, other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates.

**The full text of Credit Suisse's written opinion, dated May 23, 2016, to the American Capital board of directors, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Credit Suisse in connection with such opinion, is attached to this document as *Annex C* and is incorporated into this document by reference in its entirety. The description of Credit Suisse's opinion set forth in this document is qualified in its entirety by reference to the full text of Credit Suisse's opinion. Credit Suisse's opinion was provided to the American Capital board of directors (in its capacity as such) for its information in connection with its evaluation of the fairness, from a financial point of view, to the holders of shares of American Capital common stock (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of the Aggregate Per Share Consideration to be received by such stockholders in the merger and did not address any other aspect or implication of the merger or any voting, support or other agreement, arrangement or understanding entered into in connection with the merger or otherwise, including the relative merits of the merger as compared to alternative transactions or strategies that might be available to American Capital or the underlying decision of American Capital to proceed with the merger. Credit Suisse's opinion does not constitute advice or a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the merger or the related transactions.**

In arriving at its opinion, Credit Suisse reviewed the merger agreement, certain related agreements, including the Mortgage Manager Purchase Agreement, and certain publicly available business and financial information relating to American Capital and Ares Capital. Credit Suisse also reviewed certain other information relating to American Capital and Ares Capital, including (1) financial forecasts relating to American Capital for each of the years from 2016 to 2018, prepared by American Capital's management (the "American Capital Forecasts") and (2) financial forecasts relating to Ares Capital for each of the years from 2016 to 2019, prepared by Ares Capital's management (the "Ares Capital Forecasts"), in each case as approved for Credit Suisse's use by American Capital's management and the American Capital board of directors. American Capital's management and the American Capital board of directors directed Credit Suisse to use and rely on the American Capital Forecasts and the Ares Capital Forecasts for purposes of its analyses. In addition, Credit Suisse met with American Capital's management and Ares Capital's management to discuss the business and prospects of American Capital and Ares Capital, respectively, as well as their assessment of the strategic rationale for, and the potential benefits of, the merger. Credit Suisse also considered certain financial and stock market data of American Capital and Ares Capital, and Credit Suisse compared that data with similar data for other publicly held companies in businesses it deemed similar to those of American Capital and Ares Capital and Credit Suisse considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which had been effected. Credit Suisse also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which it deemed relevant.

Credit Suisse expressed no opinion as to any adjustment to the Mortgage Manager consideration, which is subject to adjustment pursuant to the merger agreement. Credit Suisse also expressed no opinion as to the ACAM merger, which will occur concurrently with the closing of the merger.

In connection with its review, Credit Suisse did not independently verify any of the foregoing information, and Credit Suisse assumed and relied upon such information being complete and accurate in all material respects. With respect to the American Capital Forecasts, American Capital's management and the American Capital board of directors advised Credit Suisse, and Credit Suisse assumed, that such forecasts were reasonably prepared on bases reflecting the best then-currently available estimates and judgments of American Capital's management and the American Capital board of directors as to the future financial performance of American Capital, including the timing and valuation of forecasted asset sales and forecasted cost savings. With respect to the Ares Capital Forecasts, American Capital's management, Ares Capital's management and the American Capital board of directors advised Credit Suisse, and Credit Suisse assumed, that such forecasts were reasonably prepared on bases reflecting the best then-currently available estimates and judgments of American Capital's management, Ares Capital's management and the American Capital board of directors as to the future financial performance of Ares Capital. Credit Suisse expressed no opinion with respect to the American Capital Forecasts or the Ares Capital Forecasts or the assumptions upon which they were based. American Capital's management and the American Capital board of directors directed Credit Suisse to use and rely on the estimates of American Capital's management and the American Capital board of directors as to the tax benefits to American Capital from American Capital's deferred tax assets, including anticipated usage of net operating loss carryforwards and the timing thereof. Credit Suisse expressed no opinion with respect to such tax benefits or the assumptions upon which they were based. American Capital's management and the American Capital board of directors directed Credit Suisse to use and rely on the estimate of American Capital's management and the American Capital board of directors as to the aggregate cost of the premium of the insurance policy required to be purchased by American Capital in connection with the Mortgage Manager Sale, and Credit Suisse expressed no opinion with respect to such estimate or the assumptions upon which it was based.

Credit Suisse was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of American Capital or Ares Capital or any of their respective subsidiaries, nor was Credit Suisse furnished with any such evaluations or appraisals produced by a third party. In addition, Credit Suisse was not requested to review, and did not review, individual credit files or loan portfolios of American Capital or Ares Capital or any of their respective subsidiaries. Credit Suisse did not estimate, and expressed no opinion regarding, the value of any asset of American Capital or Ares Capital or any of their respective subsidiaries, whether at then-current market prices or in the future, nor did Credit Suisse estimate, or express an opinion regarding, the liquidation value of any asset of American Capital or Ares Capital or any of their respective subsidiaries. With respect to the valuations of American Capital's assets (including net asset value estimates) provided by or on behalf of American Capital, American Capital's management and the American Capital board of directors advised Credit Suisse, and Credit Suisse assumed, that such valuations were reasonably prepared on bases reflecting the best then-currently available estimates and judgments of American Capital's management and the American Capital board of directors. In addition, Credit Suisse was not requested to make, and did not make, an independent evaluation of the solvency or fair value of American Capital or Ares Capital.

Credit Suisse assumed, with American Capital's consent, that, in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the Transactions, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on American Capital, Ares Capital or the contemplated benefits of the Transactions and that the merger would be completed in accordance with the terms of the merger agreement without waiver, modification or amendment of any material term, condition or agreement thereof, including that the transactions contemplated by the Mortgage Manager Purchase Agreement would be completed prior to the effective time (or concurrently or substantially concurrently with the effective time). Credit Suisse further assumed, with American Capital's consent, that the transactions contemplated by the Mortgage

Manager Purchase Agreement would be completed on the terms set forth in such agreement, without any waiver, modification or amendment of any material term, condition or agreement thereof. Credit Suisse expressed no view or opinion as to any terms or other aspects of the transactions contemplated by the Mortgage Manager Purchase Agreement.

Credit Suisse's opinion addressed only the fairness, from a financial point of view, to holders of shares of American Capital common stock (other than Ares Capital, Ares Capital Management, any holders entering into the Elliott Support Agreement and their respective affiliates) of the Aggregate Per Share Consideration to be received by such stockholders in the merger and did not address any other aspect or implication of the merger or any voting, support or other agreement, arrangement or understanding entered into in connection with the merger or otherwise, including, without limitation, any allocation of the Aggregate Per Share Consideration, the form or structure of the merger, the transactions contemplated by the Mortgage Manager Purchase Agreement, the fairness of the merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of American Capital and the fairness of the amount or nature of, or any other aspect relating to, any compensation to any officers, directors or employees of any party to the merger, or class of such persons, relative to the Aggregate Per Share Consideration or otherwise. Credit Suisse's opinion did not address the make-up dividend amount. The issuance of Credit Suisse's opinion was approved by Credit Suisse's authorized internal committee.

Credit Suisse's opinion was necessarily based upon information made available to it as of the date of its opinion and financial, economic, market and other conditions as they existed and could be evaluated on that date. Credit Suisse has not undertaken, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to its attention after the date of its opinion. Credit Suisse did not express any opinion as to what the value of shares of Ares Capital common stock actually would be when issued to the holders of shares of American Capital common stock pursuant to the merger or the prices at which shares of Ares Capital common stock would trade at any time. Credit Suisse's opinion did not address the relative merits of the merger as compared to alternative transactions or strategies that might be available to American Capital, nor did it address the underlying business decision of American Capital to proceed with the merger. Furthermore, Credit Suisse did not express any advice or opinion regarding matters that require legal, regulatory, accounting, insurance, intellectual property, tax, environmental, executive compensation or other similar professional advice. Credit Suisse assumed that American Capital had obtained or would obtain such advice or opinions from the appropriate professional sources.

In preparing its opinion to the American Capital board of directors, Credit Suisse performed a variety of financial and comparative analyses, including those described below. The summary of Credit Suisse's analyses described below is not a complete description of the analyses underlying Credit Suisse's opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Credit Suisse arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis. Accordingly, Credit Suisse believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Credit Suisse considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of American Capital and Ares Capital. No company or business used for comparative purposes in Credit Suisse's analyses is identical to American Capital or Ares Capital, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning

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financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments analyzed. The estimates contained in Credit Suisse's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold or acquired. Accordingly, the estimates used in, and the results derived from, Credit Suisse's analyses are inherently subject to substantial uncertainty.

Credit Suisse was not requested to, and it did not, recommend the specific consideration payable pursuant to the merger agreement, which merger consideration was determined through negotiations between American Capital and Ares Capital (as well as the parties to the Mortgage Manager Purchase Agreement), and the decision for American Capital to enter into the merger agreement was solely that of the American Capital board of directors. Credit Suisse's opinion and financial analyses were only one of many factors considered by the American Capital board of directors in its evaluation of the proposed mergers and should not be viewed as determinative of the views of the American Capital board of directors or management with respect to the mergers or the merger consideration.

**The following is a summary of the material financial analyses reviewed with the American Capital board of directors on May 23, 2016 in connection with Credit Suisse's opinion.**

### *Selected Companies Analyses*

Credit Suisse performed separate selected companies analyses of American Capital and Ares Capital.

*American Capital.* In performing a selected companies analysis of American Capital, Credit Suisse reviewed financial and stock market information of American Capital and the following two groups of selected publicly traded companies, which Credit Suisse in its professional judgment considered generally relevant for comparative purposes as publicly traded business development companies, which 15 companies collectively are referred to in this section as the "American Capital selected companies":

#### **Externally Managed BDCs**

Ares Capital Corporation

Prospect Capital Corporation

FS Investment Corporation

Apollo Investment Corporation

TPG Specialty Lending, Inc.

Golub Capital BDC, Inc.

New Mountain Finance Corporation

Solar Capital Ltd.

Fifth Street Finance Corp.

Goldman Sachs BDC, Inc.

#### **Internally Managed BDCs**

Main Street Capital Corporation

Hercules Capital, Inc.

Triangle Capital Corporation

TCP Capital Corp.

BlackRock Capital Investment Corporation

Credit Suisse reviewed, among other things, price to book value ratios for the American Capital selected companies. The overall low to high price to book value ratio observed for the Externally Managed BDCs were 0.60x to 1.08x (with a mean of 0.90x and a median of 0.94x) and for the Internally Managed BDCs were 1.19x to 1.48x (with a mean of 1.30x and a median of 1.22x). Credit Suisse noted that the price to book value ratio observed for American Capital, based on market data as of May 20, 2016 and financial data as of March 31, 2016, and calculated on a fully-diluted basis, was 0.83x. Credit Suisse noted that on an unaffected basis the price to book value ratio observed for

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American Capital was 0.74x, based on market data as of November 13, 2015, the trading day prior to the filing of Elliott's initial Schedule 13D, and financial data as of September 30, 2015, and calculated on a fully-diluted basis.

Credit Suisse then selected a range of price to net asset value ratios of 0.70x to 1.00x, derived by Credit Suisse from the price to book value ratios of the American Capital selected companies. Credit Suisse applied this range of price to net asset value ratios to the net asset value of American Capital at March 31, 2016, as reported in American Capital's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, adjusted to include share repurchases and option exercises through May 20, 2016 and to exclude American Capital's deferred tax asset balance as at March 31, 2016. Credit Suisse then calculated a range of net present values, using discount rates from 8.0% to 11.0%, of utilizing American Capital's deferred tax assets, including the anticipated usage of net operating loss carryforwards and the timing thereof, and added the resulting net present values to the range produced by the application of the range of price to net asset value ratios to the adjusted net asset value of American Capital.

This selected companies analysis indicated an implied value range of \$13.08 to \$18.14 per share of American Capital common stock.

*Ares Capital.* In performing a selected public companies analysis of Ares Capital, Credit Suisse reviewed financial and stock market information of Ares Capital and the following two groups of selected companies, which Credit Suisse in its professional judgment considered generally relevant for comparative purposes as publicly traded business development companies, which 15 companies collectively are referred to in this section as the "Ares Capital selected companies":

### Externally Managed BDCs

Prospect Capital Corporation

FS Investment Corporation

Apollo Investment Corporation

TPG Specialty Lending, Inc.

Golub Capital BDC, Inc.

New Mountain Finance Corporation

Solar Capital Ltd.

Fifth Street Finance Corp.

Goldman Sachs BDC, Inc.

TCP Capital Corp.

BlackRock Capital Investment Corporation

Credit Suisse reviewed, among other things, price to book value ratios for the Ares Capital selected companies. The overall low to high price to book value ratio observed for the Externally Managed BDCs were 0.60x to 1.08x (with a mean of 0.90x and a median of 0.96x) and for the Internally Managed BDCs were 0.83x to 1.48x (with a mean of 1.18x and a median of 1.21x). Credit Suisse noted that the price to book value ratio observed for Ares Capital, based on market data as of May 20, 2016, and financial data as of March 31, 2016, was 0.92x.

### Internally Managed BDCs

American Capital, Ltd.

Main Street Capital Corporation

Hercules Capital, Inc.

Triangle Capital Corporation

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Credit Suisse then selected a range of price to net asset value ratios of 0.85x to 1.05x, derived by Credit Suisse from the price to book value ratios of the Ares Capital selected companies. Credit Suisse applied this range of price to net asset value ratios to the net asset value of Ares Capital at March 31, 2016, as reported in Ares Capital's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.

This selected companies analysis indicated an implied value range of \$14.02 to \$17.32 per share of Ares Capital common stock.



*Dividend Discount Analyses*

Credit Suisse performed separate dividend discount analyses of American Capital and Ares Capital.

*American Capital.* In performing a dividend discount analysis of American Capital, Credit Suisse calculated the estimated present value of distributable cash flow that American Capital was forecasted to generate during the last three quarters of the calendar year ended December 31, 2016 through the calendar year ended December 31, 2018 based upon the American Capital Forecasts, as adjusted to exclude outflows related to share repurchases and inflows related to options exercised from April 1, 2016, to May 20, 2016. Credit Suisse then calculated terminal value ranges for American Capital by applying a range of terminal value multiples of 0.70x to 1.00x to the present value of American Capital's estimated net asset value at December 31, 2018 based upon the American Capital Forecasts. The present values of American Capital's distributable cash flows and estimated net asset value at December 31, 2018 were calculated as at March 31, 2016 using discount rates ranging from 8.00% to 11.00%. The resulting analysis indicated an implied value range of \$15.43 to \$17.94 per share of American Capital common stock.

*Ares Capital.* In performing a dividend discount analysis of Ares Capital, Credit Suisse calculated the estimated present value of distributable cash flow that Ares Capital was forecasted to generate during the last three quarters of the calendar year ended December 31, 2016 through the calendar year ended December 31, 2019 based upon the Ares Capital Forecasts. Credit Suisse then calculated terminal value ranges for Ares Capital by applying a range of terminal value multiples of 0.85x to 1.05x to the present value of Ares Capital's estimated net asset value at December 31, 2019 based upon the Ares Capital Forecasts. The present values of Ares Capital's distributable cash flows and estimated net asset value at December 31, 2019 were calculated as at March 31, 2016 using discount rates ranging from 7.50% to 10.00%. The resulting analysis indicated an implied value range of \$15.28 to \$19.10 per share of Ares Capital common stock.

*Other Factors*

Credit Suisse also noted for the American Capital board of directors certain additional factors that were not considered in its financial analysis with respect to its opinion but that were referenced for informational purposes. Specifically, Credit Suisse also reviewed the closing trading price of each of American Capital and Ares Capital on May 20, 2016 of \$15.62 and \$15.19, respectively. Credit Suisse also reviewed the closing trading price of American Capital on November 13, 2015, the trading day prior to the filing of Elliott's initial Schedule 13D, of \$14.31.

Credit Suisse also reviewed with the American Capital board of directors the 52-week trading low and trading high ranges of American Capital of \$11.92 to \$16.13 and Ares Capital of \$11.01 to \$16.80. Finally, Credit Suisse also reviewed with the American Capital board of directors research analyst price target ranges that were available to Credit Suisse for the share prices of American Capital of \$15.00 to \$18.00 and Ares Capital of \$15.00 to \$19.00.

*Miscellaneous*

American Capital selected Credit Suisse to act as its financial advisor in connection with the Transactions based on Credit Suisse's qualifications, experience, reputation and familiarity with American Capital and its business. Credit Suisse is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

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American Capital paid to Credit Suisse \$3.0 million prior to the announcement of the Transactions and agreed to pay Credit Suisse a transaction fee that was estimated, based on the information available as of the date of the announcement, to be approximately \$13.7 million, all of which is payable upon the completion of the merger. In addition, American Capital will pay a discretionary fee of \$2.0 million to Credit Suisse upon the completion of the merger. In addition, American Capital has agreed to reimburse Credit Suisse for its expenses, including fees and expenses of legal counsel, and to indemnify Credit Suisse and certain related parties for certain liabilities and other items arising out of or related to Credit Suisse's engagement.

Credit Suisse and its affiliates have in the past provided, are currently providing and in the future may provide investment banking and other financial advice and services to American Capital and its affiliates, for which Credit Suisse and its affiliates have received, and would expect to receive, compensation, including, among other things, having acted or acting in various roles in connection with securities offerings for American Capital, as a lender in connection with American Capital's revolving credit facility and as a broker in connection with the sale of debt capital market derivatives to the affiliates of American Capital, including (1) acting as a co-lead manager in connection with the initial public offering of American Capital Senior Floating, a publicly listed business development company externally managed by a wholly owned subsidiary of American Capital and (2) administrative agent, arranger and provided interest rate swaps in connection with the revolving credit facility for SMG Worldwide, a portfolio company of American Capital Equity III, a private fund managed by a wholly owned subsidiary of American Capital. During the two year period ended May 23, 2016, Credit Suisse has earned approximately \$3.3 million in revenue for investment banking services provided to American Capital and its affiliates, other than for fees earned in connection with the Transactions. Credit Suisse and its affiliates have in the past provided, are currently providing and in the future may provide investment banking and other financial services to Ares Capital and its affiliates, including, among other things, having acted or acting in various roles in connection with securities offerings for Ares Capital and as a lender in connection with Ares Capital's Revolving Credit Facility. Credit Suisse and its affiliates in the past have provided, currently are providing and in the future may provide services to Ares Management and certain of its affiliates or affiliated portfolio companies unrelated to the Transactions, for which services Credit Suisse and its affiliates have received, and expect to receive, compensation, including, among other things, having acted or acting in various roles in connection with securities offerings, as a lender in connection with Ares Management's revolving credit facilities and certain affiliated portfolio companies of funds managed by affiliates of Ares Management, including (1) as a co-manager in connection with the initial public offering of Ares Management in 2014, (2) as a co-manager in connection with the offering of 5.250% Senior Notes due 2025 of Ares Finance Co. II LLC, an indirect subsidiary of Ares Management, in 2015, (3) as a passive bookrunner in connection with the offering of 4.000% Senior Notes due 2024 of Ares Finance Co. LLC, an indirect subsidiary of Ares Management, in 2014, (4) as a bookrunner in connection with the syndicated loan transaction and interest rate hedge for Aspen Dental Management, Inc., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in 2015, (5) as an administrative agent and/or arranger in connection with syndicated loan transactions for Insight Global Inc., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in 2014, 2015 and 2016, (6) as a bookrunner in connection with the initial public offering and follow-on equity offering of Smart & Final Stores, Inc., an affiliated portfolio company of a fund managed by an affiliate of Ares Management, in 2014 and 2015, (7) as an arranger and bookrunner in connection with the syndicated loan transaction of BlackBrush Oil & Gas, L.P., an affiliated portfolio company of a fund managed by an affiliate of Ares Management in 2014, (8) as a bookrunner and lead arranger in connection with the acquisition financing and refinancing related to the acquisition of Neiman Marcus Group LTD, Inc. an affiliated portfolio company of a fund managed by an affiliate of Ares Management and (9) as an administrative agent and lead arranger in connection with the credit facility of Neiman Marcus Group LTD, Inc. During the two year period ended May 23, 2016, Credit Suisse has earned

approximately \$19 million in revenue for investment banking services provided to Ares Capital, Ares Management and their respective affiliates. During the two year period ended May 23, 2016, Credit Suisse has not provided investment banking services to Elliott for which Credit Suisse has received compensation.

Credit Suisse and its affiliates may have provided other financial advice and services, and may in the future provide financial advice and services, to American Capital, Ares Capital, Ares Management and their respective affiliates and third parties, including Elliott, for which Credit Suisse and its affiliates have received, and would expect to receive, compensation. Credit Suisse is a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, Credit Suisse and its affiliates may acquire, hold or sell, for its and its affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of American Capital, Ares Capital and any other company, including Elliott and Ares Capital Management, that may be involved in the Transactions, and of their respective affiliates and, if applicable, portfolio companies, as well as provide investment banking and other financial services to such companies.

#### **Opinions of Financial Advisors to the Ares Capital Board of Directors**

##### *Wells Fargo Securities, LLC*

On May 22, 2016, Wells Fargo Securities rendered its oral opinion to the Ares Capital board of directors, which was confirmed in writing by delivery of Wells Fargo Securities' written opinion addressed to the Ares Capital board of directors, dated May 23, 2016, as to, as of that date, the fairness, from a financial point of view, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers.

**Wells Fargo Securities' opinion was for the information of the Ares Capital board of directors (in its capacity as such) in connection with its evaluation of the mergers. Wells Fargo Securities' opinion only addressed the fairness, from a financial point of view, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers and did not address any other terms, aspects or implications of the mergers or any agreements, arrangements or understandings entered into in connection with the mergers, any other portion of the merger consideration, any related transactions or otherwise. The summary of Wells Fargo Securities' opinion in this document is qualified in its entirety by reference to the full text of its written opinion, which is attached as *Annex D* to this document and describes the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Wells Fargo Securities in connection with the preparation of its opinion. However, neither Wells Fargo Securities' opinion nor the summary of its opinion and the related analyses set forth in this document are intended to be, and do not constitute, a recommendation as to or otherwise address how any stockholder should vote or act in respect to the mergers or any related matter.**

In arriving at its opinion, Wells Fargo Securities, among other things:

Reviewed the merger agreement, including the financial terms of the mergers;

Reviewed the Mortgage Manager Purchase Agreement;

Reviewed the Transaction Support Fee Waiver Agreement;

Reviewed certain publicly available business, financial and other information regarding American Capital, including information set forth in American Capital's annual reports on Form 10-K for the fiscal years ended December 31, 2013, 2014 and 2015, American Capital's quarterly report on Form 10-Q for the quarterly period ended March 31, 2016, and American Capital's

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preliminary proxy statement filed with the Securities and Exchange Commission on September 30, 2015;

Reviewed certain publicly available business, financial and other information regarding Ares Capital, including information set forth in Ares Capital's annual reports on Form 10-K for the fiscal years ended December 31, 2013, 2014 and 2015 and Ares Capital's quarterly report on Form 10-Q for the quarterly period ended March 31, 2016;

Reviewed certain other business and financial information regarding American Capital furnished to Wells Fargo Securities by American Capital and discussed with the managements of American Capital and Ares Capital;

Reviewed certain other business and financial information regarding Ares Capital furnished to Wells Fargo Securities by and discussed with the management of Ares Capital, including financial forecasts and estimates relating to Ares Capital for the fiscal years ending December 31, 2016 through December 31, 2021 prepared by the management of Ares Capital, both on a stand-alone basis, or the "Ares Capital Stand-alone Forecasts" and on a pro forma basis, giving effect to the mergers and Ares Capital's intended post-mergers business plan, or the "Ares Capital Pro Forma Forecasts";

Reviewed estimated net asset values of American Capital's investment portfolios and other assets as of September 30, 2016 prepared by the management of Ares Capital based upon financial forecasts and estimates and assumptions relating thereto determined by management of Ares Capital, referred to herein as the adjusted NAV estimates;

Discussed with the managements of American Capital and Ares Capital the operations and prospects of American Capital, including the historical financial performance and trends in the results of operations of American Capital;

Discussed with the management of Ares Capital the operations and prospects of Ares Capital, including the historical financial performance and trends in the results of operations of Ares Capital;

Discussed with the management of Ares Capital the strategic rationale for, and certain strategic and financial benefits to Ares Capital anticipated by the management of Ares Capital to result from, the mergers and Ares Capital's intended post-mergers business plan;

Reviewed the anticipated incremental benefits to Ares Capital of the mergers, determined as the difference between the Ares Capital Pro Forma Forecasts and the Ares Capital Stand-alone Forecasts;

Reviewed reported prices and trading activity for American Capital common stock and Ares Capital common stock;

Compared certain financial data of American Capital and Ares Capital with similar data of certain publicly traded companies that Wells Fargo Securities deemed relevant in evaluating American Capital and Ares Capital;

Compared the proposed financial terms of the mergers with financial terms of certain business combinations and other transactions that Wells Fargo Securities deemed relevant in evaluating the mergers; and

Considered other information, such as financial studies, analyses and investigations, as well as financial, economic and market criteria, that Wells Fargo Securities deemed appropriate.

In connection with its review, Wells Fargo Securities assumed and relied upon the accuracy and completeness of the financial and other information provided, discussed with or otherwise made



available to it, including all accounting, tax, regulatory and legal information, and Wells Fargo Securities did not independently verify (and did not assume any responsibility for independently verifying) such information. Wells Fargo Securities relied upon assurances of the managements of American Capital and of Ares Capital that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. Wells Fargo Securities assumed, with the consent of the board of directors of Ares Capital, that the adjusted NAV estimates (including the assumptions on which they are based) had been reasonably prepared and reflected the best available estimates, judgments and assumptions of the management of Ares Capital as to the net asset values of American Capital's investment portfolios and other assets and, at the direction of the Ares Capital board of directors, Wells Fargo Securities utilized, without independent verification, the adjusted NAV estimates in its analysis. As the Ares Capital board of directors was aware, Wells Fargo Securities was advised by the management of American Capital that current financial forecasts relating to American Capital taking into account, among other things, the pro forma impact to American Capital of the transactions contemplated by the Mortgage Manager Purchase Agreement, had not been, and would not be, prepared or provided to Wells Fargo Securities for purposes of its opinion. Wells Fargo Securities assumed, at the direction of the Ares Capital board of directors, that the Ares Capital Stand-alone Forecasts and the Ares Capital Pro Forma Forecasts (including, in each case, the assumptions on which they are based) had been reasonably prepared and reflected the best available estimates, judgments and assumptions of the management of Ares Capital as to the future financial performance of Ares Capital in the absence of the mergers, and in the event of the mergers, respectively and, at the direction of the Ares Capital board of directors, Wells Fargo Securities utilized the Ares Capital Stand-alone Forecasts and the Ares Capital Pro Forma Forecasts, without independent verification, in its analysis. Wells Fargo Securities assumed no responsibility for, and expressed no view as to, any forecasts, estimates or other information utilized in its analyses or the judgments or assumptions upon which they were based. Wells Fargo Securities also assumed that there have been no meaningful changes in the condition (financial or otherwise), results of operations, business or prospects of American Capital or Ares Capital since the respective dates of the most recent financial statements and other information provided to it and that the financial forecasts and estimates relating to American Capital and Ares Capital reviewed by it reflected all assets and liabilities of American Capital and Ares Capital. In addition, Wells Fargo Securities relied upon the assessments of the management of Ares Capital as to, among other things, the potential impact on American Capital and Ares Capital of market, competitive and other trends in and prospects for, and governmental, regulatory and legislative matters relating to or affecting, the business development company industry. Wells Fargo Securities assumed, with the consent of Ares Capital, that there would be no developments with respect to any such matters that would have an adverse effect on American Capital, Ares Capital, the mergers or related transactions (including the contemplated benefits thereof), including, without limitation, a pre-closing restructuring at ACAM, or that otherwise would be meaningful in any respect to its analyses or opinion.

In arriving at its opinion, Wells Fargo Securities did not conduct physical inspections of the properties or assets of American Capital, Ares Capital or any other entity, nor did it make or rely upon any independent evaluations or appraisals of the assets or liabilities (contingent, derivative, off-balance sheet or otherwise) of American Capital, Ares Capital or any other entity and Wells Fargo Securities assumed, with the consent of the Ares Capital board of directors, that there are no material undisclosed liabilities of or relating to American Capital for which appropriate reserves, indemnification arrangements or other provisions had not been made. Wells Fargo Securities also did not evaluate the solvency or fair value, as the case may be, of American Capital, Ares Capital or any other entity under state, federal or other laws relating to bankruptcy, insolvency or similar matters.

Wells Fargo Securities assumed, at the direction of the Ares Capital board of directors, that the mergers and a pre-closing restructuring at ACAM would be consummated in accordance with the terms of the merger agreement and the transactions contemplated by the Mortgage Manager Purchase Agreement would be consummated in accordance with the terms of the Mortgage Manager Purchase

Agreement, in each case, 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 mergers, a pre-closing restructuring at ACAM and the transactions contemplated by the Mortgage Manager Purchase Agreement, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on American Capital, Ares Capital or the contemplated benefits of the mergers. Wells Fargo Securities' opinion was necessarily based on economic, market, financial and other conditions existing, and information made available to it, as of the date thereof. Wells Fargo Securities expressed no view or opinion as to what the value of Ares Capital common stock would be when issued or the prices at which such securities would trade at any time. Although subsequent developments may affect the matters set forth in its opinion, Wells Fargo Securities does not have any obligation to update, revise, reaffirm or withdraw its opinion or otherwise comment on or consider any such events occurring or coming to its attention after the date thereof.

It was understood that Wells Fargo Securities' opinion was for the information and use of the Ares Capital board of directors (in its capacity as such) in connection with its evaluation of the mergers and was not rendered to or for the benefit of Ares Management. Wells Fargo Securities' opinion did not constitute a recommendation to the Ares Capital board of directors or to any other person or entity in respect of the mergers or any related transactions.

Wells Fargo Securities' opinion only addressed the fairness, from a financial point of view and as of the date thereof, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital to the extent expressly specified therein, and did not address any other terms, aspects or implications of the mergers, including, without limitation, the form, structure or tax consequences or benefits of the mergers or related transactions, the form of the Ares Capital consideration, the amount, form or structure of the Ares Management consideration, the Fee Waiver or any other fee waivers provided by Ares Management, the make-up dividend amount, or the Mortgage Manager consideration or any terms, aspects or implications of the Mortgage Manager Purchase Agreement and the transactions contemplated thereby, other transaction undertaken in connection with the mergers or voting agreements or any other agreement, arrangement or understanding entered into in connection with or contemplated by the mergers, any related transactions or otherwise. In addition, Wells Fargo Securities expressed no view or opinion regarding any Alternate Mortgage Manager Transaction (as defined in the merger agreement). Furthermore, Wells Fargo Securities' opinion does not address the fairness of the amount or nature of, or any other aspects relating to, any compensation to be received by any officers, directors or employees of any parties to the mergers or related transactions, or class of such persons, relative to the Ares Capital consideration or otherwise, or as to any consideration or other direct or indirect benefits to be received in connection with or as a result of the mergers or related transactions by Ares Capital Management or any other party. Wells Fargo Securities' opinion also does not address the merits of the underlying decision by Ares Capital to enter into the merger agreement or the relative merits of the mergers and related transactions compared with other business strategies or transactions available or that have been or might be considered by Ares Capital or the Ares Capital board of directors or in which Ares Capital might engage. Wells Fargo Securities also did not express any view or opinion with respect to, and with the consent of Ares Capital relied upon the assessments of representatives of Ares Capital regarding, accounting, tax, regulatory, legal or similar matters as to which it understood that Ares Capital obtained such advice as it deemed necessary from qualified professionals. Except as described in this summary, Ares Capital imposed no other instructions or limitation on Wells Fargo Securities with respect to the investigations made or procedures followed by Wells Fargo Securities in rendering its opinion.

In connection with rendering its opinion, Wells Fargo Securities performed certain financial, comparative and other analyses as summarized below. This summary is not a complete description of the financial analyses performed and factors considered in connection with such opinion. The

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preparation of a financial opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither Wells Fargo Securities' opinion nor its underlying analyses is readily susceptible to summary description. Wells Fargo Securities arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. Accordingly, Wells Fargo Securities believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors, without considering all analyses, methodologies and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Wells Fargo Securities' analyses and opinion.

### American Capital Financial Analysis

*Selected Companies Reference Range.* Wells Fargo Securities reviewed and compared financial and operating data relating to American Capital on a stand-alone basis and the following selected publicly traded companies, which Wells Fargo Securities in its professional judgment considered generally relevant for comparative purposes as publicly traded companies engaged in the BDC industry and are referred to collectively as the American Capital selected companies: (1) seven companies engaged in the BDC industry with a significant non-debt portfolio and (2) ten companies engaged in the BDC industry with assets over \$1.5 billion.

The seven selected publicly traded companies with a significant non-debt portfolio were as follows:

Apollo Investment Corporation ("Apollo")

Capital Southwest Corporation

KCAP Financial, Inc.

Main Street Capital Corporation ("Main Street")

Prospect Capital Corporation ("Prospect Capital")

Solar Capital Ltd. ("Solar Capital")

TICC Capital Corporation

The ten selected publicly traded companies with assets over \$1.5 billion were as follows:

Apollo

Ares Capital

Fifth Street Finance Corp. ("Fifth Street")

FS Investment Corporation ("FS Investment")

Golub Capital BDC, Inc. ("Golub Capital BDC")



Main Street

New Mountain Finance Corp. ("New Mountain Finance")

Prospect Capital

Solar Capital

TPG Specialty Lending, Inc. ("TPG Specialty Lending")

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Wells Fargo Securities reviewed, among other things, per share equity values, based on closing stock prices on May 20, 2016, of the American Capital selected companies as a multiple of tangible book value, commonly referred to as NAV, per share as of March 31, 2016. Wells Fargo Securities then applied selected ranges of low to high multiples of NAV per share as of March 31, 2016 of 0.80x to 0.95x, derived from the American Capital selected companies, to the corresponding data of American Capital on a stand-alone basis, as adjusted by Ares Capital's management to give effect to the transactions contemplated by the Mortgage Manager Purchase Agreement and post-quarter-end share repurchases and options exercised from April 1, 2016 through May 20, 2016 as provided by the management of American Capital, which Wells Fargo Securities refers to as the adjusted NAV estimates. This analysis indicated an implied per share equity value reference range for American Capital on an adjusted stand-alone basis of \$13.01 to \$15.45.

*Selected Transactions Reference Range.* In evaluating American Capital on a stand-alone basis, Wells Fargo Securities reviewed publicly available financial terms of the following (1) four selected transactions in the specialty finance industry and (2) three selected transactions in the REIT industry, referred to collectively as the selected transactions, which Wells Fargo Securities in its professional judgment considered generally relevant for comparative purposes as transactions involving target companies deemed by Wells Fargo Securities to be similar to American Capital in one or more respects:

### Specialty Finance Transactions

<b>Target</b>	<b>Acquiror</b>
MCG Capital Corporation	PennantPark Floating Rate Capital Ltd.
KKR Financial Holdings LLC	KKR & Co. L.P.
Allied Capital Corp.	Ares Capital
Patriot Capital Funding REIT Transactions	Prospect Capital

<b>Target</b>	<b>Acquiror</b>
Hatteras Financial Corp.	Annaly Capital Management Inc.
JAVELIN Mortgage Investment Corp.	ARMOUR Residential REIT
Apollo Residential Mortgage Inc.	Apollo Commercial Real Estate Finance Inc.

Wells Fargo Securities reviewed, among other things, per share equity values as a multiple of NAV per share as of the announcement date of the applicable transaction. Wells Fargo Securities then applied selected ranges of low to high multiples of NAV per share as of March 31, 2016 of 0.85x to 0.95x, derived from the selected transactions, to the corresponding data of American Capital on a stand-alone basis, based on the adjusted NAV estimates. This analysis indicated an implied per share equity value reference range for American Capital on an adjusted stand-alone basis of \$13.82 to \$15.45.

*Adjusted NAV Reference Range.* Wells Fargo Securities also reviewed the estimated NAV of American Capital as of March 31, 2016 and September 31, 2016, in each case based on the adjusted NAV estimates. This analysis indicated an implied per share equity value reference range for American Capital on a stand-alone basis of \$14.35 to \$14.90.

### Ares Capital Financial Analysis

*Ares Capital Selected Public Companies Reference Range.* Wells Fargo Securities reviewed and compared financial and operating data relating to Ares Capital on a stand-alone basis and the following 7 selected companies in the BDC industry, referred to as the Ares Capital selected companies, which



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Wells Fargo Securities in its professional judgment considered generally relevant for comparative purposes as publicly traded companies in the BDC industry:

Fifth Street

FS Investment

Goldman Sachs BDC, Inc.

Golub Capital BDC

New Mountain Finance

TCP Capital Corp.

TPG Specialty Lending

Wells Fargo Securities reviewed, among other things, per share equity values, based on closing stock prices on May 20, 2016, of the Ares Capital selected companies as a multiple of NAV per share as of March 31, 2016. Wells Fargo Securities then applied a selected range of low to high multiples of NAV per share as of March 31, 2016 of 0.95x to 1.05x, derived from the Ares Capital selected companies, to the corresponding data of Ares Capital on a stand-alone basis. Wells Fargo Securities also reviewed annualized quarterly dividends of the Ares Capital selected companies for the most recent quarter, referred to as annualized dividend yield. Wells Fargo Securities then applied a selected range of low to high annualized dividend yields of 9.0% to 10.5%, derived from the Ares Capital selected companies, to Ares Capital's annualized dividend per share as of March 31, 2016. These analyses indicated an implied per share equity value reference ranges for Ares Capital on a stand-alone basis of \$15.67 to \$17.32 and \$14.48 to \$16.89, respectively. Wells Fargo Securities, using its professional judgment, then selected an implied per share equity value reference range for Ares Capital on a stand-alone basis of \$15.00 to \$17.00.

*Ares Capital Dividend Discount Reference Range.* Wells Fargo Securities also performed a dividend discount analysis. Wells Fargo Securities calculated a range of implied present values of the incremental distributable cash flows that Ares Capital was forecasted to generate during the fourth quarter of the fiscal year ending December 31, 2016 through the full fiscal year ending December 31, 2021 on a stand-alone basis utilizing the Ares Capital Stand-alone Forecasts. Wells Fargo Securities applied a range of selected terminal multiples of 0.95x to 1.05x to Ares Capital's projected NAV at December 31, 2021. Present values (as of September 30, 2016) of distributable cash flows and terminal values were then calculated using a discount rate range of 7.5% to 10.5%, chosen by Wells Fargo Securities based on an analysis of the cost of equity for Ares Capital on a stand-alone basis. This analysis indicated an implied per share equity value reference range for Ares Capital on a stand-alone basis of \$15.74 to \$18.84.

### Merger Consideration Analysis

*Consideration Reference Range.* Wells Fargo Securities, using the implied per share equity value reference ranges for Ares Capital on a stand-alone basis, described above under "Ares Capital Selected Companies Analysis" and "Ares Capital Dividend Discount Analysis", using its professional judgment, selected an implied per share equity value reference range for Ares Capital on a stand-alone basis of \$15.25 to \$17.25, and based on the cash consideration of \$6.41 per share and the exchange ratio of 0.483 in the mergers, calculated an implied per share equity value reference range for the Ares

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Capital consideration of \$13.78 to \$14.74, as compared to the implied per share equity value reference ranges for American Capital on a stand-alone basis:

<b>Implied Per Share Equity Value Reference Ranges for Stand-Alone American Capital</b>						<b>Implied Per Share Equity Value Reference Range for Ares Capital Consideration</b>	
<b>American Capital Selected Companies NAV</b>		<b>Selected Transactions NAV</b>		<b>Adjusted NAV Estimates</b>			
\$13.01	\$15.45	\$13.82	\$15.45	\$14.35	\$14.90	\$13.78	\$14.74

### Merger Consequences Analysis

Wells Fargo Securities performed an analysis to calculate the theoretical change in value of Ares Capital common stock on a per share basis resulting from the mergers based on their pro forma ownership of Ares Capital common stock of approximately 74% resulting from the mergers (both with and without the Fee Waiver) compared to their ownership of Ares Capital common stock of 100% on a stand-alone basis by examining the difference between: (1) net operating income, commonly referred to as NOI, (2) dividends and (3) NAV, in each case from the fourth quarter of the fiscal year ending December 31, 2016 through the full fiscal year ending December 31, 2018. Wells Fargo Securities based this analysis on the Ares Capital stand-alone projections and the Ares Capital pro forma projections. This analysis indicated the following implied ranges of percentage increase or decrease attributable to the Ares Capital stockholders on a per share basis in the combined company on a pro forma basis:

	<b>Without the Fee Waiver</b>		<b>With the Fee Waiver</b>	
NOI	5.0%	10.8%	5.0%	16.9%
Dividends	0.0%	0.0%	0.0%	4.6%
NAV	(1.3)%	(0.1)%	(1.3)%	0.6%

*Pro Forma Dividend Discount Analysis.* Using the same analyses, multiples and discount rates for Ares Capital on a pro forma basis (both with and without the Fee Waiver) giving effect to the mergers as Wells Fargo Securities used for Ares Capital on a stand-alone basis, described above under " *Ares Capital Dividend Discount Analysis*", Wells Fargo Securities calculated the following implied per share equity value reference ranges for Ares Capital on a pro forma basis (both with and without the Fee Waiver) giving effect to the mergers, utilizing the Ares Capital Pro Forma Forecasts, as compared to the implied per share equity value reference range for Ares Capital on a stand-alone basis determined as described above under " *American Capital Financial Analysis*":

<b>Implied Per Share Equity Value Reference Ranges for Pro Forma Ares Capital</b>				<b>Implied Per Share Equity Value Reference Range for Stand-Alone Ares Capital</b>	
<b>Without Fee Waiver</b>		<b>With Fee Waiver</b>			
\$16.09	\$19.25	\$16.25	\$19.43	\$15.74	\$18.84

*Other Information.* Wells Fargo Securities observed certain additional factors that were not considered part of Wells Fargo Securities' financial analyses with respect to its opinion but were referenced for informational purposes, in rendering its opinion.

*Miscellaneous.* Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC. Wells Fargo Securities is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. The Ares Capital board of directors selected Wells Fargo Securities because of its qualifications, reputation and experience and its familiarity with Ares Capital and its business. The issuance of Wells Fargo Securities' opinion was approved by an authorized committee of Wells Fargo Securities.

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As compensation for Wells Fargo Securities' financial advisory services to Ares Capital in connection with the mergers, Ares Capital has agreed to pay Wells Fargo Securities an aggregate fee based on the fair market value of the Ares Capital consideration to be paid by Ares Capital in the mergers, which fee is currently estimated to be approximately \$13 million, \$1.0 million of which was payable upon delivery of its opinion and the principal portion of which is contingent upon consummation of the mergers. In addition, Wells Fargo & Company and certain of its affiliates (i) are acting as a lender in connection with the upsizing of Ares Capital's Revolving Funding Facility, which may facilitate the financing for the mergers, for which services Wells Fargo & Company and its affiliates currently expect to receive an aggregate fee currently estimated to be approximately \$6.0 million. Additionally, Wells Fargo Securities is acting as a book-running manager in connection with Ares Capital's September 2016 debt offering for which services Wells Fargo Securities expects to receive an aggregate fee currently estimated to be approximately \$0.9 million. Ares Capital also has agreed to reimburse certain of Wells Fargo Securities' expenses and to indemnify it and certain related parties against certain liabilities that may arise out of Wells Fargo Securities' engagement. Additionally, Ares Capital has engaged Wells Fargo Securities, among other investment banks, to arrange a series of investor calls relating to a potential debt offering. Wells Fargo Securities and its affiliates provide a full range of investment banking and financial advisory, securities trading, brokerage and lending services in the ordinary course of business, for which Wells Fargo Securities and such affiliates receive customary fees.

In connection with unrelated matters, Wells Fargo Securities and its affiliates in the past have provided, currently are providing and in the future may provide banking and financial services to American Capital and its affiliates for which Wells Fargo Securities and its affiliates have received and would expect to receive fees, including during the two years preceding the date of its opinion having acted or acting as (1) lender or buyer under certain asset-backed, repurchase and other credit facilities of American Capital and certain of its affiliates, and (2) lead underwriter and placement agent on collateralized loan obligations of American Capital. Wells Fargo Securities advised Ares Capital's board of directors that during the two-year period preceding the date of its opinion, Wells Fargo Securities received aggregate fees from American Capital and its affiliates for such banking and financial services unrelated to the mergers of approximately \$7 million.

In addition, in connection with unrelated matters, Wells Fargo Securities and its affiliates in the past have provided, currently are providing and in the future may provide banking and other financial services to Ares Capital and its affiliates, Ares Management and certain of its affiliates and affiliated portfolio companies of funds managed by Ares Management or its affiliates, for which Wells Fargo Securities and such affiliates have received and expect to receive fees, including during the two years preceding the date of its opinion having acted or acting as (1) joint bookrunner for debt and equity offerings of Ares Capital, (2) administrative agent and lender on various credit facilities of Ares Capital and certain affiliates, (3) sole arranger, placement agent and structuring advisor for a collateralized loan obligation of an affiliate of Ares Capital, (4) joint bookrunner for various debt offerings of affiliates and/or affiliated portfolio companies of funds managed by affiliates of Ares Management, (5) joint bookrunner for a debt offering and financing advisor to Ares Management on an announced but subsequently terminated acquisition transaction, (6) joint bookrunner for Ares Management's initial public offering, (7) placement agent for a share repurchase of Ares Management, (8) agent and broker for sales of real estate assets and loans, real estate debt financings and other real estate transactions of funds, or affiliated portfolio companies of funds, managed by Ares Management or its affiliates, (9) advancing agent and notes administrator on a commercial real estate securitization for an affiliate of Ares Management, (10) administrative agent and/or lender or buyer under certain asset-backed, construction, repurchase and other credit facilities of Ares Management and certain of its affiliates and affiliated portfolio companies of funds managed by Ares Management or its affiliates, and (11) financial advisor for various affiliated portfolio companies of funds managed by an affiliate of Ares Management in acquisition transactions. During the two-year period preceding the date of its opinion,

Wells Fargo Securities received aggregate fees from Ares Capital and its affiliates, including Ares Management and certain of its affiliates and affiliated portfolio companies of funds managed by an affiliate, for such banking and other financial services unrelated to the mergers of approximately \$35 million. In addition, Wells Fargo & Company and certain of its affiliates acted as an underwriter in connection with a June 2016 offering by Ares Management of preferred stock, the proceeds of which are being used to fund the Ares Capital Management consideration and for which Wells Fargo & Company received an aggregate fee of approximately \$2.3 million. Additionally, Wells Fargo & Company and certain of its affiliates (i) received an aggregate fee of approximately \$22,000 in connection with its consent as a lender to a May 2016 amendment to Ares Management's revolving credit facility to facilitate the funding of the Ares Capital Management consideration, and (ii) may provide its consent in its capacity as a lender with respect to any future amendments to Ares Management's revolving credit facility, which may facilitate the funding of the Ares Capital Management consideration. In the ordinary course of business, Wells Fargo Securities and its affiliates may actively trade, hold or otherwise effect transactions in the securities or financial instruments (including bank loans or other obligations) of American Capital, Ares Capital, Ares Management and their respective affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or financial instruments.

***Merrill Lynch, Pierce, Fenner & Smith Incorporated***

Ares Capital has retained BofA Merrill Lynch to act as its financial advisor in connection with the mergers. BofA Merrill Lynch is an internationally recognized investment banking firm that 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. Ares Capital selected BofA Merrill Lynch to act as its financial advisor in connection with the mergers on the basis of BofA Merrill Lynch's experience in transactions similar to the mergers, its reputation in the investment community and its familiarity with Ares Capital and its business.

On May 22, 2016, at a meeting of the Ares Capital board of directors held to evaluate the mergers, BofA Merrill Lynch delivered to the Ares Capital board of directors an oral opinion, which was confirmed by delivery of a written opinion dated May 23, 2016, 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 Ares Capital consideration to be paid by Ares Capital in the mergers, was fair from a financial point of view, to Ares Capital.

**The full text of BofA Merrill Lynch's written opinion to the Ares Capital 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 E* 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 the Ares Capital board of directors for the benefit and use of the Ares Capital board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the Ares Capital consideration to be paid by Ares Capital in the mergers from a financial point of view. BofA Merrill Lynch's opinion does not address any other portion of the merger consideration or any other aspect of the mergers, and no opinion or view was expressed as to the relative merits of the mergers in comparison to other strategies or transactions that might be available to Ares Capital or in which Ares Capital might engage or as to the underlying business decision of Ares Capital to proceed with or effect the mergers. BofA Merrill Lynch's opinion does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed mergers or any related matter.**

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In connection with rendering its opinion, BofA Merrill Lynch:

reviewed certain publicly available business and financial information relating to American Capital and Ares Capital;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of American Capital furnished to or discussed with BofA Merrill Lynch by the management of American Capital;

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 both on a stand-alone basis, or the "Ares Capital Stand-alone Forecasts," and on a pro forma basis giving effect to the mergers and Ares Capital's intended post-mergers business plan, or the "Ares Capital Pro Forma Forecasts," which forecasts include, without limitation, (a) any benefits anticipated to result from the Fee Waiver determined by the management of Ares Capital and (b) estimated net asset values of American Capital as of September 30, 2016 prepared by the management of Ares Capital based upon financial forecasts and estimates and assumptions relating thereto determined by the management of Ares Capital, and discussed with the management of Ares Capital the likelihood of achieving the future financial results reflected in the Ares Capital Stand-alone Forecasts and the Ares Capital Pro Forma Forecasts;

discussed the past and current business, operations, financial condition and prospects of American Capital with the managements of American Capital and Ares Capital, and discussed the past and current business, operations, financial condition and prospects of Ares Capital with the management of Ares Capital;

discussed with the management of Ares Capital the strategic rationales for their plan for the management and disposition of American Capital's loan portfolios, and certain strategic and financial benefits to Ares Capital anticipated by the management of Ares Capital to result from the mergers as reflected in the Ares Capital Pro Forma Forecasts;

reviewed the trading histories for American Capital common stock and Ares Capital common stock and a comparison of such trading histories with each other and with the trading histories of other companies BofA Merrill Lynch deemed relevant;

compared certain financial and stock market information of American Capital and Ares Capital with similar information of other companies BofA Merrill Lynch deemed relevant;

compared certain financial terms of the mergers to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;

reviewed the anticipated incremental benefits to Ares Capital of the mergers, determined as the difference between the Ares Capital Pro Forma Forecasts and the Ares Capital Stand-alone Forecasts;

reviewed the merger agreement;

reviewed the Mortgage Manager Purchase Agreement;

reviewed the Transaction Support Fee Waiver Agreement; and



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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, without independent verification, upon 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 American 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. As the Ares Capital board of directors was aware, BofA Merrill Lynch had been advised by the management of American Capital that current financial forecasts relating to American Capital prepared by the management of American Capital had not been, and would not be, prepared or provided to it for purposes of its opinion. With respect to the Ares Capital Stand-alone Forecasts and the Ares Capital Pro Forma Forecasts, BofA Merrill Lynch was advised by the management of Ares Capital, and assumed, at the direction of the Ares Capital board of directors, 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 in the absence of the mergers and in the event of the mergers, respectively, and, based on the assessments of the management of Ares Capital as to the likelihood of achieving the future financial results reflected in the Ares Capital Stand-alone Forecasts and Ares Capital Pro Forma Forecasts, at the direction of the Ares Capital board of directors, BofA Merrill Lynch used and relied, without independent verification, upon the Ares Capital Stand-alone Forecasts and the Ares Capital Pro Forma Forecasts for purposes of its opinion. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of American Capital or Ares Capital, nor did it make any physical inspection of the properties or assets of American Capital or Ares Capital, and BofA Merrill Lynch assumed, with the consent of the board of directors of Ares Capital, that there were no material undisclosed liabilities of or relating to American Capital for which appropriate reserves, indemnification arrangements or other provisions had not been made. BofA Merrill Lynch did not evaluate the solvency or fair value of American 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 the board of directors of Ares Capital, that the mergers and a pre-closing restructuring at ACAM would be consummated in accordance with the terms of the merger agreement and that the transactions contemplated by the Mortgage Manager Purchase Agreement would be consummated in accordance with the terms of the Mortgage Manager Purchase Agreement, in each case, 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 mergers, a pre-closing restructuring at ACAM and the transactions contemplated by the Mortgage Manager Purchase Agreement, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on American Capital, Ares Capital or the contemplated benefits of the mergers.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects or implications of the mergers (other than the Ares Capital consideration to the extent expressly specified in its opinion), including, without limitation, the form, structure or tax consequences or benefits of the mergers or related transactions, including, without limitation, a pre-closing restructuring at ACAM, the form of the Ares Capital consideration, the amount, form or structure of the Ares Management consideration, the Fee Waiver or any other fee waivers provided by Ares Management, the make-up dividend amount, or the Mortgage Manager consideration or any terms, aspects or implications of the Mortgage Manager Purchase Agreement or the Transaction Support Fee Waiver Agreement and, in each case, the transactions contemplated thereby, the pre-closing restructuring at ACAM, other transactions undertaken in connection with the mergers or voting agreements or any other agreement, arrangement or understanding entered into in connection with or contemplated by the mergers, any related transactions or otherwise. In addition, BofA Merrill Lynch expressed no view or opinion regarding any Alternate Mortgage Manager Transaction (as defined in the merger agreement). BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, to Ares Capital of the Ares Capital consideration to be paid by Ares Capital in the mergers, and no opinion or view was

expressed with respect to any consideration received in connection with the mergers by the holders of any 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 mergers, or class of such persons, relative to the Ares Capital consideration or otherwise, or as to any consideration or other direct or indirect benefits to be received in connection with or as a result of the mergers or related transactions by Ares Management or any other party. Furthermore, no opinion or view was expressed as to the relative merits of the mergers in comparison to other strategies or transactions that might be available to Ares Capital or in which Ares Capital might engage or as to the underlying business decision of Ares Capital to proceed with or effect the mergers. BofA Merrill Lynch did not express any view or opinion with respect to, and relied, with the consent of the board of directors of Ares Capital, upon the assessments of representatives of Ares Capital regarding, legal, regulatory, accounting, tax and similar matters relating to Ares Capital, American Capital and the mergers (including the contemplated benefits thereof) as to which BofA Merrill Lynch understood that Ares Capital obtained such advice as it deemed necessary from qualified professionals. BofA Merrill Lynch further 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 American Capital common stock or Ares Capital common stock would trade at any time, including following announcement or consummation of the mergers. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the mergers or any related matter. Except as described herein, Ares 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. 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 a fairness opinion review committee of BofA Merrill Lynch.

It was understood that BofA Merrill Lynch's opinion was for the benefit and use of the Ares Capital's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the mergers, and was not rendered to or for the benefit of Ares Management.

The following represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to the Ares Capital 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.**

#### *Financial Analyses*

*Exchange Ratio Analysis.* BofA Merrill Lynch performed an exchange ratio analysis with respect to the Ares Capital consideration. BofA Merrill Lynch obtained ranges of indicative values for the implied incremental contribution of the mergers to Ares Capital (determined as the difference between (1) pro forma values for the combined company resulting from the mergers and (2) values for Ares Capital on a stand-alone basis) by (A) examining the book value, commonly referred to as NAV, of American Capital, as estimated by American Capital and reduced by Ares Capital's management to reflect its assessment of the fair value of American Capital's assets as well as the impact of change of

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control, severance and American Capital's transaction costs, which BofA Merrill Lynch refers to as American Capital's adjusted NAV, and the NAV of other selected publicly traded companies, (B) examining the estimated earnings and dividends of Ares Capital (on a stand-alone and pro forma basis) and other selected publicly traded companies, and (C) performing a dividend discount analysis, in each case as described below. BofA Merrill Lynch also obtained ranges of indicative values for Ares Capital common stock on a stand-alone basis using the same methodologies. BofA Merrill Lynch then (1) divided the lowest value comprising the range of implied incremental contribution values so derived, as adjusted for the cash component of the Ares Capital consideration, by the highest value comprising the range of indicative values for Ares Capital common stock on a stand-alone basis and (2) divided the highest value comprising the range of implied incremental contribution values so derived, as adjusted for the cash component of the Ares Capital consideration, by the lowest value comprising the range of indicative values for Ares Capital common stock on a stand-alone basis, to obtain the endpoints of the reference ranges for an exchange ratio representing the number of shares of Ares Capital common stock to be issued in respect of the incremental contribution, respectively. BofA Merrill Lynch then compared the results with the exchange ratio implied by the Ares Capital consideration, as adjusted for the cash component of the Ares Capital consideration.

*Incremental Contribution Reference Ranges.* BofA Merrill Lynch reviewed publicly available financial and stock market information for the following 39 publicly traded BDCs, comprised of 33 externally managed BDCs and 6 internally managed BDCs, referred to collectively as the BDC Industry Group, which BofA Merrill Lynch determined to be generally representative in the aggregate of the BDC industry and relevant to an analysis of the incremental contribution of the mergers to Ares Capital:

### Externally Managed BDCs:

Prospect Capital Corporation

FS Investment Corporation

Apollo Investment Corporation

TPG Specialty Lending, Inc.

Golub Capital BDC, Inc.

New Mountain Finance Corporation

Solar Capital Ltd.

Fifth Street Finance Corporation

Goldman Sachs BDC, Inc.

TCP Capital Corporation

BlackRock Capital Investment Corporation

PennantPark Investment Corporation

Medley Capital Corporation

THL Credit, Inc.

TICC Capital Corp.

Fidus Investment Corporation

Capitala Finance Corporation

Gladstone Investment Corporation

WhiteHorse Finance, Inc.

MVC Capital, Inc.

Monroe Capital Corporation

TriplePoint Venture Growth BDC Corp.

Gladstone Capital Corporation

Garrison Capital Inc.

Alcentra Capital Corporation

Horizon Technology Finance Corporation

OFS Capital Corporation

Stellus Capital Investment Corporation

CM Finance Inc.

Saratoga Investment Corporation

Harvest Capital Credit Corporation

Full Circle Capital Corporation

OHA Investment Corporation

Internally Managed BDCs:

Main Street Capital Corporation

Hercules Capital, Inc.

Triangle Capital Corporation

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Capital Southwest Corporation

Medallion Financial Corporation

KCAP Financial, Inc.

BofA Merrill Lynch also reviewed separately such information for the following subset of the aforementioned externally managed BDCs, referred to as the Selected Externally Managed BDCs, which BofA Merrill Lynch determined to be relevant to an analysis both of the incremental contribution of the mergers to Ares Capital and of Ares Capital on a stand-alone basis:

Prospect Capital Corporation

FS Investment Corporation

Apollo Investment Corporation

TPG Specialty Lending, Inc.

Golub Capital BDC, Inc.

New Mountain Finance Corporation

Solar Capital Ltd.

Goldman Sachs BDC, Inc.

TCP Capital Corporation

BlackRock Capital Investment Corporation

PennantPark Investment Corporation

Based on this information, BofA Merrill Lynch obtained ranges of low to high multiples of stock price to calendar year 2017 estimated EPS for the BDC Industry Group and the Selected Externally Managed BDCs of 7.4x to 9.1x and 8.2x to 10.0x, respectively, and ranges of low to high multiples of stock price to the most recently published NAV per share for the BDC Industry Group and the Selected Externally Managed BDCs of 0.74x to 0.90x and 0.86x to 1.05x, respectively. BofA Merrill Lynch applied the combined range of 2017 estimated EPS multiples (7.4x to 10.0x) to the incremental contribution of the mergers to the calendar year 2017 estimated pro forma EPS of Ares Capital, determined as described above. In order to apply the multiples of stock price to NAV on a comparable basis, based on its experience and judgment, BofA Merrill Lynch modified American Capital's adjusted NAV estimated as of September 30, 2016 by increasing the amount of indebtedness to result in a debt to equity leverage ratio equal to the median leverage ratio for the BDC Industry Group. BofA Merrill Lynch assumed that all excess cash not required for the management of the business in the ordinary course (such required cash being deemed to be 4% of NAV, the median ratio of unrestricted cash to NAV of the BDC Industry Group) would be valued on a dollar-for-dollar basis. BofA Merrill Lynch multiplied the estimated adjusted NAV of American Capital, as reduced by the amount of excess cash, by the aforementioned combined range of multiples of stock price to NAV (0.74x to 1.05x), and added the result to the amount of excess cash deemed to be distributed to shareholders. These analyses resulted in the following implied per share equity value reference ranges for the incremental contribution value of the mergers to Ares Capital:

**Per Share Equity Value Reference Ranges for Incremental Contribution**

2017E EPS		September 30, 2016E Adjusted NAV	
	\$11.93	\$14.45	\$12.16
	\$14.45		\$14.59

BofA Merrill Lynch also performed a dividend discount analysis to determine the estimated present value of the incremental distributable cash flow that the combined company was forecasted to generate during calendar years 2016 to 2021 on a pro forma basis based upon the Ares Capital Pro Forma Forecasts, as compared with the Ares Capital Stand-alone Forecasts for such periods. BofA Merrill Lynch used terminal values determined alternatively by (1) applying a range of terminal dividend yield rates of 9.0% to 12.6% and (2) applying a range of terminal NAV multiples of 0.74x to 1.05x, reflecting a combination of data derived from analyses of the BDC Industry Group and the Selected Externally Managed BDCs. BofA Merrill Lynch discounted the dividend stream and terminal values to present values by applying a range of discount rates from 8.3% to 10.1%, selected by BofA Merrill Lynch based upon an analysis of the cost of equity for members of the BDC Industry Group, and taking into account Ares Capital's leverage and the size of American Capital (excluding ACMM). This analysis indicated the following approximate implied per share equity value reference range for the incremental contribution value of the mergers to Ares Capital:

**Per Share Equity Value Reference Ranges for Incremental Contribution**

Terminal Dividend Yield		Terminal NAV Multiple	
	\$13.42	\$16.37	\$12.17
	\$16.37		\$14.60

*Ares Capital Reference Ranges.* BofA Merrill Lynch applied the aforementioned ranges of low to high multiples of calendar year 2017 estimated EPS and most recently published NAV per share for the Selected Externally Managed BDCs of 8.2x to 10.0x and 0.86x to 1.05x, respectively, to Ares Capital's stand-alone calendar year 2017 estimated EPS and estimated NAV as of September 30, 2016. This



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analysis indicated the following approximate implied per share equity value reference ranges for Ares Capital on a stand-alone basis:

### Per Share Equity Value Reference Ranges for Stand-Alone Ares Capital

2017E EPS		September 30, 2016E NAV	
\$11.73	\$14.34	\$14.23	\$17.39

BofA Merrill Lynch also performed the aforementioned dividend discount analysis to determine the estimated present value of the distributable cash flow that Ares Capital was forecasted to generate during calendar years 2016 to 2021 on a stand-alone basis based upon the Ares Capital Stand-alone Forecasts. In this case, BofA Merrill Lynch used terminal values determined alternatively by (1) applying a range of terminal dividend yield rates of 9.0% to 11.0% and (2) applying a range of terminal NAV multiples of 0.86x to 1.05x, reflecting data derived from a review of the Selected Externally Managed BDCs. BofA Merrill Lynch discounted the dividend stream and terminal values to present values by applying a range of discount rates from 7.5% to 9.3%, selected by BofA Merrill Lynch based upon an analysis of the cost of equity for Ares Capital on a stand-alone basis. This analysis indicated the following approximate implied per share equity value reference range for Ares Capital on a stand-alone basis:

### Per Share Equity Value Reference Ranges for Stand-Alone Ares Capital

Terminal Dividend Yield		Terminal NAV Multiple	
\$15.35	\$18.58	\$15.57	\$18.87

*Exchange Ratio Ranges.* Based on the implied per share equity value reference ranges for the incremental contribution value of the mergers to Ares Capital and for Ares Capital on a stand-alone basis, each as described above, BofA Merrill Lynch calculated implied exchange ratio reference ranges as compared to the exchange ratio of 0.483x in the mergers:

### Exchange Ratio Ranges

#### Selected Companies Analysis

#### Dividend Discount Analysis

2017E EPS		NAV		Terminal Dividend Yield		Terminal NAV Multiple		Exchange Ratio
0.385x	0.685x	0.331x	0.575x	0.377x	0.649x	0.305x	0.526x	0.483x

Estimated financial data of the selected publicly traded companies were based on publicly available research analysts' estimates and public filings, and estimated financial data of Ares Capital were based on the Ares Capital Stand-alone Forecasts, the Ares Capital Pro Forma Forecasts and public filings. No company used in this exchange ratio analysis is identical or directly comparable to Ares 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 Ares Capital was compared.

*Has/Gets Analysis.* BofA Merrill Lynch performed a has/gets analysis to calculate the theoretical change in value for Ares Capital stockholders resulting from the mergers based on their pro forma ownership of Ares Capital common stock of 73.9% resulting from the mergers as compared with their 100% ownership of Ares Capital common stock on a stand-alone basis. For Ares Capital on a stand-alone basis, BofA Merrill Lynch used the reference ranges obtained in its selected companies and dividend discount analyses described above under "*Exchange Ratio Analysis Ares Capital Reference Ranges.*" BofA Merrill Lynch then performed the same analyses with respect to Ares Capital on a pro forma basis, giving effect to the mergers. For the pro forma analysis, BofA Merrill Lynch used the same ranges of multiples of stock price to estimated 2017 EPS, multiples of stock price to NAV,

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terminal dividend yields and terminal NAV multiples as it had used for its analysis of Ares Capital on a stand-alone basis. However, in its pro forma dividend discount analysis, BofA Merrill Lynch used a range of discount rates from 7.4% to 9.1%, reflecting Ares Capital's larger size on a pro forma basis. BofA Merrill Lynch also reviewed the last quarter annualized dividend yields for the Selected Externally Managed BDCs. Based on this review, BofA Merrill Lynch established a range of low to high annualized dividend yields of 9.0% to 11.0%, which it applied to Ares Capital's projected annual dividend for 2016 on a stand-alone and pro forma basis to obtain reference ranges for Ares Capital common stock.

This analysis indicated the following implied per share equity value reference ranges for Ares Capital common stock on a stand-alone basis and on a pro forma basis:

### Per Share Equity Value Reference Ranges for Ares Capital Common Stock

	Selected Companies Analysis				Dividend Discount Analysis					
	2017E EPS		NAV		Annualized Dividend Yield		Terminal Dividend Yield	Terminal NAV Multiple		
Stand-Alone Basis	\$11.73	\$14.34	\$14.23	\$17.39	\$13.77	\$16.83	\$15.35	\$18.58	\$15.57	\$18.87
Pro Forma Basis	\$12.99	\$15.88	\$14.03	\$17.15	\$13.77	\$16.83	\$16.71	\$20.28	\$16.17	\$19.55

*Other Factors.* In connection with rendering its opinion, BofA Merrill Lynch also reviewed and considered other factors, including:

historical trading prices of Ares Capital common stock during the 52-week period ended May 20, 2016;

certain selected transactions involving other BDCs or otherwise deemed relevant by BofA Merrill Lynch; and

a range of publicly available research analysts' price targets for Ares Capital as of May 20, 2016.

### *Miscellaneous*

As noted above, the discussion set forth above is a summary of the material financial analyses presented by BofA Merrill Lynch to the Ares Capital board of directors in connection with its opinion and is not a comprehensive description of all analyses undertaken by BofA Merrill Lynch in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. BofA Merrill Lynch believes that its analyses summarized above must be considered as a whole. BofA Merrill Lynch further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying BofA Merrill Lynch's analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, BofA Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Ares Capital and American Capital. The estimates of the future performance of Ares Capital and American Capital in or underlying BofA Merrill Lynch's analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by BofA Merrill Lynch's analyses. These analyses were prepared solely as part of BofA Merrill Lynch's analysis of the fairness, from a financial point of view, to Ares Capital of the Ares Capital

consideration to be paid by Ares Capital in the mergers, and were provided to the Ares Capital board of directors in connection with the delivery of BofA Merrill Lynch's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch's view of the actual values of Ares Capital or American Capital.

The type and amount of consideration payable in the mergers were determined through negotiations between Ares Capital and American Capital, rather than by any financial advisor, and were approved by the Ares Capital board of directors. The decision to enter into the merger agreement was solely that of the Ares Capital board of directors. As described above, BofA Merrill Lynch's opinion and analyses were only one of many factors considered by the Ares Capital board of directors in its evaluation of the proposed mergers and should not be viewed as determinative of the views of the Ares Capital board of directors or management with respect to the mergers or the Ares Capital consideration.

Ares Capital has agreed to pay BofA Merrill Lynch for its services in connection with the mergers an aggregate fee based on the fair market value of the Ares Capital consideration to be paid by Ares Capital in the mergers, which fee is currently estimated to be approximately \$5.7 million. \$1.0 million of this fee was payable in connection with BofA Merrill Lynch's opinion and the remaining portion of which is contingent upon consummation of the mergers. Ares Capital also has agreed to reimburse BofA Merrill Lynch for its expenses incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers, employees, agents and affiliates against specified liabilities, including liabilities under the federal securities laws.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in the equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Ares Capital and certain of its affiliates, including Ares Management and certain of its affiliates, affiliated portfolio companies of funds managed by affiliates of Ares Management, and American Capital and certain of its affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Ares Capital and certain designated affiliates and have received or in the future may receive compensation for the rendering of these services, including (1) having acted or acting as an underwriter and/or book-running manager for certain debt offerings of Ares Capital, (2) having acted or acting as a bookrunner and/or arranger for, and/or as a lender under, certain term loans, letters of credit, credit facilities and other credit arrangements of Ares Capital and/or certain of its affiliates, (3) having acted or acting as manager for a share repurchase program of Ares Capital and (4) having provided or providing certain treasury management products and services to Ares Capital and/or certain designated affiliates. In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Ares Management and certain Ares Management affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management and have received or in the future may receive compensation for the rendering of these services, including (1) having acted or acting as

financial advisor to Ares Management in connection with certain acquisition transactions and to an affiliated portfolio company of a fund managed by an affiliate of Ares Management in connection with a sale transaction, (2) having acted or acting as an underwriter and/or book-running manager for certain debt and equity offerings of Ares Management and certain Ares Management affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management, (3) having acted or acting as an agent, manager, administrative agent, credit agent, bookrunner and/or arranger for, and/or as a lender under, certain term loans, letters of credit, credit facilities and other credit arrangements of Ares Management and/or certain Ares Management affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management (including acquisition financing), (4) having provided or providing certain commodity, derivatives, foreign exchange and other trading services to Ares Management and/or certain Ares Management affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management, (5) having provided or providing certain managed investments services and products to Ares Management and/or certain Ares Management affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management and (6) having provided or providing certain treasury management products and services to Ares Management and/or certain Ares Management affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management. From May 1, 2014 through April 30, 2016, BofA Merrill Lynch and its affiliates derived aggregate revenues from Ares Capital and its affiliates, Ares Management and certain of its affiliates and affiliated portfolio companies of funds managed by affiliates of Ares Management of approximately \$82 million for investment, commercial and corporate banking services. In addition, BofA Merrill Lynch and certain of its affiliates are participating, including by acting as arranger and lender, in the amendment and extension of Ares Capital's Revolving Funding Facility, for which services BofA Merrill Lynch and such affiliates expect to receive an aggregate fee currently estimated to be approximately \$3.3 million. Additionally, BofA Merrill Lynch is acting as a book-running manager in connection with Ares Capital's September 2016 debt offering for which services BofA Merrill Lynch expects to receive an aggregate fee currently estimated to be approximately \$0.9 million. In addition, BofA Merrill Lynch and certain of its affiliates acted as an underwriter in connection with a June 2016 offering by Ares Management of preferred stock, the proceeds of which are being used to fund the Ares Capital Management consideration and for which BofA Merrill Lynch and certain of its affiliates received an aggregate fee of approximately \$1.1 million. Additionally, BofA Merrill Lynch and certain of its affiliates (i) acted as an arranger with respect to a May 2016 amendment to Ares Management's revolving credit facility to facilitate the funding of the Ares Capital Management consideration, for which services BofA Merrill Lynch and certain of its affiliates received an aggregate fee of approximately \$180,000, and (ii) may act as an arranger with respect to any future amendments to Ares Management's revolving credit facility, which may facilitate the funding of the Ares Capital Management consideration.

In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to American Capital and certain of its affiliates and have received or in the future may receive compensation for the rendering of these services, including (1) having acted or acting as an administrative agent, managing agent, book manager and/or arranger for, and/or as a lender under, certain term loans, letters of credit, credit facilities and other credit arrangements of American Capital and/or certain of its affiliates (including acquisition financing), (2) having provided or providing certain derivatives, foreign exchange and other trading services to American Capital and/or certain of its affiliates, (3) having provided or providing certain managed investments services and products to American Capital and/or certain of its affiliates and (4) having provided or providing certain treasury management products and services to American Capital and/or certain of its affiliates. In addition, BofA Merrill Lynch and/or certain of its affiliates have maintained, currently are maintaining, and in the future may maintain, commercial (including vendor and/or customer) relationships with American Capital and/or certain of its affiliates. From May 1, 2014 through April 30, 2016, BofA Merrill Lynch

and its affiliates derived aggregate revenues from American Capital and its affiliates of approximately \$25 million for investment, commercial and corporate banking services.

### **Financing of the Transactions**

The completion of the Transactions is not conditioned on Ares Capital obtaining the proceeds of any financing. Ares Capital anticipates that the total amount of cash necessary to complete the Transactions, including the payment of the cash portion of the Ares Capital consideration and fees and expenses, will be approximately \$1.5 billion. Ares Capital expects to fund the cash portion of the Ares Capital consideration with a combination of (1) cash on Ares Capital's consolidated balance sheet, (2) available undrawn amounts under Ares Capital's Facilities, (3) cash on American Capital's consolidated balance sheet, which would include proceeds from any potential sale of certain American Capital assets prior to closing and (4) proceeds from any potential issuances of Ares Capital securities.

### **Financial Forecasts and Estimates**

#### *American Capital*

American Capital does not as a matter of course make public forecasts as to future performance, earnings or other prospective financial information beyond the current fiscal year, and American Capital is especially reluctant to make forecasts for extended periods due to the unpredictability of the underlying assumptions and estimates. However, in connection with its evaluation of the merger, in May 2016, American Capital's management prepared and provided to Goldman Sachs and Credit Suisse, and American Capital's board of directors, non-public, internal financial forecasts regarding American Capital's anticipated future operations for each quarter of fiscal year 2016, as well as for the fiscal years ending December 31, 2017 and December 31, 2018. American Capital has included below a summary of these forecasts for the purpose of providing American Capital's stockholders access to certain non-public information that was considered by American Capital's board of directors for purposes of evaluating the merger and was also provided to American Capital's financial advisors. Such information may not be appropriate for other purposes.

American Capital's internal financial forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts or in accordance with GAAP. American Capital's independent public accountants have not examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, such accountants do not express an opinion or any other form of assurance with respect thereto. The reports of such accountants incorporated by reference to this document relate only to American Capital's historical financial information. They do not extend to the prospective financial information and should not be read to do so. The summary of these internal financial forecasts included below is not being included to influence your decision whether to vote for the merger but because these internal financial forecasts were provided by American Capital to its financial advisors.

While presented with numeric specificity, these financial forecasts were based on numerous variables and assumptions, including (but not limited to):

the amount realized from the sale of ACMM and other management companies;

the repositioning of the focus of the remaining BDC on traditional sponsor finance loans and managed collateralized loan obligation funds;

the amount and timing of share repurchases and dividend payments;

the timing of American Capital's qualification as a RIC under Subchapter M of the Code;

the duration of time in which American Capital's deferred tax asset remains outstanding;

the degree and methods of portfolio leverage;

the amount of sponsored finance portfolio originations;

the amount of leveraged yield during the projection periods;

the performance of investment assets;

the amount and timing of liquidity from non-sponsor finance assets;

the amount, timing, and weighted average exercise price of outstanding stock options;

the amount and timing of expense reductions;

industry performance and competition;

general business, economic, market and financial conditions; and

additional matters specific to American Capital businesses.

Many of these assumptions are inherently subjective and uncertain and are beyond the control of American Capital's management. Important factors that may affect actual results and cause uncertainties relating to American Capital's business (including its ability to achieve strategic goals, objectives and targets over applicable periods), industry performance, general business and economic conditions and other factors discussed in the section entitled "Risk Factors Risks Relating to American Capital" in this document. These internal financial forecasts also reflect numerous variables, expectations and assumptions available at the time they were prepared as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in these internal financial forecasts. Accordingly, there can be no assurance that the forecasted results summarized below will be realized.

The inclusion of a summary of these internal financial forecasts in this document should not be regarded as an indication that any of American Capital, Ares Capital or their respective affiliates, advisors or representatives considered these internal financial forecasts to be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in these internal financial forecasts be considered appropriate for other purposes. None of American Capital, Ares Capital or their respective affiliates, advisors, officers, directors or representatives can give you any assurance that actual results will not differ materially from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these internal financial forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Since the forecasts cover multiple years, such information by its nature becomes less meaningful and predictive with each successive year. American Capital does not intend to make publicly available any update or other revision to these internal financial forecasts. None of American Capital, its affiliates, advisors, officers, directors or representatives has made or makes any representation to any stockholder or other person regarding American Capital's ultimate performance compared to the information contained in these internal financial forecasts or that the forecasted results will be achieved. American Capital has made no representation to Ares Capital, in the merger agreement or otherwise, concerning these internal financial forecasts. The below forecasts do not give effect to the merger. American Capital urges all of its stockholders to review American Capital's financial statements and notes thereto appearing elsewhere in this document for a description of American Capital reported financial results.

The following is a summary of the American Capital internal financial forecasts. The American Capital internal financial forecasts were prepared by American Capital's management based solely on



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the information available to American Capital management at that time. The American Capital internal financial forecasts were finalized on May 6, 2016.

### American Capital Projections

(\$ in millions, except per share data; numbers may not foot due to rounding)

	As of				
	6/30/16	9/30/16	12/31/16	12/31/17	12/31/18
Investment Assets	\$ 3,804	\$ 2,638	\$ 2,625	\$ 2,619	\$ 3,340
Other Assets	\$ 504	\$ 382	\$ 368	\$ 247	\$ 225
<b>Total Assets</b>	<b>\$ 4,308</b>	<b>\$ 3,021</b>	<b>\$ 2,994</b>	<b>\$ 2,867</b>	<b>\$ 3,565</b>
Debt Outstanding	\$ 824	\$ 0	\$ 600	\$ 712	\$ 1,410
Other Liabilities	\$ 148	\$ 148	\$ 148	\$ 148	\$ 148
<b>Total Liabilities</b>	<b>\$ 972</b>	<b>\$ 148</b>	<b>\$ 748</b>	<b>\$ 860</b>	<b>\$ 1,558</b>
<b>Net Asset Value ("NAV")</b>	<b>\$ 3,336</b>	<b>\$ 2,873</b>	<b>\$ 2,246</b>	<b>\$ 2,006</b>	<b>\$ 2,007</b>

	Q2 2016	Q3 2016	Q4 2016	FY 2017	FY 2018
Investment Income	\$ 128	\$ 134	\$ 71	\$ 305	\$ 342
Interest Expense	\$ 11	\$ 5	\$ 3	\$ 34	\$ 53
Operating Expenses less Non-Recurring Severance Expense(1)	\$ 37	\$ 32	\$ 28	\$ 73	\$ 51
Income Taxes	\$ 1	\$ 27	\$ 7	\$ 127	\$ 0
Non-Recurring Severance Expense	\$ 77	\$ 19	\$ 19	\$ 0	\$ 0
<b>Net Operating Income ("NOI")</b>	<b>\$ 2</b>	<b>\$ 50</b>	<b>\$ 13</b>	<b>\$ 70</b>	<b>\$ 237</b>
Net Gains / (Losses)	(\$ 2)	(\$ 2)	(\$ 1)	(\$ 2)	\$ 0
<b>Net Earnings</b>	<b>\$ 0</b>	<b>\$ 48</b>	<b>\$ 13</b>	<b>\$ 68</b>	<b>\$ 237</b>
Net Distributed Cash Flow(2)	\$ 1,081(3)	\$ 516	\$ 643	\$ 315	\$ 241

	Q2 2016	Q3 2016	Q4 2016	FY 2017	FY 2018
Shares Outstanding	160.4	180.5	180.5	180.5	180.5
NAV per Share	\$ 20.79	\$ 15.91	\$ 12.44	\$ 11.11	\$ 11.12
NOI per Share	\$ 0.01	\$ 0.28	\$ 0.07	\$ 0.39	\$ 1.31
Earnings per Share	\$ 0.00	\$ 0.27	\$ 0.07	\$ 0.38	\$ 1.31
Dividends per Share	\$ 0.00	\$ 3.85	\$ 3.56	\$ 1.74	\$ 1.33

(1) Includes salaries, benefits, other employee compensation, and general and administrative expenses.

(2) Defined as the sum of cash outflows related to share repurchases and cash dividends declared, net of cash inflows related to option exercises. For example, in Q3 2016, the forecast includes \$695 million of dividends declared, offset by \$179 million of cash inflows from options exercised for a Net Distributed Cash Flow in Q3 2016 of \$516 million.

(3) Includes \$180 million of outflows related to shares repurchased from April 1, 2016 to May 20, 2016. Includes \$3 million of inflows related to options exercised from April 1, 2016 to May 20, 2016.

### Key Forecast Assumptions

Following the completion of the previously announced \$1.0 billion stock buyback program in the second quarter of 2016, ACAS executes a tender offer totaling \$900 million at a weighted average repurchase price of \$16.50 on June 30, 2016.

The sale of ACMM is completed on September 30, 2016 for \$575 million.





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ACAS initiates a recurring quarterly dividend in the third quarter of 2016 (generally in line with net operating income) totaling approximately \$512 million cumulatively from the third quarter of 2016 through the fourth quarter of 2018.

Additionally, when appropriate, special dividends are distributed throughout the forecast period, totaling approximately \$1.4 billion as a result of generating liquidity from select investment sales.

ACAS exits investments throughout the forecast period in conjunction with the transition to a more traditional, sponsored finance focused BDC. From the second quarter of 2016 through the fourth quarter of 2018, \$3.4 billion of liquidity (including the proceeds from the sale of ACMM) is generated from these exits.

ACAS originates investments throughout the forecast period of approximately \$2.0 billion from the second quarter of 2016 through the fourth quarter of 2018, predominantly in sponsored finance debt (\$1.8 billion) and CLO equity (\$0.2 billion).

No meaningful net appreciation / depreciation or net gains / losses on investment assets throughout the forecast period.

Approximately 31.0 million options with strike prices of \$16.79 or below were considered in-the-money and exercised by the third quarter of 2016 at the weighted average strike price of \$8.93. All remaining options at or greater than the next highest strike price of \$25.08 were deemed to be out-of-the-money; and thus not exercised throughout the forecast period.

RIC status is elected as of the beginning of the fourth quarter of 2017 and as a result the remaining deferred tax asset is written-off at this time.

Expense reductions begin taking effect in the second quarter of 2016 and run-rate expense targets are achieved by the fourth quarter of 2017. Non-Recurring Severance expenses assumed to occur throughout the remainder of 2016.

A full payoff of ACAS' debt occurs in the third quarter of 2016; new debt facilities are raised in the fourth quarter of 2016. Overall weighted average cost of debt declines by approximately 50 bps from prior levels.

Leverage rises from a low of 0.00x as of the third quarter of 2016 to 0.70x by the fourth quarter of 2018 through growth in credit facilities and reduction in NAV driven by the aforementioned special dividends and one-time tender offer in the second quarter of 2016.

US 3-month LIBOR rises to approximately 1.3% by the fourth quarter of 2018.

Overall credit environment throughout the forecast period remains stable with loan default and loss rates at or near historical levels.

### *Ares Capital*

Ares Capital does not as a matter of course make public forecasts as to future performance, earnings or other prospective financial information, and Ares Capital is especially reluctant to make forecasts for extended periods due to the unpredictability of the underlying assumptions and estimates. However, in connection with the evaluation of the Transactions, Ares Capital's management prepared and provided to the Ares Capital board of directors and to Wells Fargo Securities and BofA Merrill Lynch, its financial advisors, in connection with their financial analyses described above under the section entitled " Opinions of Financial Advisors to the Ares Capital Board of Directors," certain nonpublic, unaudited prospective financial forecasts and estimates regarding the combined company's future earnings on a pro forma basis for fiscal years 2017 through 2021, after giving effect to the Transactions, or the "Ares Capital Pro Forma Forecasts." As described below, certain of these unaudited prospective financial forecasts and estimates were also provided to American Capital and its



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financial advisors, Goldman Sachs and Credit Suisse, for their use and reliance in connection with their respective financial analyses and opinions. Ares Capital has included below a summary of the Ares Capital Pro Forma Forecasts for the purpose of providing Ares Capital's stockholders access to certain nonpublic information that was furnished as described herein in connection with the Transactions, and such information may not be appropriate for other purposes.

The Ares Capital Pro Forma Forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts or in accordance with GAAP. Ares Capital's independent registered public accounting firm has not examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, such independent registered public accounting firm does not express an opinion or any other form of assurance with respect thereto. The reports of such independent registered public accounting firm incorporated by reference to this document relate only to Ares Capital's historical financial information. They do not extend to the Ares Capital Pro Forma Forecasts and should not be read to do so. The Ares Capital Pro Forma Forecasts included below are not being included to influence your decision whether to vote for the merger, but instead because they were provided by Ares Capital to its board of directors and financial advisors.

While presented with numeric specificity, the Ares Capital Pro Forma Forecasts were based on numerous variables and assumptions. Many of these assumptions are inherently subjective and uncertain and are beyond the control of Ares Capital. Important factors that may affect actual results and cause uncertainties relating to Ares Capital's and American Capital's businesses (including the combined company's ability to achieve strategic goals, objectives and targets over applicable periods), industry performance, general business and economic conditions and other factors discussed in the sections entitled "Special Note Regarding Forward-Looking Statements" and "Risk Factors." The Ares Capital Pro Forma Forecasts also reflect numerous variables, expectations and assumptions available at the time they were prepared as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in the Ares Capital Pro Forma Forecasts. Accordingly, there can be no assurance that the Ares Capital Pro Forma Forecasts summarized below will be realized.

The Ares Capital Pro Forma Forecasts were prepared primarily for the purpose of illustrating the potential financial impact of the Transactions in connection with the Ares Capital board of directors' evaluation of the Transactions and Ares Capital's financial advisors' financial analyses. The inclusion of a summary of the Ares Capital Pro Forma Forecasts in this document should not be regarded as an indication that any of Ares Capital, Ares Capital Management, American Capital or their respective officers, directors, affiliates, advisors or other representatives considered the Ares Capital Pro Forma Forecasts to necessarily be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in the Ares Capital Pro Forma Forecasts be considered appropriate for other purposes. None of Ares Capital, Ares Capital Management, American Capital or their respective officers, directors, affiliates, advisors or other representatives can give you any assurance that actual results will not differ materially from the Ares Capital Pro Forma Forecasts and none of them undertakes any obligation to update or otherwise revise or reconcile the Ares Capital Pro Forma Forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error.

Since the Ares Capital Pro Forma Forecasts cover multiple years, such information by its nature becomes less meaningful and predictive with each successive year. Ares Capital does not intend to make publicly available any update or other revision to these internal financial forecasts. None of Ares Capital, Ares Capital Management, American Capital or their respective officers, directors, affiliates, advisors or other representatives has made or makes any representation to any stockholder or other

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person regarding the combined company's ultimate performance compared to the information contained in these internal financial forecasts or that the forecasted results will be achieved. Ares Capital has made no representation to American Capital or its financial advisors, in the merger agreement or otherwise, concerning these internal financial forecasts. Ares Capital urges all of its stockholders to review Ares Capital's financial statements and notes thereto appearing elsewhere in this document for a description of Ares Capital's reported financial results.

### *Ares Capital Pro Forma Forecasts*

The following is a summary of the Ares Capital Pro Forma Forecasts. The Ares Capital Pro Forma Forecasts were prepared by Ares Capital's management based solely on the information available to Ares Capital's management at that time. The Ares Capital Pro Forma Forecasts were finalized on May 22, 2016.

The Ares Capital Pro Forma Forecasts were based on numerous variables and assumptions, including, but not limited to, certain material assumptions regarding:

other than including the effect of the Transactions, the absence of any acquisitions by the combined company throughout the projection period,

the timing and amount of, and investment income on, the combined company's investment activity, including (a) the rotation out of certain investments of American Capital and the estimated yields on the reinvested proceeds of such investments (b) the wind down of Ares Capital's investment in the SSLP and (c) faster growth in Ares Capital's investment in the SDLP relative to the growth in this investment had the Transactions not occurred,

the availability of debt capital to maintain combined company leverage within the company's target leverage levels and to (a) fund new investments and commitments on existing investments, (b) refinance existing indebtedness and (c) use for general corporate working capital purposes, as well as the cost of such debt capital,

the impact of raising additional equity capital,

interest rates,

the combined company's operating costs and expenses, including certain expected cost savings as a result of the Transactions, and

no projected realized or unrealized gains or losses during the periods presented.

The Ares Capital Pro Forma Forecasts were provided to the Ares Capital board of directors and its financial advisors, BofA Merrill Lynch and Wells Fargo Securities. For more information, see " Background of the Transactions." The following table presents a summary of the Ares Capital Pro Forma Forecasts, as prepared by Ares Capital's management.

**Ares Capital Corporation***(in millions, except per share data)*

<b>Ares Capital Pro Forma Forecasts</b>					
<b>As of and for the Year Ended December 31,</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total Assets	\$ 12,564	\$ 12,716	\$ 13,382	\$ 14,266	\$ 14,830
Total Debt (carrying value)	\$ 5,261	\$ 5,314	\$ 5,568	\$ 5,875	\$ 6,153
Total Stockholders' Equity	\$ 6,937	\$ 7,012	\$ 7,401	\$ 7,946	\$ 8,195
Net Investment Income	\$ 666	\$ 750	\$ 818	\$ 879	\$ 917
Net Increase in Stockholders' Equity Resulting from Operations	\$ 666	\$ 750	\$ 818	\$ 879	\$ 917
<b>Per Share Data:</b>					
Net Increase in Stockholder's Equity Resulting from Operations (Basic & Diluted)	\$ 1.57	\$ 1.77	\$ 1.88	\$ 1.92	\$ 1.95
Cash Dividends Declared and Payable	\$ 1.52	\$ 1.59	\$ 1.67	\$ 1.69	\$ 1.74
Net Asset Value	\$ 16.33	\$ 16.51	\$ 16.75	\$ 17.02	\$ 17.25
Excess Taxable Income Carried Forward to the Following Year	\$ 0.80	\$ 0.98	\$ 1.16	\$ 1.31	\$ 1.48

Certain of these unaudited prospective financial forecasts and estimates were also provided to American Capital and its financial advisors, Goldman Sachs and Credit Suisse, for their use and reliance in connection with their respective financial analyses and opinions. For more information, see " Background of the Transactions" and " Opinions of Financial Advisors to the American Capital Board of Directors."

**Stockholder Voting and Support Agreements**

Concurrently with the execution of the merger agreement, Ares Capital entered into stockholder voting and support agreements with Elliott and Elliott International, and certain of the directors and executive officers of American Capital owning shares of American Capital common stock. Each stockholder voting and support agreement, among other things:

requires the applicable stockholder to vote (1) in favor of adopting the merger agreement and any actions contemplated by the merger agreement for which approval of American Capital stockholders is requested and (2) against any proposal or action that would constitute a breach of the merger agreement or otherwise impede or adversely affect the Transactions and against any competing proposals; and

prohibits the applicable stockholder from transferring such stockholder's shares of American Capital common stock, subject to limited exceptions described in the respective stockholder voting and support agreement (including, in the case of directors and executive officers, allowing them to exercise and subsequently sell a specified amount of American Capital options and shares of American Capital common stock held by them as of the date of the merger agreement).

As of the record date, Elliott Parties are entitled to vote approximately [ • ] shares of American Capital common stock, or approximately [ • ]% of the outstanding shares of American Capital common stock. As of the record date, the directors and executive officers of American Capital who are party to such stockholder voting and support agreements are entitled to vote approximately [ • ] shares of American Capital common stock, or approximately [ • ]% of the outstanding shares of American Capital common stock. The foregoing is a summary of the material terms of the stockholder voting and support agreements by and between Ares Capital and the applicable American Capital stockholder. The summary does not purport to be complete and is qualified in its entirety by reference

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to the Form of Stockholder Voting and Support Agreement, a copy of which is attached as Exhibit 10.1 to American Capital's Current Report on Form 8-K filed with the SEC on May 25, 2016.

Concurrently with the execution of the merger agreement, American Capital entered into stockholder voting and support agreements with certain of the directors and executive officers of Ares Capital owning shares of Ares Capital common stock. Each stockholder voting and support agreement, among other things:

requires the applicable stockholder to vote (1) in favor of the issuance of shares of Ares Capital common stock to be issued pursuant to the merger agreement and any actions contemplated by the merger agreement for which approval of Ares Capital stockholders is requested and (2) against any proposal or action that would constitute a breach of the merger agreement or otherwise impede or adversely affect the Transactions and against any competing proposals; and

prohibits the applicable stockholder from transferring such stockholder's shares of Ares Capital common stock, subject to limited exceptions described in the respective stockholder voting and support agreement.

As of the record date, the directors and executive officers of Ares Capital who are party to such stockholder voting and support agreements are entitled to vote approximately [ • ] shares of Ares Capital common stock, or approximately [ • ]% of the outstanding shares of Ares Capital common stock.

### **Elliott Settlement Agreement**

On May 23, 2016, in connection with the Transactions, American Capital entered into the Letter Agreement with the Elliott Parties, pursuant to which American Capital and the Elliott Parties agreed, among other things, to use their reasonable best efforts to enter into a subsequent agreement on the terms described in the Letter Agreement.

Pursuant to the terms of the Letter Agreement, on June 6, 2016, American Capital entered into the Settlement Agreement with the Elliott Parties, which, as of the date of the Settlement Agreement, beneficially owned approximately 5.8% of the outstanding common stock of American Capital and had additional economic exposure to approximately 10% of the outstanding common stock of American Capital. American Capital and the Elliott Parties agreed that the Settlement Agreement supersedes and replaces the Letter Agreement in its entirety. The following is a summary of the material terms of the Settlement Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to the Settlement Agreement, a copy of which is attached as Exhibit 10.1 to American Capital's Current Report on Form 8-K filed with the SEC on June 7, 2016.

Pursuant to the terms of the Settlement Agreement, in the event that the merger agreement is terminated in accordance with its terms for any reason (the "Termination Event"), American Capital agreed that the board of directors of American Capital will promptly (1) set the size of the American Capital's board of directors at ten directors; and (2) appoint four individuals to the board of directors of American Capital to replace four incumbent members of the board of directors of American Capital, with one such individual to be selected by the Elliott Parties (the "Stockholder Nominee") and with the three additional individuals to be mutually agreed by American Capital and the Elliott Parties following the receipt of input from certain major stockholders of American Capital (each, an "Additional Nominee," and together with the Stockholder Nominee, the "Nominees"). The Settlement Agreement further provides that such Additional Nominees shall be subject to certain independence and non-affiliation requirements with respect to American Capital and the Elliott Parties and shall have significant expertise in financial services and asset management and/or strategic transactions. In addition, under the terms of the Settlement Agreement, during the period (the "Restricted Period") commencing on the date of the Termination Event and ending on the deadline for the submission of stockholder nominations for American Capital's 2018 annual meeting of stockholders (the "2018

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Nomination Deadline") pursuant to the American Capital bylaws, the American Capital board of directors will not increase its size to more than ten directors.

Under the terms of the Settlement Agreement, American Capital and the Elliott Parties further agreed that if the Termination Event occurs, the board of directors of American Capital shall (1) establish, effective upon the appointment of the Nominees to the board of directors of American Capital, a Strategic Review Committee consisting of four directors (which, during the Restricted Period, shall consist of two Nominees and two directors selected by the newly reconstituted board of directors of American Capital from the then-existing directors) to conduct a strategic review of American Capital's business and make recommendations to the board of directors of American Capital regarding business strategy; and (2) ensure that each committee of the board of directors of American Capital includes at least one Nominee during the entirety of the Restricted Period. In addition, the Settlement Agreement further provides that if the Termination Event occurs, then promptly following appointment of the Nominees, a new Chairman of the board of directors of American Capital (other than the incumbent) shall be selected by the newly reconstituted board of directors of American Capital from the then-existing directors.

Under the terms of the Settlement Agreement, during the period from the date of execution of the Settlement Agreement until the thirtieth day prior to the 2018 Nomination Deadline (the "Standstill Period"), each of Elliott, Elliott International and EICA agreed not to, among other things, (1) solicit proxies or become a participant with any third party in any solicitation of proxies; (2) form, join or participate in any group, other than with any affiliates of any of the Elliott Parties; (3) make or be a proponent of any proposal for consideration by American Capital's stockholders at any annual or special meeting of American Capital's stockholders; (4) make any offer or proposal with respect to any merger, acquisition, recapitalization, restructuring, disposition or other business combination involving American Capital; or (5) call or seek to call a special meeting of American Capital's stockholders. In addition, among other standstill provisions, each of Elliott, Elliott International and EICA agreed not to (A) nominate or recommend for nomination any person for election at the 2017 annual meeting of stockholders of American Capital (the "2017 American Capital annual meeting"), (B) submit any proposal for consideration or bring any other business before the 2017 American Capital annual meeting or (C) initiate, encourage or participate in any "withhold" or similar campaign with respect to the 2017 American Capital annual meeting. Pursuant to the terms of the Settlement Agreement, at the American Capital annual meeting or any other meeting or other vote of American Capital's stockholders with respect to election of directors occurring during the Standstill Period, the Elliott Parties further agreed to vote all shares of American Capital common stock beneficially owned by them in favor of the slate of directors nominated by the board of directors of American Capital and in accordance with the voting obligations of Elliott and Elliott International as set forth in a stockholder voting and support agreement, as more fully described above under the section entitled " Stockholder Voting and Support Agreements."

Additionally, pursuant to the terms of the Settlement Agreement, if the Stockholder Nominee (or any replacement therefor) is unable or unwilling to serve as director, resigns or is removed from the board of directors of American Capital during the Restricted Period, and at such time the Elliott Parties have economic exposure comparable to an interest in at least 5% of American Capital common stock, the Elliott Parties will have the ability to recommend a replacement director in accordance with the terms of the Settlement Agreement.

American Capital further agreed to reimburse the Elliott Parties for their reasonable, documented out-of-pocket fees and expenses, provided that such reimbursement will not exceed \$3.0 million in the aggregate, \$1.5 million of which was paid as of the date of the Settlement Agreement (pursuant to the terms of the Letter Agreement) and \$1.5 million of which will be paid upon the earlier of the Termination Event or the closing of the Transactions.



Each of the parties to the Settlement Agreement also agreed to mutual non-disparagement obligations during the Standstill Period. In addition, American Capital and the Elliott Parties agreed that the confidentiality agreement by and among American Capital and the Elliott Parties, executed on April 20, 2016, will continue in full force and effect in accordance with its terms.

#### **Transaction Support Fee Waiver Agreement**

On May 23, 2016, Ares Capital entered into the Transaction Support Fee Waiver Agreement with its investment adviser, in connection with the Transactions. Under the terms of the Transaction Support Fee Waiver Agreement, Ares Capital's investment adviser will (1) provide \$275 million of cash consideration, or \$1.20 per share of American Capital common stock, payable to American Capital's stockholders in accordance with the terms and conditions set forth in the merger agreement at closing and (2) waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Transactions, the lesser of (A) \$10 million of income based fees and (B) the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's investment advisory and management agreement. The financial support contemplated by the Transaction Support Fee Waiver Agreement is conditioned upon the completion of the Transactions, which is subject to the closing conditions described in "Description of the Merger Agreement Conditions to the Transactions." The foregoing is a summary of the material terms of the Transaction Support Fee Waiver Agreement. The foregoing is a summary of the material terms of the Transaction Support Fee Waiver Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to the Transaction Support Fee Waiver Agreement, a copy of which is attached as Exhibit 10.2 to Ares Management's Current Report on Form 8-K filed with the SEC on May 26, 2016.

#### **Mortgage Manager Purchase Agreement**

Pursuant to the Mortgage Manager Purchase Agreement, on July 1, 2016, AGNC acquired from ACAM all of the issued and outstanding limited liability company interests in ACMM for a purchase price of \$562 million in cash. The following is a summary of certain material terms of the Mortgage Manager Purchase Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to the Mortgage Manager Purchase Agreement, a copy of which is attached as Exhibit 2.2 to American Capital's Current Report on Form 8-K filed with the SEC on May 25, 2016.

AGNC is a REIT that, until the completion of the Mortgage Manager Sale, was externally managed by American Capital AGNC Management, LLC, a registered investment adviser that is a wholly owned subsidiary of ACMM. Another wholly owned subsidiary of ACMM that is a registered investment adviser, American Capital MTGE Management, LLC, manages MTGE, another REIT.

Under a transition services agreement among American Capital, ACAM, AGNC and ACMM entered into pursuant to the Mortgage Manager Purchase Agreement (the "Transition Services Agreement"), American Capital and ACAM provide transition services to ACMM and AGNC until June 30, 2017 for certain information technology services and until the effective time for other transition services. ACMM and AGNC in turn provide certain reverse services to American Capital and ACAM until the effective time, through certain employees of AGNC or its affiliates.

In connection with the Mortgage Manager Sale, American Capital was expected to purchase a \$25 million insurance policy to cover potential liabilities under the Transition Services Agreement. It was expected that the premium for that policy would be up to \$1 million, which was to be deducted from the consideration to be paid to American Capital stockholders pursuant to the merger agreement. However, American Capital was able to obtain the insurance coverage without any additional cost, and accordingly no deduction was made from the \$2.45 per share in cash paid to American Capital's stockholders from the proceeds of the Mortgage Manager Sale, pursuant to the merger agreement.

The representations and warranties contained in the Mortgage Manager Purchase Agreement did not survive the completion of the Mortgage Manager Sale.

### **Interests of Certain Persons Related to American Capital in the Transactions**

In considering the recommendation of the American Capital board of directors with respect to the adoption of the merger agreement, American Capital stockholders should be aware that American Capital's directors and executive officers have interests in the Transactions that are different from, or in addition to, those of the American Capital stockholders generally. The members of the American Capital board of directors were aware of these interests and considered them, among other matters, in evaluating and negotiating the merger agreement and the Transactions and in recommending to American Capital's stockholders that the merger agreement be adopted. These interests are described in further detail below. For purposes of the American Capital agreements and plans described below, to the extent applicable, the completion of the Transactions will constitute a change in control, change of control, change of control event or term of similar meaning.

#### *Treatment of Options and Incentive Awards*

Certain American Capital non-employee directors and executive officers hold one or more of the following awards: options to purchase shares of American Capital common stock and incentive awards granted under the PIP.

Upon completion of the mergers, outstanding American Capital options and incentive awards will be treated as follows:

*Options.* Immediately prior to completion of the mergers, each vested and unvested American Capital option that is outstanding, other than underwater options, will fully vest, become exercisable and, to the extent not exercised as of the completion of the mergers, be canceled and will entitle the holder to receive (1) an amount of cash equal to the positive difference, if any, between (a) the cash portion of the per share merger consideration multiplied by the number of shares of American Capital common stock subject to such option and (b) the portion of the aggregate exercise price allocable to the cash portion of the per share merger consideration and attributable to such option and (2) a number of shares of Ares Capital common stock equal to (A) the positive difference, if any, between (x) the dollar value of the stock portion of the per share merger consideration multiplied by the number of shares of American Capital common stock subject to such option and (y) the portion of the aggregate exercise price allocable to the stock portion of the per share merger consideration and attributable to such option, divided by (B) the volume-weighted average trading price of shares of Ares Capital common stock on NASDAQ for the five consecutive trading days prior to the closing date, in each case, less applicable withholdings. All underwater options will be canceled and terminated for no consideration.

*Incentive Awards.* Immediately prior to completion of the mergers, each vested and unvested American Capital incentive award that is outstanding will fully vest and the corresponding shares of American Capital common stock will be released from the trust established by American Capital to serve as a funding vehicle for the incentive awards, pursuant to and consistent with the terms of the PIP after which each such share of American Capital common stock so released will be immediately converted into the right to receive the per share merger consideration, less applicable withholdings.

The following table sets forth, for each American Capital non-employee director and executive officer, the number of shares subject to the options, whether vested or unvested, and unvested incentive awards as of the date of this document, other than any shares subject to incentive awards that will vest

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pursuant to their terms prior to September 30, 2016, the assumed closing date of the mergers solely for purpose of this transaction-related compensation disclosure; provided, that any incentive awards that are subject to a deferral election by the holders of such awards as of the date of this document, whether such awards are vested or unvested, are included in the table below. The table below also sets forth the estimated value, per individual, in respect of such awards upon completion of the mergers, assuming solely for purpose of this transaction-related compensation disclosure that the value of the per share merger consideration is \$16.02 (the average closing market price of American Capital common stock over the first five business days following the first public announcement of the Transactions on May 23, 2016). The value of each option is calculated by subtracting the applicable exercise price from \$16.02 and multiplying such amount by the number of American Capital shares subject to the option. The values of each incentive award is calculated by multiplying \$16.02 by the number of American Capital shares subject to the incentive award. The amounts shown in the table below do not attempt to forecast any grants, exercises, or forfeitures of the options or incentive awards, or dividends with respect to the incentive awards, following the date of this document to the extent applicable. The actual amounts, if any, to be received by non-employee directors and executive officers will depend on the outstanding options and incentive awards held by such individuals as of the actual closing date, which may differ from the amounts set forth below.

Name	Options (#)	Incentive Awards (#)	Estimated Value (\$)
<b>Executive Officers(1)</b>			
Malon Wilkus	5,589,255	1,559,871	74,605,715
John R. Erickson	3,903,122	44,474	29,773,805
Samuel A. Flax	3,086,712	77,804	23,594,345
Brian S. Graff	2,912,573	15,422	21,614,371
Gordon J. O'Brien	3,052,988	33,320	22,503,658
Mark Lindsey	127,150	16,849	919,472
Tom McHale	1,263,307	144,972	11,803,679
<b>Non-Employee Directors</b>			
Mary C. Baskin	166,250		852,113
Neil M. Hahl	300,000		2,070,625
Philip R. Harper	393,750		3,269,688
Stan Lundine	206,250		1,145,313
Kristin L. Manos			
Susan K. Nestegard	156,250		410,938
Kenneth D. Peterson, Jr.	206,250		1,145,313
Alvin Puryear	300,000		2,070,625
David G. Richards			

(1) Ira J. Wagner separated from employment with American Capital on March 31, 2015 and, as a result, will not receive any payments or benefits in connection with the mergers that are different from, or in addition to, those of the American Capital stockholders generally. For this reason, Mr. Wagner has been excluded from this table.

*Other Arrangements with Executive Officers*

*Employment Agreements with Messrs. Wilkus, Erikson, Flax, Graff and O'Brien*

American Capital is party to an employment agreement with each of Messrs. Wilkus, Erickson, Flax, Graff and O'Brien. The employment agreements are substantially identical (except as noted below with respect to Mr. Wilkus) and provide for certain benefits to be paid to the executives in connection

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with a change of control and termination of employment with American Capital under the circumstances described below.

The employment agreements provide that, in connection with an executive officer's termination of employment (1) by American Capital other than for "misconduct" or disability or (2) by the executive for "good reason," in either case, during the two months preceding or 18 months following a change of control of American Capital, a "qualifying termination," and subject to the execution and delivery of an effective release, the applicable executive will be entitled to the following severance payments and benefits:

continuation of the executive's base salary for a period of two years (or three years for Mr. Wilkus) following the qualifying termination, payable in substantially equal monthly installments;

an additional severance payment of \$3,000,000 for Mr. Wilkus, \$1,500,000 for Mr. Erickson, and \$1,250,000 for each of Mr. Flax, Mr. Graff, and Mr. O'Brien, payable in lump sum no later than March 15<sup>th</sup> of the calendar year following the calendar year in which the qualifying termination occurs;

an additional severance payment equal to the greater of (1) the highest target incentive payment amount that the executive could have earned during the year in which the qualifying termination occurs or (2) the highest target incentive payment made to the executive for any of the three calendar years ending prior to the year in which the qualifying termination occurs, multiplied by two (or three for Mr. Wilkus), payable in lump sum between January 1<sup>st</sup> and March 15<sup>th</sup> of the year following the calendar year in which the qualifying termination occurs; and

continuation of each executive's and each executive's eligible dependents' insurance benefits for a period of two years (or three years for Mr. Wilkus) following such qualifying termination.

For purposes of the employment agreements "good reason" means, with respect to the applicable executive, any of the following that, in the case of the executives other than Mr. Wilkus, occurs in the two months preceding or 18 months following a change of control of American Capital and, in the case of Mr. Wilkus, occurs at any time (regardless of whether a change of control has occurred): (1) a material diminution of the executive's authority, duties or responsibilities; (2) a material breach by American Capital of any material provision of the employment agreement; or (3) any material change in the geographic location at which the executive must perform services. In the event of a change of control, Mr. Wilkus may terminate his employment for good reason within the two months preceding or 18 months following the change of control, regardless of whether American Capital takes any of the actions above.

The employment agreements also include covenants related to post-employment obligations of the executive officer, including non-competition with American Capital and non-solicitation of employees as well as obligations to maintain the confidentiality of certain information.

### *Letter Agreement with Mr. Wilkus*

Mr. Wilkus and American Capital entered into a letter agreement, which provides that in the event that the payments and other benefits provided to Mr. Wilkus under his employment agreement or otherwise payable to Mr. Wilkus, including, without limitation, any acceleration of vesting of any equity awards or other incentive awards, the "total payments," would be subject (in whole or part), to the excise tax imposed under Section 4999 of the Code, then, the cash payments otherwise payable under his employment agreement shall be reduced to the extent necessary so that no portion of such total payments is subject to such excise tax, but only up to a maximum reduction of \$6,325,879.

*Letter Agreement with Mr. Lindsey*

American Capital is party to a letter agreement with Mr. Lindsey. The letter agreement with Mr. Lindsey provides that he will receive a retention payment of \$500,000 if he remains employed by American Capital on the earlier to occur of (1) a change of control event and (2) American Capital's affirmative termination of the sale process that was ongoing at time the parties entered into the letter agreement. Mr. Lindsey is also entitled to the retention payment if American Capital terminates his employment without "cause" prior to the occurrence of either a change of control event or the affirmative termination of the sale process, subject to Mr. Lindsey's execution of a general release of claims. The retention payment will be made in lump sum as soon as practicable after it becomes payable.

In addition to the retention payment, the letter agreement provides that if Mr. Lindsey's employment is terminated by American Capital without cause and he executes a general release of claims, he is entitled to (1) a lump sum payment of \$1,200,000 (plus the value of his accrued but unused vacation), payable as soon as practicable following his termination date and (2) his target annual bonus for the year in which such termination of employment occurs (prorated to reflect his actual termination date and reduced by any quarterly bonus payments previously made for such year), payable at the same time annual bonuses are or historically would be paid to then-current employees of American Capital.

*Employment Agreement and Retention Agreement with Mr. McHale*

American Capital is party to an employment agreement with Mr. McHale. The employment agreement with Mr. McHale provides that, in connection with a termination of his employment (1) by American Capital other than for "misconduct" or disability or (2) by Mr. McHale for "good reason," and subject to the execution and delivery of an effective release, Mr. McHale will be entitled to the following severance payments and benefits:

an amount equal to 18 months of his base salary, payable in 12 substantially equal monthly installments following such termination of employment;

a prorated target incentive payment, calculated as a prorated amount of Mr. McHale's target incentive payment amount for the year in which termination occurs, multiplied by the average percentage of the target incentive payment amounts actually paid to managing directors of American Capital for the year in which termination occurs, payable in lump sum no later than March 15<sup>th</sup> of the year following the year in which such termination of employment occurs; and

continuation of Mr. McHale's and his eligible dependents' insurance benefits for a period of one year following such termination of employment.

For purposes of Mr. McHale's employment agreement, "good reason" means any of the following that occurs in the two months preceding or 18 months following a change of control of American Capital: (i) a material diminution of his authority, duties or responsibilities; (ii) a material breach by American Capital of any material provision of the employment agreement; or (iii) any material change in the geographic location at which he must perform services.

Mr. McHale's employment agreement also includes covenants related to his post-employment obligations in areas such as competition with American Capital and non-solicitation of employees, as well as obligations to maintain the confidentiality of certain information.

American Capital also entered into a retention agreement with Mr. McHale on June 3, 2016. The retention agreement with Mr. McHale includes the grant of retention payments, payable upon the earlier of (a) a termination of Mr. McHale's employment by American Capital other than for "misconduct" or by Mr. McHale for "good reason," and (b) a change of control of American Capital,

equal to the excess, if any, of (i) between the total payments and benefits he would have received had he been eligible to participate in American Capital's retention plan, including severance equal to four weeks of base salary per year of service (prorated to reflect partial years of service), a lump sum payment equal to his COBRA costs for a period equal to four weeks per year of service, up to a maximum of 18 months, (prorated to reflect partial years of service), and a bonus equal to his target annual bonus payable upon closing of the mergers, over (ii) the total payments and benefits he may receive pursuant to his employment agreement in the event of a qualifying termination of employment.

The merger agreement provides that the employment of each employee of American Capital, including the "named executive officers" (as identified in accordance with SEC regulations), will terminate in connection with the mergers (regardless of whether the employee receives an offer of employment from Ares Capital Management, IHAM or their respective affiliates), and that, upon such termination, each such employee will be paid all severance benefits that he is entitled to upon such a termination, unless such employee waives such benefits.

For an estimate of the value of the amounts that would be payable to each of American Capital's named executive officers pursuant to the arrangements described above, assuming solely for purpose of this transaction-related compensation disclosure that the closing occurs on September 30, 2016, and each named executive officer experienced a qualifying termination, see " *Golden Parachute Compensation*" immediately below. American Capital estimates that the aggregate amount of the payments and benefits described above that would be paid or become payable to American Capital's executive officers, other than the named executive officers, would be \$1,819,096 for Mr. Lindsey and \$1,998,888 for Mr. McHale, assuming the closing occurs on September 30, 2016 and both were terminated without cause on the same date.

#### *Golden Parachute Compensation*

The following table sets forth the information required by Item 402(t) of Regulation S-K, as promulgated under the Securities Act of 1933 ("Regulation S-K"), regarding certain compensation that will or may be paid or become payable to each of American Capital's "named executive officers" (as identified in accordance with SEC regulations) and that is based on or otherwise relates to the mergers. For additional details regarding the terms of the payments described below, see " *Interests of Certain Persons Related to American Capital in the Transactions.*"

The amounts listed below are estimates based on assumptions that may or may not actually occur, including the assumption that (1) the completion of the mergers occurs on September 30, 2016, (2) each named executive officer experiences a qualifying termination upon completion of the mergers (which is expected to occur pursuant to the merger agreement) and (3) the value of American Capital's common stock upon completion of the mergers is \$16.02 (the average closing market price of American Capital common stock over the first five business days following the first public announcement of the Transactions on May 23, 2016, as required by Item 402(t) of Regulation S-K). The amounts listed below do not reflect certain compensation actions that may occur before the completion of the mergers, merit increases or acceleration of payment or vesting for tax planning purposes with respect to Sections 280G and 4999 of the Code. The amounts in the table below do not include any vested options or vested incentive awards (regardless of whether deferred) and also do not include any American Capital options or incentive awards that will vest pursuant to their terms prior to September 30, 2016. For these reasons, the actual amounts, if any, to be received by a named executive officer may differ from the amounts set forth below. Additionally, the amounts for Mr. Wilkus include a \$6,325,879 cutback to

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avoid an excise tax under Sections 280G and 4999 of the Code, comprised of the following reductions: \$3,000,000 Additional Severance; \$46,319 Perquisites/Benefits; \$3,279,560 Target Incentive Payment.

Named Executive Officer(1)	Cash(2)	Equity(3)	Perquisites/ Benefits(4)	Total
Malon Wilkus	\$ 19,205,440	\$ 3,556,663	\$ 0	\$ 22,762,103
John R. Erickson	\$ 9,670,000	\$ 1,404,630	\$ 30,879	\$ 11,105,509
Samuel A. Flax	\$ 8,290,000	\$ 1,188,511	\$ 45,060	\$ 9,523,571
Brian S. Graff	\$ 8,290,000	\$ 1,080,463	\$ 45,060	\$ 9,415,523
Gordon J. O'Brien	\$ 8,290,000	\$ 1,188,511	\$ 45,060	\$ 9,523,571

(1) Ira J. Wagner, who is a former named executive officer of American Capital, has been excluded from this table because his employment ceased prior to the filing of this document, and as a result, he would not be entitled to any payments or benefits under the termination assumptions of this table.

(2) *Cash.* Represents cash payments by American Capital to each named executive officer equal the sum of (i) continuation of the named executive officer's base salary for a period of two years (or three years for Mr. Wilkus) following a qualifying termination, payable in substantially equal monthly installments; (ii) an additional severance payment in the amount specified below, payable in lump sum no later than March 15<sup>th</sup> of the calendar year following the calendar year in which the qualifying termination occurs; and (iii) an additional severance payment equal to the greater of (A) the highest target incentive payment amount that the named executive officer could have earned during the year in which the qualifying termination occurs or (B) the highest target incentive payment made to the named executive officer for any of the three calendar years ending prior to the year in which the qualifying termination occurs, multiplied by two (or three for Mr. Wilkus), payable in lump sum between January 1<sup>st</sup> and March 15<sup>th</sup> of the year following the calendar year in which the qualifying termination occurs. These amounts are "double-trigger" payments (that is, they are payable upon a qualifying termination that occurs two months preceding or 18 months following a change of control of American Capital). However, the merger agreement provides that the employment of each employee of American Capital, including the named executive officers, will terminate in connection with the mergers (regardless of whether the employee receives an offer of employment from Ares Capital Management, IHAM or their respective affiliates), and that, upon such termination, each such employee will be paid all severance benefits that he is entitled to upon such a termination, unless such employee waives such benefits. The amounts are calculated as follows:

Named Executive Officers	Base Salary Continuation	Additional Severance	Target Incentive Payment	All Cash Payments
Malon Wilkus	\$ 4,485,000	\$ 0	\$ 14,720,440	\$ 19,205,440
John R. Erickson	\$ 2,170,000	\$ 1,500,000	\$ 6,000,000	\$ 9,670,000
Samuel A. Flax	\$ 2,040,000	\$ 1,250,000	\$ 5,000,000	\$ 8,290,000
Brian S. Graff	\$ 2,040,000	\$ 1,250,000	\$ 5,000,000	\$ 8,290,000
Gordon J. O'Brien	\$ 2,040,000	\$ 1,250,000	\$ 5,000,000	\$ 8,290,000

(3) *Equity.* Represents the value of all payments in cancellation of each named executive officer's (i) options (reduced by the applicable exercise prices) and (ii) shares released from the trust established by American Capital as the funding vehicle for the incentive awards, in either case, with respect to which accelerated vesting would apply at completion of the mergers pursuant to the terms of the merger agreement, and which accelerated vesting is a "single-trigger" benefit (that is,

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a benefit triggered by a change of control of American Capital that is not conditioned upon a qualifying termination), calculated as follows:

Named Executive Officers	Value of Option Payments(i)	Value of Incentive Award Payments(ii)	Value of All Equity Payments
Malon Wilkus	\$	\$ 3,556,663	\$ 3,556,663
John R. Erickson	\$ 1,304,339	\$ 100,291	\$ 1,404,630
Samuel A. Flax	\$ 1,103,646	\$ 84,865	\$ 1,188,511
Brian S. Graff	\$ 1,003,317	\$ 77,146	\$ 1,080,463
Gordon J. O'Brien	\$ 1,103,646	\$ 84,865	\$ 1,188,511

- (i) *Options.* Represents the value of payments in cancellation of each named executive officer's options for which accelerated vesting would apply pursuant to the terms of the merger agreement, calculated assuming per share value of \$16.02 (the average closing market price of American Capital common stock over the first five business days following the first public announcement of the Transactions on May 23, 2016, as required by Item 402(t) of Regulation S-K), reduced by the applicable exercise price, multiplied by the number of shares subject to the options that would vest on an accelerated basis upon completion of the mergers.
- (ii) *Incentive Awards.* Represents the value of payments in cancellation of the shares released to each named executive officer from the trust established by American Capital for which accelerated vesting would apply pursuant to the terms of the merger agreement, calculated assuming a per share value of \$16.02 (the average closing market price of American Capital common stock over the first five business days following the first public announcement of the Transactions on May 23, 2016, as required by Item 402(t) of Regulation S-K), multiplied by the number of shares that would vest and be released on an accelerated basis upon completion of the mergers.
- (4) *Perquisites/Benefits.* Represents the cost of continuation of each named executive officer's and his eligible dependents' insurance benefits for a period of two years (or three years for Mr. Wilkus) following a qualifying termination, which benefits are "double-trigger" benefits as described above.

### *Indemnification of Directors and Officers*

The merger agreement provides that all rights to exculpation and indemnification for all acts or omissions occurring both prior to and following the effective time in favor of current or former directors, officers, managers or employees of American Capital or its subsidiaries, or the "D&O Indemnified Parties," as contained in their respective organizational documents as in effect on May 23, 2016, or in any contract, will continue in full force and effect following the effective time. Ares Capital will indemnify, defend and hold harmless, and advance expenses to, the D&O Indemnified Parties with respect to all acts or omissions by them in their capacities as such at any time prior to the effective time, to the fullest extent permitted by applicable law and to fullest extent required by the organizational documents of American Capital or its subsidiaries as in effect on May 23, 2016, as applicable. Ares Capital's organizational documents will contain provisions with respect to indemnification, advancement of expenses and limitation of director, officer and employee liability that are no less favorable to the D&O Indemnified Parties than those set forth in American Capital's and its subsidiaries' organizational documents as of May 23, 2016, and will not amend, repeal, or modify such provisions in a way that would adversely affect the rights thereunder of the D&O Indemnified Parties.



To the fullest extent permitted by applicable law, Ares Capital will indemnify and hold harmless each D&O Indemnified Party against and from any costs, expenses, judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, proceeding, or investigation, to the extent such claim, proceeding, or investigation arises out of or pertains to (i) any alleged action or omission in such D&O Indemnified Party's capacity as a director, officer, or employee of American Capital or any of its subsidiaries prior to the effective time or (ii) the merger agreement or the Transactions. Ares Capital will pay the expenses of any D&O Indemnified Party in advance of the final disposition of any such claim, proceeding or investigation, so long as such D&O Indemnified Party has agreed to repay such expense amounts if such D&O Indemnified Party is not entitled to be indemnified under applicable law. Ares Capital may not settle, compromise, consent to the entry of any judgment or otherwise seek termination of any claim, proceeding or investigation without the consent of the D&O Indemnified Parties covered by the claim, proceeding or investigation unless an unconditional release of all D&O Indemnified Parties covered by the claim, proceeding or investigation from all liability arising out of such claim, proceeding or investigation is included.

Prior to the effective time, American Capital or Ares Capital may purchase a six year "tail" policy on terms and conditions reasonably determined by American Capital. If neither American Capital or Ares Capital has purchased such a policy, Ares Capital will, and will cause its subsidiaries to, maintain directors' and officers' liability insurance and fiduciary insurance in full force and effect, on terms and conditions no less advantageous to the D&O Indemnified Parties or other persons entitled to the same benefits, American Capital's directors' and officers' liability insurance and fiduciary insurance existing on May 23, 2016, covering claims arising from facts, events, acts or omissions that occurred at or prior to the effective time, including the Transactions (provided, that Ares Capital shall not be required to pay an annual premium for such insurance in excess of two-hundred fifty percent (250%) of the aggregate annual premiums paid by American Capital on an annualized basis, in which case Ares Capital is only required to purchase coverage up to such amount).

#### **Interests of Ares Capital's Investment Adviser in the Transactions**

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

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

#### **Regulatory Approvals Required for the Transactions**

Completion of the mergers is subject to prior receipt of all approvals and consents required to be obtained from applicable governmental and regulatory authorities to complete the mergers. Ares Capital and American Capital have agreed to use their reasonable best efforts to complete the

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Transactions, including using reasonable best efforts to (1) obtain all approvals and consents from government authorities and other persons, (2) defend any lawsuits and legal proceedings challenging the merger agreement or the Transactions and (3) execute and deliver any additional instruments reasonably necessary to complete the Transactions.

There can be no assurance that such regulatory approvals or consents will be obtained, that such approvals or consents will be received on a timely basis or that such approvals and consents 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 mergers. Ares Capital and American Capital have filed notifications of the mergers under the provisions of the HSR Act with the Antitrust Division of the United States Department of Justice and the United States Federal Trade Commission on June 7, 2016. Early termination of the HSR waiting period was granted to each of Ares Capital and American Capital on July 6, 2016. Additionally, Ares Capital and American Capital have made antitrust filings with the Federal Antimonopoly Service of Russia with respect to certain Russian assets. The Federal Antimonopoly Service of Russia granted clearance in connection with the Transactions on September 9, 2016.

In connection with the mergers, American Capital and Ares Capital will also be required to obtain approvals and consents from (1) the Financial Conduct Authority in the United Kingdom and (2) the Guernsey Financial Services Commission. Certain other approvals and consents and compliance with applicable laws and regulations will be required with respect to filings with NASDAQ regarding the listing of additional shares and with the SEC regarding this document. Ares Capital and American Capital intend to seek any other approvals and consents and make any other filings required to complete the mergers. There can be no assurance, however, that any such approvals or consents will be obtained.

### **Other Third Party Consents Required for the Transactions**

Under the merger agreement, Ares Capital's and American Capital's obligation to complete the mergers is subject to the prior receipt of consents required to be obtained from certain investment funds managed by ACAM and its subsidiaries with respect to aggregate assets under management of American Capital representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016, and other approvals and consents required to be obtained from other third parties. Although American Capital and Ares Capital expect that all such approvals and consents will be obtained and remain in effect and all conditions related to such consents will be satisfied, there can be no assurance that any such approvals or consents will be obtained.

### **Listing of Ares Capital Common Stock**

Ares Capital common stock trades on NASDAQ under the symbol "ARCC." American Capital common stock trades on NASDAQ under the symbol "ACAS." Upon the completion of the Transactions, American Capital common stock will be delisted from NASDAQ and thereafter will be deregistered under the Exchange Act. The Ares Capital common stock issuable pursuant to the merger agreement will be listed on NASDAQ.

### **Board of Directors and Management of the Combined Company Following Completion of the Transactions**

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

Information about the current Ares Capital directors and executive officers can be found in "Management of Ares Capital."

## DESCRIPTION OF THE MERGER AGREEMENT

The following summary, which includes the material terms of the merger agreement, is qualified by reference to the complete text of the merger agreement, which is attached as *Annex A* to this document and is incorporated by reference in this document.

### Structure of the Mergers

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

### Closing; Completion of the Transactions

The mergers will occur no later than two business days after the satisfaction or waiver of the conditions to closing set forth in the merger agreement or at another time as may be agreed to in writing by Ares Capital and American Capital. If the adoption of the merger agreement is approved at the American Capital annual meeting and the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement is approved at the Ares Capital special meeting, and the other conditions to closing the mergers are satisfied or waived, Ares Capital and American Capital expect to complete the Transactions as early as the fourth quarter of 2016.

### Merger Consideration

If the mergers are completed, each share of American Capital common stock outstanding immediately prior to the effective time will be converted into the right to receive, in accordance with the merger agreement, (1) \$6.41 per share in cash from Ares Capital, (2) \$1.20 per share in cash from Ares Capital Management, acting solely on its own behalf, (3) a fixed exchange ratio of 0.483 shares of Ares Capital common stock, subject to the payment of cash in lieu of fractional shares, (4) \$2.45 per share in cash, which amount represents the per share cash consideration paid to American Capital pursuant to the Mortgage Manager Sale, and (5) (A) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the fourth quarter of 2016, 37.5% of the exchange ratio times Ares Capital's dividend for such quarter, *plus* (B) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the first quarter of 2017, 75% of the exchange ratio times Ares Capital's dividend for such quarter, *plus* (C) if the closing occurs after the record date with respect to Ares Capital's dividend for any subsequent quarter beginning with the second quarter of 2017, 100% of the exchange ratio times Ares Capital's dividend for such quarter (which is referred to collectively with the consideration in clauses (1), (2) and (4) of this paragraph as the "cash consideration"). Based on the number of shares of American Capital common stock outstanding on the date of the merger agreement, this would result in approximately 110.8 million shares of Ares Capital common stock being exchanged for approximately 229.3 million outstanding shares of American Capital common stock.

If the shares of American Capital common stock or Ares Capital common stock have 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, combination, or exchange or readjustment of shares, or if a stock dividend or stock distribution is declared with a record date prior to the effective time, or if any other similar event occurs, the exchange ratio will be appropriately adjusted to provide the same economic effect as contemplated by the merger agreement prior to such event. Holders of shares of American Capital common stock will not receive any fractional shares of Ares

Capital common stock. Instead, each American Capital stockholder will be paid an amount in cash, without interest and rounded down to the nearest cent, equal to the product of (1) such fractional share *multiplied* by (2) the volume weighted average price per share of Ares Capital common stock for the five consecutive trading days ending with the third complete trading day immediately prior to the effective time.

#### **Dividends and Distributions**

Dividends or other distributions declared with respect to shares of Ares Capital common stock after the effective time will be paid, without interest, to any former American Capital stockholder only upon the surrender of its shares of American Capital common stock to the exchange agent for shares of Ares Capital common stock in accordance with such stockholder's letter of transmittal.

#### **Treatment of American Capital Options and Incentive Awards**

Immediately prior to the effective time, each vested and unvested American Capital option outstanding, other than an underwater option, will become vested and exercisable in full. To the extent such option is not exercised by the effective time, such option will be canceled and entitle the holder of such option to receive the option consideration, which refers to:

the amount of cash equal to the difference between:

the cash consideration *multiplied* by the number of shares of American Capital common stock subject to the respective American Capital option; and

(A) the aggregate exercise price of the shares of American Capital common stock subject to such American Capital option *multiplied* by (B) a fraction, the numerator of which is the cash consideration and the denominator of which is the sum of the cash consideration and the share consideration value (as defined below in this section) (the amount in this clause (2) is referred to as the "total cash exercise price"); and

the number of shares of Ares Capital common stock equal to:

the difference between (A)(i) the share consideration value *multiplied* by (ii) the number of shares of American Capital common stock subject to the respective American Capital option and (B)(i) the aggregate exercise price of the shares of American Capital common stock subject to such American Capital option, reduced by (ii) the total cash exercise price; *divided* by

the parent measurement price (as defined below in this section);

in each case, less applicable withholdings.

All underwater options will be canceled and terminated at the effective time, and no consideration will be paid in respect of such underwater options. For purposes of the merger agreement, "parent measurement price" means the volume weighted average trading price of shares of Ares Capital common stock for the five-day trading period ending on the trading day immediately prior to the effective time, and "share consideration value" means the product of the exchange ratio and the parent measurement price.

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

### **Conversion of Shares; Exchange of Shares**

At the effective time, each share of American Capital common stock issued and outstanding immediately prior to the effective time will be converted into the right to receive the merger consideration (excluding dissenting shares, treasury stock and shares held by Ares Capital). Each such share of American Capital common stock will no longer be outstanding and will be automatically canceled and cease to exist, with the holders of such shares ceasing to have any rights with respect to any American Capital common stock other than the right to receive the merger consideration upon the surrender of such shares of American Capital common stock in accordance with such stockholder's letter of transmittal.

After the effective time, no registration of transfers on the stock transfer books of American Capital, other than to settle transfers that occurred prior to the effective time, will occur. If shares of American Capital common stock are presented for transfer to the exchange agent, such shares will be cancelled against delivery of the applicable merger consideration.

### **Letter of Transmittal**

As promptly as practicable after the effective time, but in any event within two business days, the exchange agent will mail to each record holder of American Capital common stock a letter of transmittal and instructions for use in effecting the surrender of certificate(s) or book-entry shares in exchange for the merger consideration and, without interest, cash instead of fractional shares and any dividends or other distributions declared after the effective time with respect to shares of Ares Capital common stock. Delivery will only be effected, and risk of loss and title to certificate(s) and book-entry shares will only pass, upon delivery of such certificate(s) (or affidavits of loss in lieu of such certificate(s)) or book-entry shares to the exchange agent in the manner set forth in such letter of transmittal and instructions.

Holders of American Capital common stock should not submit their shares of American Capital common stock for exchange until they receive the letter of transmittal and instructions from the exchange agent.

If a certificate for American Capital common stock has been lost, stolen or destroyed, upon the making of an affidavit by such holder and, if required by Ares Capital, the posting of a bond in such amount as Ares Capital may determine is reasonably necessary as indemnity, the exchange agent will issue in exchange for such lost, stolen or destroyed certificate the merger consideration and, without interest, cash instead of fractional shares and any dividends or other distributions declared after the effective time with respect to shares of Ares Capital common stock.

Shares of Ares Capital common stock will be issued in book-entry (i.e., uncertificated) form only. No physical certificates will be issued in connection with the merger. In lieu of physical certificates, the exchange agent will send to each person who has surrendered shares of American Capital common stock, together with a properly completed transmittal letter, a confirmation containing the information required under Maryland law regarding the Ares Capital common stock issued to such person, including the name of the issuer (Ares Capital) and the number of shares of Ares Capital common stock issued.

### **Withholding**

Ares Capital, Ares Capital Management and the exchange agent will be entitled to deduct and withhold from any amounts payable to any American Capital stockholder such amounts as each determines is required to be deducted and withheld with respect to the making of such payment under applicable tax laws. If any amounts are withheld, these amounts will be treated as having been paid to the stockholders from whom they were withheld.

## Representations and Warranties

The merger agreement contains customary representations and warranties of American Capital and Ares Capital relating to their respective businesses. With the exception of certain fundamental representations that must be true and correct in all or virtually all respects, or in all material respects, no representation or warranty will be deemed untrue, and neither party will be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, circumstance or event unless such fact, circumstance or event, individually or when taken together with all other facts, circumstances and events inconsistent with any representation made by such party (without considering "materiality" or "material adverse effect" qualifications), has had or is reasonably expected to have a material adverse effect (as defined below). The representations and warranties in the merger agreement will not survive after the effective time.

The merger agreement contains customary representations and warranties by each of Ares Capital and American Capital, subject to specified exceptions and qualifications, relating to, among other things:

corporate organization, including incorporation and qualification;

subsidiaries;

capitalization;

power and authority to execute, deliver and perform obligations under the merger agreement;

the absence of violations of (1) organizational documents, (2) laws or orders or (3) permits, material contracts or other obligations;

required government filings and consents and compliance with applicable law;

financial reports and financial statements;

the accuracy and completeness of information supplied for inclusion in this document and other governmental filings in connection with the Transactions;

internal controls and disclosure controls and procedures;

absence of certain changes and actions since December 31, 2015;

absence of undisclosed liabilities;

absence of certain litigation, orders or investigations;

regulatory documents and investment adviser registrations and filings;

regulated and unregulated funds, in the case of American Capital;

ineligible persons;

employment and labor matters, including with respect to any employee benefit plans;

intellectual property matters;

tax matters;

material contracts and certain other types of contracts;

owned and leased properties.

insurance coverage;

environmental matters;

corporate approvals, including stockholder voting requirements, and in the case of American Capital, applicability of anti-takeover statutes;

brokers fees;

the receipt of financial advisors' opinions; and

investment assets.

Additionally, ACAM has made certain representations and warranties to Ares Capital, subject to specified exceptions and qualifications, relating to, among other things: (1) corporate organization, including incorporation and qualification; (2) subsidiaries; (3) capitalization; (4) power and authority to execute, deliver and perform obligations under the merger agreement; (5) the absence of violations of (A) organizational documents, (B) laws or orders or (C) permits, material contracts or other obligations; (6) required government filings and consents and compliance with applicable law; and (7) brokers.

Ares Capital Management has also made certain representations and warranties to American Capital, subject to specified exceptions and qualifications, relating to, among other things: (1) corporate organization, including incorporation and qualification; (2) required government filings and consents and compliance with applicable law; (3) regulatory documents and investment adviser registrations and filings; (4) the accuracy and completeness of information supplied for inclusion in this document and other governmental filings in connection with the Transactions; (5) internal controls and disclosure controls and procedures; (6) absence of certain changes and actions during the two-year period prior to the date of the merger agreement; and (7) absence of certain litigation, orders or investigations.

IHAM has also made certain representations and warranties to American Capital, subject to specified exceptions and qualifications, relating to, among other things: (1) regulatory documents and investment adviser registrations and filings; (2) written policies and procedures compliant with the Advisers Act; and (3) the absence of violations of (A) its limited partnership agreement, (B) laws or orders or (C) permits, material contracts or other obligations.

These representations and warranties were made as of specific dates, may be subject to important qualifications and limitations agreed to by American Capital and Ares Capital in connection with negotiating the terms of the merger agreement and may have been included in the merger agreement for the purpose of allocating risk between American Capital and Ares Capital rather than to establish matters as facts. The merger agreement is described in, and included as *Annex A* to, this document only to provide you with information regarding its terms and conditions and not to provide any other factual information regarding American Capital, Ares Capital or their respective businesses. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead, should be read only in conjunction with the information provided elsewhere in this document.

For purposes of the merger agreement, "material adverse effect" with respect to Ares Capital or American Capital, as applicable, means, any fact, circumstance, event, change, occurrence or effect that would have or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on, or would reasonably be expected to be materially adverse to (1) the business, operations or condition (financial or otherwise) of such party and its subsidiaries, taken as a whole or (2) the ability of such party to timely complete the Transactions. None of the following facts, circumstances or events, among others, will constitute or be taken into account in determining whether a material adverse effect has occurred or is reasonably expected to occur with respect to clause (1) in the immediately preceding sentence:

changes in general economic, financial market, business or geopolitical conditions;



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general changes or developments in the industries or markets in which such party or its subsidiaries (or, in the case of American Capital, any of its funds or portfolio companies) operate, including general changes in law across such industries or geographic areas;

changes in any applicable laws or accounting regulations;

any change in the price or trading volume of Ares Capital's or American Capital's (or any of its funds' or portfolio companies') securities or other financial instruments, in and of itself;

any failure by Ares Capital or American Capital (or any of its funds or portfolio companies) to meet published analyst estimates or expectations of revenue, earnings, financial performance or results of operations, in and of itself;

any failure by Ares Capital or American Capital (or any of its subsidiaries, funds or portfolio companies) to meet internal or published projections, budgets, plans or forecasts, in and of itself;

any outbreak or escalation of hostilities or war or any act of terrorism, or any acts of God or natural disasters;

the initiation of litigation by any person with respect to the merger agreement and the Transactions, and additionally, in the case of American Capital, with respect to the Mortgage Manager Purchase Agreement and the Mortgage Manager Sale;

any action taken that is expressly required to be taken pursuant to the merger agreement, and additionally in the case of American Capital, the Mortgage Manager Purchase Agreement;

any actions taken (or omitted in the case of American Capital) at the request of the other party to the extent taken in accordance with such request (other than, in the case of American Capital, pursuant to the conduct of business covenants described below in the section entitled "Conduct of Business Pending Completion of the Mergers American Capital's Conduct of Business");

the termination of the investment advisory relationship with any funds (including the termination of any advisory agreements), in the case of American Capital; and

the termination of employment of any person employed by Ares Capital or American Capital or any of their subsidiaries resulting from the announcement or pendency of the merger agreement.

The facts, circumstances and events set forth in the first three bullets and the seventh bullet in the immediately preceding paragraph will otherwise be taken into account in determining whether a material adverse effect has occurred to the extent such facts, circumstances or events have a disproportionate impact on such party and its subsidiaries taken as whole relative to other participants in the same industries.

### **Conduct of Business Pending Completion of the Mergers**

#### *American Capital's Conduct of Business*

American Capital has undertaken customary covenants that place restrictions on it and certain of its subsidiaries until completion of the mergers. In general, American Capital has agreed that before the completion of the mergers, except as contemplated by the merger agreement and subject to certain agreed upon exceptions, it will, and will cause certain of its subsidiaries to, conduct their business in the ordinary course of business consistent with past practice and use reasonable best efforts to maintain generally their advantageous business relationships.

In addition, before the completion of the mergers, American Capital has agreed that, subject to applicable law and certain agreed upon exceptions and except as expressly contemplated by the merger

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agreement, without the prior written consent of Ares Capital, it will not, and will not permit its consolidated subsidiaries or ACAM and its consolidated subsidiaries to, among other things:

amend its organizational documents;

split, combine, reclassify, redeem, repurchase or otherwise acquire or amend the terms of any capital stock or other equity interests or rights, except for certain transactions solely within the American Capital group;

issue, sell, pledge, dispose, encumber or grant any shares of its or its subsidiaries' capital stock, warrants, options, convertible securities or other rights to acquire shares of capital stock, provided that American Capital may (1) issue shares in connection with American Capital incentive awards outstanding as of the merger agreement date (or granted in accordance with the following clause (2)), (2) issue shares and grant stock options pursuant to offer letters or employment agreements existing as of the merger agreement date or as required by American Capital benefit plans, or (3) grant liens pursuant to certain existing credit facilities;

declare, authorize, make or pay any dividend or other distribution with respect to its and certain of its subsidiaries' capital stock or other equity interests, except in connection with transactions solely within certain American Capital group entities, provided that such restriction will not apply to ACAM and its subsidiaries, or the "ACAM group," to the extent it would create any restriction or encumbrance on the ability of the ACAM group to make any dividend payments or other distributions in respect of its capital stock;

except as required pursuant to any contracts, employee benefit plans or applicable law or in connection with the promotion of American Capital employees below the level of senior vice president for the period commencing January 1, 2017 in the ordinary course of business consistent with past practice:

- (1) increase the compensation or benefits payable to any current or former employee, director or service provider of American Capital or any of its subsidiaries (except for increases in base salary for any period commencing on or after January 1, 2017 for employees earning less than \$200,000 in annual base salary in an amount not to exceed 20% of such base salary, which increases are not to exceed an aggregate of \$1,000,000 for all employees of American Capital and its subsidiaries);
- (2) grant any severance, termination, retention or change in control pay to, or enter into any severance, termination, retention or change in control agreement with, any current or former employee, director or service provider of American Capital or any of its subsidiaries for an amount greater than \$100,000 individually so long as all such amounts do not result in an increase of the aggregate amounts that would be payable pursuant to the applicable contracts and employee benefit plans in effect as of the date of the merger agreement;
- (3) adopt or become bound by any new employee benefit plan or materially amend, modify or terminate any existing employee benefit plans;
- (4) accelerate the time of payment or vesting of any compensation or benefits for any current or former employee, director or service provider of American Capital and its subsidiaries, subject to certain exceptions; or
- (5) pay or provide any material compensation or benefit not required by the terms of any employee benefit plan as in effect on the date of the merger agreement (other than the payment of cash compensation in the ordinary course of business consistent with past practice) to any current or former employee, director or service provider of American Capital and its subsidiaries;

grant, confer or award any options, convertible securities, restricted stock, restricted stock units or other rights to acquire any of the capital stock or other equity interests of American Capital or its subsidiaries;

acquire, dispose, lease, license, sell, transfer or encumber any (A) portfolio company investment or (B) corporate entity or any material portion of the assets, business or properties of any entity or business, except in each case with respect to:

- (1) dispositions with collective sales prices, as applicable, not exceeding \$25 million individually or \$100 million in the aggregate (provided that any such disposition is not (A) with respect to certain scheduled assets (except as described in paragraph (6) below) and (B) in exchange for consideration that is less than the fair market value for such assets);
- (2) dispositions of portfolio company investments or material assets for which a sale agreement has been executed as of the merger agreement date but that have not yet been completed;
- (3) the sale of certain scheduled portfolio company investments, solely if such sale is on terms and conditions materially consistent in all respects with the terms and conditions scheduled with respect to such portfolio company;
- (4) compliance with unfunded commitment obligations existing as of the date of the merger agreement with respect to any portfolio company investments;
- (5) acquisitions in the form of follow-on investments in portfolio company investments existing as of the merger agreement date and not exceeding \$25 million individually or \$100 million in the aggregate, provided that the applicable portfolio company investment in which such follow-on investment is being made had a fair value as of March 31, 2016 equal to at least 95% of its cost; or
- (6) in any case where American Capital or the portfolio company investment is subject to a compulsory drag-along, call option, prepayment option or redemption, or similar compulsory contractual obligation, to sell, have redeemed or paid off, or otherwise dispose of, any portfolio company investment pursuant to the contractual terms pertaining to such portfolio company investment;

provided, that: (A) the transactions described in the immediately preceding paragraphs (1) through (5), individually or collectively, do not result in any material tax liability (other than any liability for alternative minimum taxes) being imposed on American Capital or its subsidiaries; (B) American Capital provides Ares Capital notification of any disposition made pursuant to the immediately preceding paragraphs (1) through (3) and (6) promptly following the completion thereof; and (C) American Capital provides Ares Capital notification of any acquisition made pursuant to paragraph (5) promptly following the completion thereof;

(1) incur any indebtedness or guarantee any such indebtedness of any person (except for (A) indebtedness or guarantees for drawdowns with respect to existing credit facilities in the ordinary course of business consistent with past practice; (B) indebtedness owed to American Capital or its subsidiaries; (C) indebtedness in the form of letters of credit not to exceed \$5 million individually or \$10 million in the aggregate; or (D) as otherwise set forth in the American Capital disclosure letter), so long as such indebtedness does not provide for any penalty upon prepayment or (2) except as described in the immediately preceding bullet, make any loans, advances or capital contributions to, or investments in, any other person (other than (A) to or in the American Capital group, (B) pursuant to previously disclosed commitments

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existing as of the date of the merger agreement that have been scheduled and (C) with respect to indebtedness incurred by American Capital or its subsidiaries);

amend, terminate, modify or waive any provision of any pending sale agreement or the Mortgage Manager Purchase Agreement to the extent that any such amendment, termination, modification or waiver would be materially adverse to American Capital or any of its subsidiaries, provided that any amendment, termination or waiver will be deemed to be materially adverse if it (1) decreases (or would reasonably be expected to decrease) the amount of, or changes the form of, any consideration to be received by American Capital or its subsidiaries, as applicable, in respect of such pending sale agreement or the Mortgage Manager Purchase Agreement or (2) increases (or would reasonably be expected to increase) the liability to be borne by American Capital or its subsidiaries, as applicable;

(1) pay, discharge or satisfy any indebtedness that has a prepayment cost, "make whole" amount, prepayment penalty or similar obligation (other than (A) any payment, discharge or satisfaction required pursuant to the terms of existing credit facilities or the 2013 Indenture (as defined in the merger agreement) and (B) indebtedness incurred by American Capital or its subsidiaries and owed to American Capital and its subsidiaries), (2) cancel any material indebtedness (individually or in the aggregate) or waive or amend any claims or rights of substantial value (other than (A) in connection with ordinary course restructurings of investments in portfolio companies in an aggregate amount not to exceed \$5 million in present fair market value and (B) indebtedness incurred by American Capital or its subsidiaries and owed to American Capital or its subsidiaries) or (3) waive material benefits of, or agree to modify in any material manner, any confidentiality, standstill or similar agreement to which American Capital or its subsidiaries is a party (other than (A) with respect to portfolio company investments and (B) in the ordinary course of business consistent with past practice);

make any pledge of any of its material assets or permit any of its material assets to become subject to any liens except certain permitted liens;

terminate, enter into, materially amend, renew or waive any material rights under any material contract or any contract for leased property in Bethesda, Maryland or New York, New York, in each case in any manner materially adverse to American Capital or its subsidiaries, as applicable;

make any material change to its methods of accounting, except (1) as required by GAAP, Regulation S-X of the Exchange Act or a governmental authority or quasi-governmental authority (including the Financial Accounting Standards Board (the "FASB") or any similar organization), (2) to permit the audit of American Capital's financial statements in compliance with GAAP or (3) as required by a change in applicable law;

make or agree to make any capital expenditure exceeding \$1.5 million in the aggregate;

commence any material proceedings, suits or actions except with respect to routine matters in the ordinary course of business and consistent with past practice, or settle any proceedings, suits or actions other than settlements that result solely in monetary obligations involving payment by American Capital or certain of its subsidiaries of (1) the amounts specifically reserved in accordance with GAAP with respect to such proceeding or claim on American Capital's consolidated financial statements for the year ending December 31, 2015, (2) amounts to be paid from escrow accounts for purposes of working capital adjustments and indemnification matters related to former American Capital portfolio companies, in each case pursuant to contracts that have been made available Ares Capital prior to the date of the merger agreement, (3) amounts to be paid from insurance proceeds for the purpose of paying such settlements or (4) an amount not greater than \$1 million in the aggregate;

make or change any material tax election, change any material method of tax accounting, file any material amended tax return, settle or compromise any audit or proceeding, suit or action relating to a material amount of taxes, agree to an extension or waiver of the statute of limitations with respect to a material amount of taxes, enter into any "closing agreement" as defined in the Code, (or any similar provision of state, local or non-U.S. law) with respect to any material tax or surrender any right to claim a material tax refund;

enter into a new line of business outside of American Capital's investment objective as described in its forms, documents and reports filed with the SEC since January 1, 2015 (provided that this prohibition does not apply in any way to any American Capital portfolio company); or

adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of American Capital or its subsidiaries.

***Ares Capital's Conduct of Business***

Ares Capital has undertaken customary covenants that place restrictions on it and its subsidiaries until completion of the mergers. In general, Ares Capital has agreed that before the completion of the mergers, except as contemplated by the merger agreement and subject to certain agreed upon exceptions, it will, and will cause its subsidiaries to conduct their business in the ordinary course of business consistent with past practice and use reasonable best efforts to maintain generally their advantageous business relationships.

Before the completion of the mergers, Ares Capital has agreed, subject to applicable law and certain agreed upon exceptions and except as expressly contemplated by the merger agreement, it will not, and will not permit its subsidiaries to, among other things:

amend its or its subsidiaries' organizational documents;

split, combine, reclassify, redeem, repurchase or otherwise acquire or amend the terms of any capital stock or other equity interests or rights, except for transactions solely among Ares Capital and its wholly owned subsidiaries or among Ares Capital's wholly owned subsidiaries;

issue, sell, pledge, dispose, encumber or grant, or authorize the same with respect to, any shares of its or its subsidiaries' capital stock, except for (1) transactions among Ares Capital and its wholly owned subsidiaries or among Ares Capital's wholly owned subsidiaries or (2) in an aggregate amount of shares of Ares Capital common stock not to exceed a value of \$450 million;

declare, authorize, make or pay any dividend or other distribution in excess of \$0.38 per share with respect to Ares Capital or any of its subsidiaries' capital stock or other equity interests, other than dividends paid by any subsidiary to Ares Capital or any other Ares Capital subsidiary, except with respect to (1) quarterly dividends by Ares Capital equal to the greater of (A) the net operating income earned during the applicable quarter and (B) its prior quarter dividend level or (2) distributions by Ares Capital that are required (as reasonably determined by its board of directors and taking into account certain provisions of the Code) (A) for Ares Capital to maintain its status as a RIC for tax purposes or (B) to avoid the payment of income or excise taxes or interest under certain provisions of the Code;

dispose, lease, license, sell, transfer, encumber or discontinue IHAM, or to the extent it would reasonably be expected to violate Ares Capital's exemptive order granted by the SEC in connection with the operation of IHAM, any portion of the assets, business or properties of IHAM;

enter into a new line of business outside of Ares Capital's investment objective as described in its forms, documents and reports filed with the SEC since January 1, 2015 (provided that this prohibition does not apply in any way to any Ares Capital portfolio company);

make any material change to its methods of accounting, except (1) as required by GAAP, Regulation S-X of the Exchange Act or a governmental authority or quasi-governmental authority (including the FASB or any similar organization), (2) to permit the audit of Ares Capital's financial statements in compliance with GAAP or (3) as required by a change in applicable law;

make or agree to make any capital expenditure exceeding \$5 million in the aggregate;

make or change any material tax election other than in the ordinary course of business or change any material method of tax accounting other than in the ordinary course of business;

adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of Ares Capital or any of its subsidiaries; or

amend, terminate, modify or waive any material rights under the Restated Investment Advisory and Management Agreement, dated June 6, 2011, with Ares Capital Management or the Amended and Restated Administration Agreement, dated June 1, 2007, with Ares Operations.

#### **Additional Covenants**

##### *Other Covenants; Consents; Filings*

The merger agreement also contains covenants relating to the preparation of this document, the holding of the stockholders' meetings of American Capital and Ares Capital, access to information of the other party and obtaining certain regulatory and third party consents. The merger agreement requires the parties thereto to use their reasonable best efforts to complete the Transactions, including using reasonable best efforts to (1) obtain all approvals and consents from government authorities and other persons, (2) defend any lawsuits and legal proceedings challenging the merger agreement or the Transactions and (3) execute and deliver any additional instruments reasonably necessary to complete the Transactions. Ares Capital and Acquisition Sub have also agreed to take promptly any and all steps necessary to avoid or eliminate every impediment to obtain all consents under United States and foreign competition, antitrust, merger control or investment laws, including divesting assets or businesses as required by a governmental authority, provided that such steps would not result in or would be reasonably expected to result in a material adverse effect with respect to American Capital or Ares Capital.

American Capital has also agreed to cause each member of the ACAM group to use commercially reasonable efforts to obtain any required fund consents from the funds managed by the ACAM group. With respect to American Capital Senior Floating, Ltd., a Maryland corporation, or the "regulated fund," American Capital is required to cause members of the ACAM group to use commercially reasonable efforts to obtain the approval of the regulated fund board of directors (in accordance with the requirements of the Investment Company Act) for a new advisory agreement between the regulated fund and IHAM, provided that such agreement is on substantially similar terms to the existing advisory agreement between the regulated fund and ACAM.

With respect to all other funds managed by the ACAM group (excluding the regulated fund and any carry vehicle (or functionally equivalent) entity), or the "non-regulated funds," American Capital is required to cause each member of the ACAM group to use commercially reasonable efforts to obtain the consent of each non-regulated fund to the "assignment" (as defined in the Advisers Act, or if applicable, other applicable law) of its existing advisory agreement to IHAM resulting from the completion of the mergers, to the extent required by the terms of such advisory agreement and/or applicable law.

***Reasonable Best Efforts to Obtain Stockholder Approval; Adverse Recommendation Change***

American Capital has agreed to hold a meeting of its stockholders as soon as practicable following the effectiveness of this document for the purpose of obtaining the approval of American Capital stockholders for the adoption of the merger agreement, or the "American Capital stockholder approval," and not to submit any other proposal to such stockholders without the prior written consent of Ares Capital. American Capital will be required to use its reasonable best efforts to (1) solicit from its stockholders proxies in favor of the adoption of the merger agreement and (2) take all other action necessary or advisable to secure such approval of its stockholders. Except as described in the section below entitled " No Solicitation," neither American Capital's board of directors or any committee thereof may:

withhold, withdraw or modify or qualify, or propose publicly to do any of the foregoing with respect to, American Capital's recommendation that the stockholders adopt the merger agreement and thereby approve the Transactions;

fail to reaffirm such recommendation or fail to publicly state that the mergers and the merger agreement are in the best interests of its stockholders, within 15 business days after Ares Capital requests in writing that such action be taken;

fail to publicly announce, within 15 business days after a tender or exchange offer relating to the securities of American Capital, a statement disclosing that the American Capital board of directors recommends rejection of such offer;

take or resolve to take any other action or make any other statement in connection with the American Capital stockholders' meeting inconsistent with such recommendation to adopt the merger agreement and the Transactions; or

approve, determine to be advisable, or recommend, or propose publicly to do any of the foregoing with respect to, any competing proposal.

Each case described in the immediately preceding bullets is referred to herein as an "American Capital adverse recommendation change." Notwithstanding any American Capital adverse recommendation change, unless the merger agreement is terminated in accordance with its terms, the obligations of the parties thereto will continue in full force and effect and such obligations will not be affected by the commencement, public proposal, public disclosure or communication to American Capital of any competing proposal (whether or not a superior proposal (as defined below in the section below entitled " No Solicitation"))).

Similarly, Ares Capital has agreed to hold a meeting of its stockholders as soon as practicable following the effectiveness of this document for the purpose of obtaining the approval of Ares Capital stockholders for the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement, or the "Ares Capital stockholder approval," and not to submit any other proposal to such stockholders without the prior written consent of American Capital. Ares Capital will be required to use its reasonable best efforts to (1) solicit from its stockholders proxies in favor of approving the issuance of shares of Ares Capital common stock in connection with the merger and (2) take all other action necessary or advisable to secure such approval of its stockholders. Except as described in the section below titled " No Solicitation," neither Ares Capital's board of directors or any committee thereof may:

withhold, withdraw or modify or qualify, or propose publicly to do any of the foregoing for, Ares Capital's recommendation that the stockholders approve the issuance of the shares of Ares Capital common stock to be issued pursuant to the merger agreement;



fail to reaffirm such recommendation or fail to publicly state that the mergers and the merger agreement are in the best interests of its stockholders, within 15 business days after American Capital requests in writing that such action be taken;

fail to publicly announce, within 15 business days after a tender or exchange offer relating to the securities of Ares Capital, a statement disclosing that the Ares Capital board of directors recommends rejection of such offer;

take or resolve to take any other action or make any other statement in connection with the Ares Capital stockholders' meeting inconsistent with such recommendation to approve the issuance of shares of Ares Capital common stock in connection with the merger; or

approve, determine to be advisable, or recommend, or propose publicly to do any of the foregoing for, any competing proposal.

Each case described in the immediately preceding bullets is referred to as an "Ares Capital adverse recommendation change." Notwithstanding any Ares Capital adverse recommendation change, unless the merger agreement is terminated in accordance with its terms, the obligations of the parties will continue in full force and effect and such obligations will not be affected by the commencement, public proposal, public disclosure or communication to Ares Capital of any competing proposal (whether or not a superior proposal).

### ***Employee Matters***

Effective immediately prior to the effective time, or solely with respect to an employee who does not receive an offer of employment from Ares Capital Management, IHAM or their respective affiliates or who receives such an offer but does not accept such offer within the time period prescribed below, such earlier time period as determined by American Capital in its sole discretion at any time 60 days following the date of the merger agreement, American Capital will cause the employment of each employee of American Capital, ACAM and their respective subsidiaries to terminate and, upon such termination, American Capital or ACAM will provide to any such terminated employee all severance, retention and other payments or benefits as may become payable as a result of such termination or the occurrence of the effective time. Additionally, on or prior to 60 days following the date of the merger agreement, Ares Capital Management, IHAM or their respective affiliates may make an offer of employment, effective at or after the effective time, to any employee of American Capital, ACAM or any of their respective subsidiaries, provided that any such offer of employment will be contingent upon the effective time actually occurring and will expire if the employee does not accept such offer within 30 days following the date such offer was made.

Ares Capital and IHAM will honor all obligations described in the immediately preceding paragraph. Ares Capital and American Capital have agreed that the occurrence of the effective time constitutes a "change in control" for purposes of all employee benefit plans and agreements in which such term or a similar term is relevant. American Capital and its subsidiaries will be entitled to pay prorated annual cash bonuses to employees of American Capital, ACAM and their respective subsidiaries with respect to American Capital's 2016 fiscal year and, if the effective time occurs in American Capital's 2017 fiscal year, such fiscal year, in each case calculated based on target-level performance.

If requested in writing by Ares Capital to American Capital at least five business days prior to the effective time, American Capital agrees to take all actions necessary or appropriate to terminate, effective no later than the effective time, any American Capital employee benefit plan (other than the American Capital, Ltd. Retention Plan and any employment or severance agreements). If American Capital or any of its subsidiaries is required to terminate any employee benefit plan, then American Capital or its subsidiaries, as applicable, will take such actions in furtherance of terminating such employee benefit plan as Ares Capital may reasonably request. As of immediately prior to, but

contingent on the occurrence of the effective time, American Capital will vest payments and benefits under such terminated employee benefit plans.

***Indemnification; Directors' and Officers' Insurance***

Ares Capital and Acquisition Sub have agreed that all rights to exculpation and indemnification for acts or omissions occurring at or prior to the effective time (including any matters arising in connection with the Transactions) existing in favor of the D&O Indemnified Parties as provided in their respective organizational documents as in effect on the date of merger agreement or in any contract will survive the mergers and continue in full force and effect.

Ares Capital has agreed to indemnify, defend and hold harmless, and advance expenses, to the D&O Indemnified Parties with respect to all acts or omissions in their respective capacities at any time prior to the effective time (including any matters arising in connection with the merger agreement or the Transactions), to the fullest extent permitted by applicable law and required by the respective organizational documents of American Capital and its subsidiaries as in effect on the date of the merger agreement. Ares Capital has agreed to cause its organizational documents to contain provisions with respect to indemnification, advancement of expenses and limitations of liability that are no less favorable to the D&O Indemnified Parties than those set forth in American Capital's and its subsidiaries' organizational documents as of the date of the merger agreement.

Additionally, to the fullest extent that American Capital and Ares Capital would be permitted by applicable law, Ares Capital will:

indemnify and hold harmless each D&O Indemnified Party against and from any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, proceeding or investigation, whether civil, criminal, administrative or investigative, to the extent pertaining to: (1) any alleged action or omission in such D&O Indemnified Party's respective capacity or (2) the merger agreement and the Transactions; and

pay in advance of the final disposition of any such claim, proceeding or investigation the expenses (including attorneys' fees) for any D&O indemnified party upon a determination that such D&O Indemnified Party is not entitled to be indemnified by applicable law.

Unless American Capital has purchased a "tail" policy prior to the effective time as provided below, for at least six years after the effective time, Ares Capital will be required to maintain in full force and effect, on terms and conditions no less advantageous to the D&O Indemnified Parties than the existing liability insurance and fiduciary insurance maintained by American Capital as of the date of the merger agreement (provided that Ares Capital will not be required to pay an annual premium for such insurance in excess of 250% of the aggregate annual premiums currently paid by American Capital on an annualized basis, but in such case will purchase as much of such coverage as possible for such amount). Ares Capital has also agreed not to take any action that would prejudice the rights or otherwise impede recovery of the beneficiaries of any such insurance. In lieu of such insurance, prior to the effective time, American Capital or Ares Capital may purchase a six year "tail" prepaid policy, subject to certain conditions.

***No Solicitation***

American Capital and Ares Capital have agreed to, and will cause their respective affiliates, subsidiaries, and each of their respective officers, directors, managers, employees and other advisors, representatives and agents to, immediately cease and cause to be terminated all discussions and negotiations with respect to a "competing proposal" (as described below) 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, discussion, proposal or offer with respect to a competing proposal.

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

For purposes of the merger agreement:

"competing proposal" means any inquiry, proposal or offer made by any person or group of persons to acquire in one or a series of transactions (1) the beneficial ownership of 20% or more of any class of equity securities of American Capital or Ares Capital, as applicable, or (2) any assets or businesses constituting 20% or more of the revenues or assets of American Capital, its subsidiaries and the ACAM group or Ares Capital and its subsidiaries; and

"superior proposal" means a bona fide written competing proposal (with all percentages described in the definition of competing proposal in the immediately preceding bullet increased to 66<sup>2</sup>/<sub>3</sub>%) made by a third party on terms that the American Capital board of directors or the Ares Capital board of directors, as applicable, determines in good faith, after consultation with its independent financial advisors and outside legal advisors, and considering the likelihood and anticipated timing of completion, are more favorable to American Capital's stockholders or to Ares Capital's stockholders, as applicable, from a financial point of view than the Transactions (including any revisions to the terms of the merger agreement in response to the competing proposal).

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

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

### ***Restructurings***

American Capital and Ares Capital have agreed to use reasonable best efforts to cause the restructuring of certain of American Capital's subsidiaries in accordance with the plans described in the merger agreement as well as the restructuring of certain portfolio investments of American Capital.

### **Conditions to the Transactions**

#### ***Conditions to Each Party's Obligations to Effect the Mergers***

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

the required approvals of American Capital and Ares Capital stockholders (including any required determinations by Ares Capital's board of directors under the Investment Company Act) are obtained at their respective stockholder meetings;

the shares of Ares Capital stock to be issued in the merger have been authorized for listing on NASDAQ;

the registration statement, of which this document forms a part, has become effective and no stop order suspending its effectiveness has been issued and no proceedings for that purpose have been initiated by the SEC;

any applicable waiting period under United States and foreign competition, antitrust, merger control or investment laws has expired or early termination thereof granted and any governmental authorization or consent required with respect to the mergers pursuant to such laws have been obtained;

no governmental authority issues any order that has the effect of restraining, enjoining or otherwise prohibiting the completion of the mergers;

all governmental authorizations and consents required with respect to the mergers as set forth in the American Capital disclosure letter have been obtained and remain in full force and effect; and

the consent of certain funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016.

***Conditions to the Obligations of Ares Capital, Acquisition Sub and IHAM to Effect the Mergers***

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

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

- (1) the authorized and outstanding capital stock of American Capital are true and correct as of the merger agreement date and the effective time other than for *de minimis* inaccuracies;
- (2) certain fundamental representations are true and correct in all material respects, without giving effect to any materiality or material adverse effect qualification stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such fundamental representations are required to be true as of such specific date only); and
- (3) all other representations contained in the merger agreement are true and correct, without giving effect to any materiality or material adverse effect qualifications stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such representations are required to be true as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a material adverse effect;

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

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

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

***Conditions to the Obligations of American Capital and ACAM to Effect the Mergers***

The obligation of American Capital and ACAM to complete the mergers is subject to the satisfaction or, where permissible, waiver of the following conditions (which are referred to as the "American Capital conditions"):

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

- (1) the authorized and outstanding capital stock of Ares Capital are true and correct as of the merger agreement date and the effective time other than for *de minimis* inaccuracies;
- (2) certain fundamental representations are true and correct in all material respects, without giving effect to any materiality or material adverse effect qualification stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such fundamental representations are required to be true as of such specific date only); and
- (3) all other representations contained in the merger agreement are true and correct, without giving effect to any materiality or material adverse effect qualifications stated therein, as of the merger agreement date and the effective time (except to the extent made as of a specific date, in which case such representations are required to be true as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a material adverse effect;

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

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

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

***Frustration of Closing Conditions***

No party may rely on the failure of a condition applicable to the other party if such failure was primarily caused by the failure of the relying party to perform its material obligations under the agreement.

**Termination of the Merger Agreement**

***Right to Terminate***

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

by mutual consent of Ares Capital and American Capital;

by either Ares Capital or American Capital if:

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

occurred on or before the termination date;

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- (2) any governmental authority takes any final and non-appealable action that permanently restrains, enjoins or prohibits the transactions contemplated by the merger agreement; provided that a party may not terminate if its failure to perform or comply with any of its obligations under the merger agreement proximately caused the governmental action;
- (3) the American Capital stockholder approval is not obtained; or
- (4) the Ares Capital stockholder approval is not obtained, provided that the termination right may not be exercised until the day immediately preceding the termination date;

by American Capital if:

- (1) Ares Capital, Ares Capital Management or IHAM breach or fail to perform any of their respective representations, warranties and covenants under the merger agreement if such breach or failure to perform (A) would result in the failure of an American Capital condition and (B) cannot be not cured by the termination date, or (y) 30 days following American Capital's delivery of written notice to Ares Capital of such breach or failure to perform (provided that American Capital is not then in material breach of a material obligation under the merger agreement so as to result in the failure of an Ares Capital condition);
- (2) at any time prior to the receipt of the Ares Capital stockholder approval, the Ares Capital board of directors makes an Ares Capital adverse recommendation change;
- (3) Ares Capital enters into a definitive agreement with respect to a superior proposal; or
- (4) at any time prior to receipt of the American Capital stockholder approval, American Capital enters into a definitive agreement with respect to a superior proposal, provided that (A) such proposal did not arise from a material breach of its non-solicit obligations and (B) prior to or simultaneously with such termination American Capital pays to Ares Capital a \$140 million termination fee;

by Ares Capital if:

- (1) American Capital or ACAM breach or fail to perform any of their representations, warranties and covenants under the merger agreement if such breach or failure to perform (A) would result in the failure of an Ares Capital condition and (B) cannot be cured by the termination date, or (y) 30 days following American Capital's delivery of written notice to Ares Capital of such breach or failure to perform (provided that Ares Capital is not then in material breach of a material obligation under the merger agreement so as to result in the failure of an American Capital condition);
- (2) at any time prior to the receipt of the American Capital stockholder approval, the American Capital board of directors makes an American Capital adverse recommendation change;
- (3) American Capital enters into a definitive agreement with respect to a superior proposal; or
- (4) at any time prior to receipt of the Ares Capital stockholder approval, Ares Capital enters into a definitive agreement with respect to a superior proposal, provided that (A) such proposal did not arise from a material breach of its non-solicit obligations and (B) prior to or simultaneously with such termination Ares Capital pays to American Capital a \$140 million termination fee.





*Termination Fees*

American Capital will be obligated to pay Ares Capital a \$140 million termination fee if the merger agreement is terminated:

by Ares Capital because (1) the American Capital board of directors has made an adverse recommendation change prior to the receipt of the American Capital stockholder approval or (2) American Capital entered into a definitive agreement with respect to a superior proposal;

by American Capital because prior to receipt of the American Capital stockholder approval, American Capital entered into a definitive agreement with respect to a superior proposal;

by:

(1) Ares Capital because the transactions were not completed by the termination date (provided that Ares Capital's failure to perform or comply with the merger agreement was not the principal cause of the failure of the closing to occur);

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

(3) Ares Capital or American Capital because the American Capital stockholder approval was not obtained; and

in each case (A) prior to such termination (or the American Capital annual meeting in the case of the immediately preceding paragraph (3)), a competing proposal was publicly disclosed after the date of the merger agreement and not withdrawn and (B) within 12 months after termination of the merger agreement, American Capital enters into a definitive agreement with respect to a competing proposal with a third party (provided that all references to 20% in the definition of competing proposal are deemed to be 66<sup>2</sup>/3% for purposes of this termination fee).

Ares Capital will be obligated to pay American Capital a \$140 million reverse termination fee if the merger agreement is terminated:

by American Capital because (1) the Ares Capital board of directors has made an adverse recommendation change prior to the receipt of the Ares Capital stockholder approval or (2) Ares Capital entered into a definitive agreement with respect to a superior proposal;

by Ares Capital because prior to receipt of the Ares Capital stockholder approval, Ares Capital entered into a definitive agreement with respect to a superior proposal; or

by:

(1) American Capital because the transactions were not completed by the termination date (provided that American Capital's failure to perform or comply with the merger agreement was not the principal cause of the failure of the closing to occur);

(2) American Capital because Ares Capital, Ares Capital Management or IHAM breached or failed to perform any of their respective representations, warranties and covenants under the merger agreement and such breach or failure

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to perform (A) would result in the failure of an American Capital condition and (B) cannot be cured by the termination date, or (y) 30 days following Ares Capital's delivery of written notice to American Capital of such breach or failure to perform (provided that American Capital is not then

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in material breach of a material obligation under the merger agreement so as to result in the failure of an Ares Capital condition); or

(3)

American Capital or Ares Capital because the Ares Capital stockholder approval was not obtained; and

in each case, (A) prior to such termination (or the Ares Capital special meeting in the case of the immediately preceding paragraph (3)), a competing proposal was publicly disclosed after the date of the merger agreement and not withdrawn and (B) within 12 months after termination of the merger agreement, Ares Capital enters into a definitive agreement with respect to a competing proposal with a third party (provided that all references to 20% in the definition of competing proposal are deemed to be  $66\frac{2}{3}\%$  for purposes of this termination fee).

Additionally, a party will be entitled to receive from the other party an expense reimbursement of up to \$15 million if the merger agreement is terminated because such other party failed to obtain its respective stockholder approval (including any required determinations by the party's board of directors). The payment of the expense reimbursement will not affect the right to receive any termination fee otherwise due under the merger agreement, but such payment will reduce on a dollar-for-dollar basis any termination fee that becomes due and payable to the party receiving such expense reimbursement.

### *Effect of Termination*

If the merger agreement is terminated, it will become void and have no effect and there will be no liability on the part of Ares Capital, American Capital or their respective affiliates or subsidiaries or any of their respective directors or officers, except that (1) Ares Capital and American Capital will remain liable to each other for any damages incurred arising out of any intentional or willful breach of the merger agreement or fraud and (2) certain designated provisions of the merger agreement will survive the termination, including, but not limited to, the termination fee provisions and the confidentiality agreement between Ares Capital and American Capital entered into in connection with the process leading up to the execution of the merger agreement.

### **Expenses and Fees**

In general, American Capital and Ares Capital will each be responsible for its own expenses incurred in connection with the merger agreement and the completion of the Transactions, irrespective of whether the Transactions are completed. However, all filing and other fees in connection with any filing under the HSR Act will be borne by Ares Capital. Ares Capital will also be responsible for any transfer, stamp and documentary taxes and real property transfer and other similar taxes.

### **Amendment, Waiver and Extension of the Merger Agreement**

The merger agreement may be amended by mutual agreement in writing at any time before or after receipt of the American Capital stockholder approval or Ares Capital stockholder approval, provided that, after receipt of such approvals, no amendment may be made that by applicable law or stock exchange rule would require further approval by stockholders of American Capital or Ares Capital.

### ACCOUNTING TREATMENT

The merger of Acquisition Sub with and into American Capital will be accounted for under the acquisition method of accounting as provided by ASC 805-50, *Business Combinations-Related Issues*. The fair value of the portion of the merger consideration paid by Ares Capital is allocated to the assets acquired and liabilities assumed based on their relative fair values as of the date of the mergers and will not give rise to goodwill. If the fair value of the net assets acquired exceeds the fair value of the merger consideration paid by Ares Capital, then Ares Capital would recognize a deemed contribution from Ares Capital Management in an amount up to approximately \$275 million. If the fair value of net assets acquired exceeds the fair value of the merger consideration paid by Ares Capital and by Ares Capital Management, then Ares Capital would also recognize a purchase accounting gain. Alternatively, if the fair value of the net assets acquired is less than the fair value of the portion of the merger consideration paid by Ares Capital, then Ares Capital would recognize a purchase accounting loss. Based on the preliminary pro forma purchase price allocation calculated as of June 30, 2016, the estimated fair value of the net assets acquired on a pro forma basis exceeds the estimated fair value of the merger consideration paid by Ares Capital resulting in the recognition of a deemed contribution from Ares Capital Management of approximately \$32 million, which would be recorded by Ares Capital in the period the mergers are completed.

The final allocation of the purchase price will be determined after the mergers are completed and after completion of a final analysis to determine the estimated fair values of American Capital's acquired assets and assumed liabilities. Accordingly, the final purchase accounting adjustments and integration charges may differ materially from the pro forma adjustments presented in this document. Increases or decreases in the estimated fair values of the net assets, and other items of American Capital as compared to the information shown in this document may change the amount of the purchase price recognized as a deemed contribution, gain or loss in accordance with ASC 805-50.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

**Scope of Discussion**

The following is a general discussion of material U.S. federal income tax consequences of the merger to holders of American Capital common stock that exchange their shares of American Capital common stock for the merger consideration. This discussion does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed.

This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service, or the "IRS," in each case in effect as of the date of this document. These authorities may change or be subject to differing interpretations, and any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of American Capital common stock or Ares Capital common stock after the merger. Neither Ares Capital nor American Capital have sought any rulings from the IRS or an opinion from counsel regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the merger or any related transactions.

This discussion is limited to American Capital stockholders that hold American Capital common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a stockholder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to stockholders subject to special rules, including, without limitation:

U.S. expatriates and former citizens or long-term residents of the United States;

persons subject to the alternative minimum tax;

persons holding American Capital common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;

banks, insurance companies, and other financial institutions;

brokers, dealers or traders in securities;

"controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;

partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);

tax-exempt organizations or governmental organizations;

persons deemed to sell American Capital common stock under the constructive sale provisions of the Code;

persons who hold or receive American Capital common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and

tax-qualified retirement plans.

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If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds American Capital common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding American Capital common stock and the partners in such

partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE MERGER, INCLUDING AN INVESTMENT IN ARES CAPITAL COMMON STOCK, ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

For purposes of this discussion, a "U.S. stockholder" is any beneficial owner of American Capital common stock that is, for U.S. federal income tax purposes:

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

a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;

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

a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

A "non-U.S. stockholder" is any beneficial owner of American Capital common stock that is neither a U.S. stockholder nor an entity treated as a partnership for U.S. federal income tax purposes.

As discussed previously in this document, upon completion of the merger, each American Capital stockholder will receive, in exchange for each share of American Capital common stock, the merger consideration consisting of (1) the Ares Capital consideration, (2) the make-up dividend amount, (3) the Ares Capital Management consideration and (4) the Mortgage Manager consideration.

### **Tax Consequences of the Merger**

Ares Capital and American Capital will treat the merger as a taxable acquisition of the common stock of American Capital by Ares Capital.

#### *U.S. Stockholders*

Subject to the discussion below relating to the treatment of the Ares Capital Management consideration, U.S. stockholders generally should recognize gain or loss upon the exchange of their American Capital common stock for the Ares Capital consideration, the make-up dividend amount and the Mortgage Manager consideration in an amount equal to the difference between the fair market value of such merger consideration received by the U.S. stockholder and the U.S. stockholder's tax basis in his, her or its American Capital common stock. Such gain or loss generally should be capital gain or loss.

The tax treatment of the receipt of the Ares Capital Management consideration is unclear because there is limited authority addressing the tax consequences of the receipt of merger consideration from a party other than the acquiror. If the Ares Capital Management consideration is treated as additional merger consideration received in exchange for American Capital common stock, such payment would be treated as part of the total consideration received in exchange for the American Capital common stock and treated in the manner described above. It is possible, however, that the Ares Capital



Management consideration may be treated as ordinary income, and not as received in exchange for a U.S. stockholder's American Capital common stock.

Although the matter is not free from doubt, Ares Capital, Ares Capital Management and Computershare (as Ares Capital's transfer agent) intend to take the position that the Ares Capital Management consideration received by U.S. stockholders is treated as additional merger consideration, and, assuming such position is respected, any gain or loss recognized by a U.S. stockholder on the receipt of the Ares Capital Management consideration should be capital gain or loss. No assurances can be given, however, that the IRS will not assert, or that a court would not sustain, a contrary position.

Capital gain or loss recognized by a U.S. stockholder will be long-term capital gain or loss if, as of the effective time, the U.S. stockholder's holding period for its American Capital common stock is greater than one year. Long-term capital gains for certain non-corporate U.S. stockholders, including individuals, are generally eligible for a reduced rate of U.S. federal income taxation. The deductibility of capital losses is subject to limitations. If a U.S. stockholder acquired different blocks of American Capital common stock at different times or different prices, such U.S. stockholder must determine its tax basis, holding period, and gain or loss separately with respect to each block of American Capital common stock. **The rules for determining holding periods are complex. American Capital stockholders should consult their tax advisors.**

A U.S. stockholder may, under certain circumstances, be subject to information reporting and backup withholding (at a rate of 28%) with respect to the merger consideration received pursuant to the merger, unless such holder properly establishes an exemption or provides its correct tax identification number and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. stockholder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

#### *Non-U.S. Stockholders*

Gain recognized by a non-U.S. stockholder upon the exchange of American Capital common stock for the Ares Capital consideration, the make-up dividend amount and the Mortgage Manager consideration pursuant to the merger generally should not be subject to U.S. federal income tax unless:

the gain is effectively connected with a U.S. trade or business of such non-U.S. stockholder (and, if required by an applicable income tax treaty, the non-U.S. stockholder maintains a permanent establishment in the United States to which such gain is attributable), in which case the non-U.S. stockholder generally should be subject to tax on such gain in the same manner as a U.S. stockholder and, if the non-U.S. stockholder is a foreign corporation, such corporation may be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty);

the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the merger and certain other requirements are met, in which case the non-U.S. stockholder generally should be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the non-U.S. stockholder, if any, provided the non-U.S. stockholder has timely filed U.S. federal income tax returns with respect to such losses; or

American Capital is or has been a "United States real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of (i) the five-year period ending on the date of the merger and (ii) the non-U.S. stockholder's holding period in the American Capital common stock, and the non-U.S. stockholder owned (directly, indirectly or

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constructively) more than 5% of American Capital's outstanding common stock at any time during the applicable period. Although there can be no assurances in this regard, American Capital does not believe that it is or was a "United States real property holding corporation" for U.S. federal income tax purposes.

As discussed above under the heading " U.S. Stockholders," the tax treatment of the receipt of the Ares Capital Management consideration is not entirely clear. Given this uncertainty, except as provided below with respect to effectively connected income, Ares Capital, Ares Capital Management and Computershare (as Ares Capital's transfer agent), and any other applicable withholding agent, intend to withhold U.S. income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty, provided the non-U.S. stockholder furnishes the applicable forms or documents certifying qualification for the lower treaty rate) from the Ares Capital Management consideration payable to a non-U.S. stockholder. A non-U.S. stockholder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. stockholders should consult their tax advisors regarding the U.S. federal income tax consequences of receiving the Ares Capital Management consideration.

If the Ares Capital Management consideration received by a non-U.S. stockholder is effectively connected with the non-U.S. stockholder's conduct of a trade or business within the United States, the non-U.S. stockholder will be exempt from the U.S. federal withholding tax described immediately above. To claim the exemption, the non-U.S. stockholder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the Ares Capital Management consideration is effectively connected with the non-U.S. stockholder's conduct of a trade or business within the United States. Any such effectively connected income will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A non-U.S. stockholder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected income, as adjusted for certain items. Non-U.S. stockholders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

A non-U.S. stockholder will be subject to information reporting and, in certain circumstances, backup withholding with respect to the merger consideration received by such holder pursuant to the merger, unless such non-U.S. stockholder certifies under penalties of perjury that it is a non-U.S. stockholder (and the payor does not have actual knowledge or reason to know that the holder is a United States person as defined under the Code) or such holder otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. stockholder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### ***Additional Withholding Tax on Payments Made to Foreign Accounts***

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or "FATCA") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on certain types of income from sources within the United States, which may include the Ares Capital Management consideration, that are paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting

requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

American Capital stockholders should consult their tax advisors regarding the potential application of withholding under FATCA to the Ares Capital Management consideration.

## **U.S. Federal Income Taxation of an Investment in Ares Capital Common Stock**

### *Election to be Taxed as a RIC*

As a BDC, Ares Capital has elected to be treated as a RIC under the Code. As a RIC, Ares Capital generally will not pay corporate-level income taxes on its income and net capital gains that Ares Capital distributes to its stockholders as dividends on a timely basis. Ares Capital will be subject to U.S. federal corporate-level income tax on any undistributed income and/or gains. To qualify as a RIC, Ares Capital must, among other things, meet certain source of income and asset diversification requirements (as described below). In addition, Ares Capital must distribute to its stockholders, for each taxable year, generally an amount equal to at least 90% of Ares Capital's "investment company taxable income," as defined by the Code. See "Risk Factors Risks Relating to Ares Capital's Business Ares Capital may be subject to additional corporate-level income taxes if it fails to maintain its status as a RIC."

### *Taxation as a RIC*

If Ares Capital:

qualifies as a RIC; and

satisfies the Annual Distribution Requirement;

then Ares Capital will not be subject to U.S. federal income tax on the portion of its investment company taxable income and net capital gain (generally, net long-term capital gain in excess of net short-term capital loss) Ares Capital distributes (or is deemed to distribute) to stockholders. Ares Capital will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to Ares Capital's stockholders.

Ares Capital will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless Ares Capital distributes in a timely manner an amount at least equal to the sum of (1) 98% of Ares Capital's ordinary income for each calendar year, (2) 98.2% of Ares Capital's capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (collectively, the "Excise Tax Requirement"). Ares Capital has paid in the past, and can be expected to pay in the future, such excise tax on a portion of its income.

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

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

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

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

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

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

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

Ares Capital may be required to recognize taxable income in circumstances in which it does not receive cash, such as income from hedging or foreign currency transactions. For example, if Ares Capital holds debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, that have increasing interest rates or that are issued with warrants), Ares Capital must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by it in the same taxable year. Because any original issue discount or other amounts accrued will be included in Ares Capital's investment company taxable income for the year of accrual, Ares Capital may be required to make a distribution to its stockholders in order to satisfy the Annual Distribution Requirement and/or the Excise Tax Requirement, even though Ares Capital will not have received any corresponding cash amount.

Furthermore, a portfolio company in which Ares Capital invests may face financial difficulty that requires Ares Capital to work-out, modify or otherwise restructure Ares Capital's investment in the portfolio company. Any such restructuring could, depending on the specific terms of the restructuring, result in unusable capital losses and future non-cash income.

In addition, certain of Ares Capital's investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (a) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (b) convert long-term capital gain (currently taxed at lower rates for non-corporate taxpayers) into higher taxed short-term capital gain or ordinary income, (c) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (d) adversely affect the time when a purchase or sale of stock or securities is deemed to occur or (e) adversely alter the characterization of certain complex financial transactions. Ares Capital will monitor its transactions and may make certain tax elections in order to mitigate the effects of these provisions; however, no assurance can be given that Ares Capital will be eligible for any such tax elections or that any elections Ares Capital makes will fully mitigate the effects of these provisions.

Gain or loss recognized by Ares Capital from warrants acquired by Ares Capital as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or

loss generally will be long-term or short-term, depending on how long Ares Capital held a particular warrant.

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

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

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

If Ares Capital borrows money, it may be prevented by loan covenants from declaring and paying dividends in certain circumstances. Even if Ares Capital is authorized to borrow funds and to sell assets in order to satisfy distribution requirements, under the Investment Company Act, Ares Capital generally is not permitted to make distributions to its stockholders while Ares Capital's debt obligations and senior securities are outstanding unless certain "asset coverage" tests or other financial covenants are met. Limits on Ares Capital's payment of dividends may prevent Ares Capital from meeting the Annual Distribution Requirement, and may, therefore, jeopardize Ares Capital's qualification for taxation as a RIC, or subject Ares Capital to the 4% excise tax on undistributed income.

Some of the income and fees that Ares Capital recognizes, such as management fees, may not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify Ares Capital as a RIC for a failure to satisfy the 90% Income Test, Ares Capital may be required to recognize such income or fees through one or more entities treated as U.S. corporations for U.S. federal income tax purposes. While Ares Capital expects that recognizing such income through such corporations will assist Ares Capital in satisfying the 90% Income Test, no assurance can be given that this structure will be respected for U.S. federal income tax purposes, which could result in such income not being counted towards satisfying the 90% Income Test. If the amount of such income were too

great and Ares Capital were otherwise unable to mitigate this effect, it could result in Ares Capital's disqualification as a RIC. If, as Ares Capital expects, the structure is respected, such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce the yield on such income and fees.

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

If Ares Capital fails to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, and is not eligible for relief as described above, Ares Capital will be subject to tax in that year on all of its taxable income, regardless of whether Ares Capital makes any distributions to its stockholders. In that case, all of Ares Capital's income will be subject to corporate-level income tax, reducing the amount available to be distributed to its stockholders. In contrast, assuming Ares Capital qualifies as a RIC, Ares Capital's U.S. federal corporate-level income tax should be substantially reduced or eliminated. See "Election to Be Taxed as a RIC" above and "Risk Factors Risks Relating to Ares Capital's Business Ares Capital may be subject to additional corporate-level income taxes if it fails to maintain its status as a RIC."

### **Capital Loss Carryforwards and Unrealized Losses**

As a RIC, Ares Capital is permitted to carry forward a net capital loss realized in a taxable year beginning on or before January 1, 2011 to offset Ares Capital's capital gain, if any, realized during the eight years following the year of the loss. A capital loss carryforward realized in a taxable year beginning before January 1, 2011 is treated as a short-term capital loss in the year to which it is carried. Ares Capital is permitted to carry forward a net capital loss realized in taxable years beginning on or after January 1, 2011 to offset capital gain indefinitely. For net capital losses realized in taxable years beginning on or after January 1, 2011, the excess of Ares Capital's net short-term capital loss over its net long-term capital gain is treated as a short-term capital loss arising on the first day of Ares Capital's next taxable year and the excess of Ares Capital's net long-term capital loss over its net short-term capital gain is treated as a long-term capital loss arising on the first day of Ares Capital's next taxable year. If future capital gain is offset by carried-forward capital losses, such future capital gain is not subject to fund-level U.S. federal income tax, regardless of whether distributed to stockholders. A RIC cannot carry back or carry forward any net operating losses.

It is believed that transactions Ares Capital has undertaken, including the Allied Acquisition (as defined below), have resulted in a limitation on Ares Capital's ability to use both its own and Allied Capital's capital loss carryforwards and, potentially, to use unrealized capital losses inherent in the tax basis of Ares Capital's own pre-acquisition assets and Allied Capital's assets Ares Capital acquired. These limitations, imposed by Section 383 of the Code and based on the principles of Section 382 of the Code, are imposed on an annual basis. Losses in excess of the limitation may be carried forward, subject to the overall eight-year limitation. The Section 382 limitation applied to Ares Capital's and Allied Capital's losses generally will equal the product of the net asset value of each corporation immediately prior to the Allied Acquisition, respectively, and the "long-term tax-exempt rate," published by the IRS, in effect at such time. As of April 2010, the month during which the Allied Acquisition was consummated, the long-term tax-exempt rate was 4.03%. Additionally, under Section 384 of the Code, Ares Capital may also be prohibited from using Allied Capital's loss carryforwards and unrealized losses against any of Ares Capital's unrealized gains at the time of the

Allied Acquisition, to the extent such gains are realized within five years following the Allied Acquisition. While Ares Capital's ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, because capital loss carryforwards realized in taxable years beginning before January 1, 2011 generally expire eight taxable years following recognition, substantially all of Ares Capital's and Allied Capital's losses may become permanently unavailable. Future transactions Ares Capital enters into may further limit its ability to utilize losses.

As of December 31, 2015, for U.S. federal income tax purposes, Ares Capital had capital loss carryforwards of approximately \$0.1 billion and other losses limited under Sections 382 and 384 of the Code of approximately \$0.3 billion. These amounts are estimates and will not be finally determined until Ares Capital files its 2015 income tax return in 2016.

#### **Taxation of U.S. Stockholders**

Whether an investment in the shares of Ares Capital common stock is appropriate for a U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares of Ares Capital common stock by a U.S. stockholder may have adverse tax consequences. The following summary generally describes certain U.S. federal income tax consequences of an investment in shares of Ares Capital common stock by taxable U.S. stockholders and not by U.S. stockholders that generally are exempt from U.S. federal income taxation. U.S. stockholders should consult their own tax advisors before investing in shares of Ares Capital common stock.

##### *Distributions on Ares Capital Common Stock*

Distributions by Ares Capital generally are taxable to U.S. stockholders as ordinary income or long-term capital gain. Distributions of Ares Capital's investment company taxable income (which is, generally, Ares Capital's ordinary income excluding net capital gain) will be taxable as ordinary income to U.S. stockholders to the extent of Ares Capital's current and accumulated earnings and profits, whether paid in cash or reinvested in additional shares of Ares Capital common stock. Distributions of Ares Capital's net capital gain (which generally is the excess of Ares Capital's net long-term capital gain over its net short-term capital loss) properly reported by Ares Capital as "capital gain dividends" will be taxable to U.S. stockholders as long-term capital gains (which, under current law, are taxed at preferential rates in the case of individuals, trusts or estates). This is true regardless of U.S. stockholders' holding periods for their common stock and regardless of whether the dividend is paid in cash or reinvested in additional common stock. Distributions in excess of Ares Capital's earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted tax basis is reduced to zero, will constitute capital gain to such U.S. stockholder. Ares Capital has made distributions in excess of its earnings and profits and may continue to do so in the future. As a result, a U.S. stockholder will need to consider the effect of Ares Capital's distributions on such U.S. stockholder's adjusted tax basis in Ares Capital common stock in their individual circumstances.

A portion of Ares Capital's ordinary income dividends, but not capital gain dividends, paid to corporate U.S. stockholders may, if certain conditions are met, qualify for the 70% dividends-received deduction to the extent that Ares Capital has received dividends from certain corporations during the taxable year, but only to the extent such ordinary income dividends are treated as paid out of Ares Capital's earnings and profits. Ares Capital expects only a small portion of its dividends to qualify for this deduction. Corporate U.S. stockholders should consult their own tax advisors in determining the application of these rules in their particular circumstances.

In general, "qualified dividend income" realized by non-corporate U.S. stockholders is taxable at the same rate as net capital gain. Generally, qualified dividend income is dividend income attributable to certain U.S. and foreign corporations, as long as certain holding period requirements are met. As

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long as certain requirements are met, Ares Capital's dividends paid to non-corporate U.S. stockholders attributable to qualified dividend income may be treated by such U.S. stockholders as qualified dividend income, but only to the extent such ordinary income dividends are treated as paid out of Ares Capital's earnings and profits. Ares Capital expects only a small portion of its dividends to qualify as qualified dividend income.

Although Ares Capital currently intends to distribute any of its net capital gain for each taxable year on a timely basis, Ares Capital may in the future decide to retain some or all of its net capital gain, and may designate the retained amount as a "deemed distribution." In that case, among other consequences, Ares Capital will pay tax on the retained amount, each U.S. stockholder will be required to include such stockholder's share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to such stockholder's allocable share of the tax paid thereon by Ares Capital. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's adjusted tax basis for such stockholder's common stock.

Because Ares Capital expects to pay tax on any retained net capital gain at Ares Capital's regular corporate tax rate, and because that rate currently is in excess of the maximum rate currently payable by individuals on net capital gain, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit would exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against a U.S. stockholder's other U.S. federal income tax obligations or may be refunded to the extent it exceeds the stockholder's liability for U.S. federal income tax. A U.S. stockholder that is not subject to U.S. federal income tax or otherwise is not required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes Ares Capital paid. In order to utilize the deemed distribution approach, Ares Capital must provide a written statement to its stockholders reporting the deemed distribution after the close of the relevant taxable year. Ares Capital cannot treat any of its investment company taxable income as a "deemed distribution."

Ares Capital will be subject to the alternative minimum tax, also referred to as the "AMT," but any items that are treated differently for AMT purposes must be apportioned between Ares Capital and its stockholders and this may affect U.S. stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued, such items generally will be apportioned in the same proportion that dividends paid to each stockholder bear to Ares Capital's taxable income (determined without regard to the dividends paid deduction), unless a different method for a particular item is warranted under the circumstances.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of dividends paid for that year, Ares Capital may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If Ares Capital makes such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by Ares Capital in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by Ares Capital's U.S. stockholders on December 31 of the year in which the dividend was declared.

Ares Capital has the ability to declare a large portion of a dividend in shares of its stock. As long as a portion of such dividend is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, Ares Capital's stockholders will be taxed on 100% of the fair market value of the dividend on the date the dividend is received in the same manner as a cash dividend, even though most of the dividend was paid in shares of Ares Capital stock, which may result in Ares Capital's U.S. stockholders having to pay tax on such



dividends, even if no cash is received, and Ares Capital's non-U.S. stockholders may be subject to withholding tax in respect of amounts distributed in Ares Capital common stock.

If investors purchase shares of Ares Capital common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investors will be subject to tax on the distribution even though it represents a return of their investment. Ares Capital has built-up or has the potential to build up large amounts of unrealized gain which, when realized and distributed, could have the effect of a taxable return of capital to stockholders.

#### ***Sale or Other Disposition of Ares Capital Common Stock***

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of such stockholder's shares of Ares Capital common stock. The amount of gain or loss will be measured by the difference between such stockholder's adjusted tax basis in the stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held such stockholder's shares for more than one year. Otherwise, such gain or loss will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of Ares Capital common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of Ares Capital common stock may be disallowed if substantially identical stock or securities are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

In general, U.S. stockholders that are individuals, trusts or estates are taxed at preferential rates on their net capital gain (generally, the excess of net long-term capital gain over net short-term capital loss for a taxable year, including long-term capital gain derived from an investment in Ares Capital shares). Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum rate that also applies to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital loss in excess of capital gain) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

#### ***Information Reporting and Backup Withholding***

Ares Capital will send to each of its U.S. stockholders, after the end of each calendar year, a notice providing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each year's distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

Ares Capital may be required to withhold U.S. federal income tax ("backup withholding") from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish Ares Capital with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies Ares Capital has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Backup withholding is not an additional tax. Any amount withheld under backup withholding is allowed as a credit against the

U.S. stockholder's U.S. federal income tax liability and may entitle such stockholder to a refund, provided that proper information is timely provided to the IRS.

***Withholding and Information Reporting on Foreign Financial Accounts***

Pursuant to Sections 1471 to 1474 of the Code and the U.S. Treasury regulations thereunder, the relevant withholding agent generally will be required to withhold 30% of any dividends on Ares Capital common stock and, after December 31, 2018, 30% of the gross proceeds from a sale of Ares Capital preferred stock and common stock to (i) a foreign financial institution (whether such financial institution is the beneficial owner or an intermediary) unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity (whether such entity is the beneficial owner or an intermediary) unless such entity certifies that it does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and such entity meets certain other specified requirements. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Certain jurisdictions have entered into agreements with the United States that may supplement or modify these rules. Ares Capital will not pay any additional amounts in respect to any amounts withheld.

***Reportable Transactions***

Under U.S. Treasury regulations, if a stockholder recognizes a loss with respect to shares of \$2 million or more for a non-corporate stockholder or \$10 million or more for a corporate stockholder in any single taxable year (or a greater loss over a combination of years), the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of certain portfolio securities in many cases are excepted from this reporting requirement, but under current guidance, stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Significant monetary penalties apply to a failure to comply with this reporting requirement. States may also have a similar reporting requirement. Stockholders should consult their own tax advisors to determine the applicability of these regulations in light of their individual circumstances.

**Taxation of Non-U.S. Stockholders**

Whether an investment in shares of Ares Capital common stock is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in shares of Ares Capital common stock by a non-U.S. stockholder may have adverse tax consequences and, accordingly, may not be appropriate for a non-U.S. stockholder. Non-U.S. stockholders should consult their own tax advisors before investing in Ares Capital common stock.

***Distributions on Ares Capital Common Stock***

Distributions of Ares Capital's investment company taxable income to non-U.S. stockholders will be subject to U.S. withholding tax (unless lowered or eliminated by an applicable income tax treaty) to the extent payable from Ares Capital's current and accumulated earnings and profits unless an exception applies.

If a non-U.S. stockholder receives distributions and such distributions are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if an income tax treaty applies, attributable to a permanent establishment in the United States of such non-U.S. stockholder, such distributions generally will be subject to U.S. federal income tax at the rates applicable to U.S. persons.

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In that case, Ares Capital will not be required to withhold U.S. federal income tax if the non-U.S. stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a non-U.S. stockholder that is a foreign trust and such entities are urged to consult their own tax advisors.

Actual or deemed distributions of Ares Capital's net capital gain (which generally is the excess of Ares Capital's net long-term capital gain over its net short-term capital loss) to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale of Ares Capital common stock, will not be subject to withholding of U.S. federal income tax and generally will not be subject to U.S. federal income tax unless (a) the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. stockholder in the United States (as discussed above) or (b) the non-U.S. stockholder is an individual, has been present in the United States for 183 days or more during the taxable year, and certain other conditions are satisfied. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains recognized upon the sale of Ares Capital common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" (unless lowered or eliminated by an applicable income tax treaty). Non-U.S. stockholders of Ares Capital common stock are encouraged to consult their own advisors as to the applicability of an income tax treaty in their individual circumstances.

In general, no U.S. source withholding taxes will be imposed on dividends paid by RICs to non-U.S. stockholders to the extent the dividends are designated as "interest-related dividends" or "short-term capital gain dividends." Under this exemption, interest-related dividends and short-term capital gain dividends generally represent distributions of interest or short-term capital gain that would not have been subject to U.S. withholding tax at the source if they had been received directly by a non-U.S. stockholder, and that satisfy certain other requirements. No assurance can be given that Ares Capital will distribute any interest-related or short-term capital gain dividends.

If Ares Capital distributes its net capital gain in the form of deemed rather than actual distributions (which Ares Capital may do in the future), a non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the non-U.S. stockholder's allocable share of the tax Ares Capital pays on the capital gain deemed to have been distributed. In order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number (if one has not been previously obtained) and file a U.S. federal income tax return even if the non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

Ares Capital has the ability to declare a large portion of a dividend in shares of Ares Capital common stock. As long as a portion of such dividend is paid in cash (which portion could be as low as 20%) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, Ares Capital's non-U.S. stockholders will be taxed on 100% of the fair market value of the dividend on the date the dividend is received in the same manner as a cash dividend (including the application of withholding tax rules described above), even though most of the dividend was paid in shares of Ares Capital common stock. In such a circumstance, Ares Capital may be required to withhold all or substantially all of the cash Ares Capital would otherwise distribute to a non-U.S. stockholder.

A non-U.S. stockholder who is otherwise subject to withholding of U.S. federal income tax may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the non-U.S. stockholder provides Ares Capital or the dividend paying agent with an IRS Form W-8BEN or IRS Form W-8BEN-E (or an acceptable substitute form) or otherwise meets

documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Pursuant to Sections 1471 to 1474 of the Code and the U.S. Treasury regulations thereunder, the relevant withholding agent generally will be required to withhold 30% of any dividends paid on Ares Capital common stock and, after December 31, 2018, 30% of the gross proceeds from a sale of Ares Capital common stock to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and such entity meets certain other specified requirements. If payment of this withholding tax is made, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such dividends or proceeds will be required to seek a credit or refund from the IRS to obtain the benefit of such exemption or reduction. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Certain jurisdictions have entered into agreements with the United States that may supplement or modify these rules. Non-U.S. stockholders should consult their own tax advisers regarding the particular consequences to them of this legislation and guidance. Ares Capital will not pay any additional amounts in respect to any amounts withheld.

#### **Failure to Qualify as a RIC**

If Ares Capital were unable to qualify for treatment as a RIC, and relief were not available as discussed above, Ares Capital would be subject to tax on all of its taxable income at regular corporate rates. Ares Capital would not be able to deduct distributions to stockholders and would not be required to make distributions for tax purposes. Distributions generally would be taxable to Ares Capital's stockholders as ordinary dividend income to the extent of Ares Capital's current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate U.S. stockholders would be eligible for the dividends-received deduction. Distributions in excess of Ares Capital's current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. If Ares Capital were to fail to meet the RIC requirements for more than two consecutive years and then sought to requalify as a RIC, Ares Capital would be subject to tax on any unrealized net built-in gains in the assets held by Ares Capital during the period in which Ares Capital failed to qualify as a RIC that are recognized within the subsequent ten years, unless Ares Capital makes a special election to pay corporate-level tax on such built-in gains at the time of its requalification as a RIC.

#### **Possible Legislative or Other Actions Affecting Tax Considerations**

Prospective investors should recognize that the present U.S. federal income tax treatment of an investment in shares of Ares Capital common stock may be modified by legislative, judicial or administrative action at any time, and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the tax consequences of an investment in Ares Capital.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under the merger agreement, subject to the completion of the mergers, American Capital stockholders will receive \$1.47 billion in cash from Ares Capital, or \$6.41 per share, plus 0.483 shares of Ares Capital common stock for each share of American Capital common stock, subject to the payment of cash instead of fractional shares, resulting in approximately 111.0 million shares of Ares Capital common stock issued in exchange for approximately 229.9 million shares of American Capital common stock. The purchase price is approximately \$3.2 billion in total cash and stock consideration from Ares Capital which is based upon a closing price of \$15.14 per share of Ares Capital common stock as of July 31, 2016 and an implied value per share of American Capital common stock of \$13.72. Additionally as part of the total merger consideration received by American Capital stockholders, Ares Capital Management will provide approximately \$275 million of cash, or \$1.20 per fully diluted share, to American Capital stockholders at closing. Separately, upon completion of the mergers, each share of American Capital common stock will also be entitled to receive \$2.45 per share in cash (representing an aggregate amount of approximately \$563 million), which amount represents the per share cash consideration to be paid to American Capital as a result of the completion of the Mortgage Manager Sale, which was completed on July 1, 2016. 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 American 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 mergers on Ares Capital's financial position and results of operations based upon Ares Capital's and American Capital's respective historical financial positions and results of operations under the acquisition method of accounting with Ares Capital treated as the acquirer.

In accordance with GAAP, the acquired assets and assumed liabilities of American Capital will be recorded by Ares Capital at their estimated fair values as of the effective time. The unaudited pro forma condensed consolidated financial information of Ares Capital and American Capital reflects the unaudited pro forma condensed consolidated balance sheet as of June 30, 2016 and the unaudited pro forma condensed consolidated income statements for the six months ended June 30, 2016 and the year ended December 31, 2015. The unaudited pro forma condensed consolidated balance sheet as of June 30, 2016 assumes the mergers and the Other Pro Forma Transactions had been completed on June 30, 2016. The unaudited pro forma condensed consolidated statements of income for the six months ended June 30, 2016 and the year ended December 31, 2015 assumes the mergers and the Other Pro Forma Transactions had been completed on December 31, 2014.

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 mergers and the Other Pro Forma Transactions been completed at the beginning of the applicable period presented, nor the impact of potential expense efficiencies of the mergers, certain potential asset dispositions 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 mergers and the Other Pro Forma Transactions. Additionally, the unaudited pro forma condensed consolidated financial data does not include any estimated net increase (decrease) in stockholders' equity resulting from operations or other asset sales and repayments that are not already reflected that may occur between June 30, 2016 and the completion of the mergers.

Ares Capital cannot assure you that the Transactions will be completed as scheduled, or at all. See "Description of the Transactions" for a description of the terms of the Transactions, "Risk Factors

Risks Relating to Ares Capital Ares Capital may fail to complete the Transactions" for a description of the risks associated with a failure to complete the Transactions and "Risk Factors Risks Relating to the Transactions" for a description of the risks that the combined company may face if the Transactions are completed.

**Ares Capital Corporation and Subsidiaries**  
**Pro Forma Condensed Consolidated Balance Sheet**  
**As of June 30, 2016**  
**Unaudited**  
**(in millions, except share and per share data)**

	Actual Ares Capital	Adjusted American Capital(A)	Pro Forma Adjustments	Pro Forma Ares Capital Combined
<b>Assets and Liabilities Data:</b>				
Investments, at fair value	\$ 8,900	\$ 3,291	\$ (181) (B)	\$ 12,010
Cash and cash equivalents	126	896	(724) (B)	87
			(1,474) (C)	
			1,263 (D)	
Other assets	182	345	(245) (B)	287
			5 (D)	
<b>Total assets</b>	<b>\$ 9,208</b>	<b>\$ 4,532</b>	<b>\$ (1,356)</b>	<b>\$ 12,384</b>
<b>Debt</b>	<b>\$ 3,785</b>	<b>\$</b>	<b>\$ 1,301 (D)</b>	<b>\$ 5,086</b>
Other liabilities	205	124	71 (B)	394
			(6) (D)	
<b>Total liabilities</b>	<b>3,990</b>	<b>124</b>	<b>1,366</b>	<b>5,480</b>
Stockholders' equity	5,218	4,408	(1,221) (B)	6,904
			(1,474) (C)	
			(27) (D)	
<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,208</b>	<b>\$ 4,532</b>	<b>\$ (1,356)</b>	<b>\$ 12,384</b>
<b>Total shares outstanding</b>	<b>313,954,008</b>	<b>216,066,309</b>	<b>111,053,353</b>	<b>425,007,361</b>
<b>Net assets per share</b>	<b>\$ 16.62</b>	<b>\$ 20.40</b>		<b>\$ 16.24</b>

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

**Ares Capital Corporation and Subsidiaries**  
**Pro Forma Condensed Consolidated Statement of Operations**  
**For the Six Months Ended June 30, 2016**  
**Unaudited**  
**(in millions, except share and per share data)**

	Actual Ares Capital	Actual American Capital	Pro Forma Adjustments	Pro Forma Ares Capital Combined
<b>Performance Data:</b>				
Interest and dividend income	\$ 448	\$ 270	\$ (57) (E)	\$ 661
Fees and other income	45	34	(6) (E)	73
Total investment income	493	304	(63)	734
Interest and credit facility fees	96	30	(21) (F)	122
			17 (F)	
Base management fees	69	4	24 (G)	97
Income based fees	58		(4) (H)	54
Capital gains incentive fees	14		(H)	14
Other expenses	29	105	(61) (I)	73(L)
Total expenses	266	139	(45)	360
Net investment income before taxes	227	165	(18)	374
Income taxes	9	45	(45) (J)	9
Net investment income	218	120	27	365
Net realized gains	58	103	(16) (J)	145
Net unrealized gains (losses)	13	(197)	139 (E)	(97)
			(52) (J)	
Net realized and unrealized gains (losses)	71	(94)	71	48
Net increase in stockholders' equity	\$ 289	\$ 26	\$ 98	\$ 413
Weighted average shares outstanding	314,123,517	225,817,418	111,053,353 (K)	425,176,870
Earnings per share	\$ 0.92	\$ 0.12		\$ 0.97

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.





**Ares Capital Corporation and Subsidiaries**  
**Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2015**  
**Unaudited**  
**(in millions, except share and per share data)**

	Actual Ares Capital	Actual American Capital	Pro Forma Adjustments	Pro Forma Ares Capital Combined
<b>Performance Data:</b>				
Interest and dividend income	\$ 891	\$ 607	\$ (108) (E)	\$ 1,390
Fees and other income	134	64	(8) (E)	190
Total investment income	1,025	671	(116)	1,580
Interest and credit facility fees	227	79	(43) (F)	297
			34 (F)	
Base management fees	134	13	76 (G)	223
Income based fees	121		(15) (H)	106
Capital gains incentive fees	(27)		(H)	(27)
Other expenses	44	201	(89) (I)	156(L)
Total expenses	499	293	(37)	755
Net investment income before taxes	526	378	(79)	825
Income taxes	18	125	(125) (J)	18
Net investment income	508	253	46	807
Net realized gains (losses)	128	(627)	(64) (J)	(563)
Net unrealized gains (losses)	(246)	187	162 (E)	221
			118 (J)	
Net realized and unrealized losses	(118)	(440)	216	(342)
Loss on extinguishment of debt	(10)			(10)
Net increase (decrease) in stockholders' equity	\$ 380	\$ (187)	\$ 262	\$ 455
Weighted average shares outstanding	314,375,099	267,192,057	111,053,353 (K)	425,428,452
Earnings (loss) per share	\$ 1.20	\$ (0.70)		\$ 1.07

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

## Ares Capital Corporation and Subsidiaries

**Pro Forma Schedule of Investments**  
**Unaudited**  
**As of June 30, 2016**  
**(Dollar Amounts in Millions)**

Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Investment Funds and Vehicles</b>								
ACAS CLO 2007-1, Ltd.	Investment company	Secured notes (due 4/21)			\$ 8.4	\$ 8.3	\$ 8.4	\$ 8.3
		Subordinated notes (due 4/21)			12.7	11.3	12.7	11.3
ACAS Wachovia Investments, L.P.(4)	Investment partnership	Partnership interest			1.8	0.4	1.8	0.4
Apidos CLO XVIII, Ltd.	Investment company	Subordinated notes (due 7/26)			31.7	20.4	31.7	20.4
Apidos CLO XXI	Investment company	Subordinated notes (due 6/27)			10.7	9.5	10.7	9.5
Ares IIR/IVR CLO Ltd.	Investment company	Subordinated notes (due 4/21)			11.1	3.4	11.1	3.4
Babson CLO Ltd. 2006-II	Investment company	Income notes (due 10/20)			2.7		2.7	
Babson CLO Ltd. 2013-II	Investment company	Income notes (due 1/25)			3.6	2.9	3.6	2.9
Babson CLO Ltd. 2014-I	Investment company	Subordinated notes (due 7/25)			6.0	4.0	6.0	4.0
Babson CLO Ltd. 2014-II	Investment company	Subordinated notes (due 9/26)			19.2	8.9	19.2	8.9
Blue Hill CLO, Ltd.	Investment company	Subordinated notes (due 1/26)			17.1	7.8	17.1	7.8
Blue Wolf Capital Fund II, L.P.	Investment partnership	Limited partnership interest			9.0	8.6	9.0	8.6
Carlyle Global Market Strategies CLO 2013-3, Ltd.	Investment company	Subordinated notes (due 7/25)			3.3	2.9	3.3	2.9
Carlyle Global Market Strategies CLO 2015-3, Ltd.	Investment company	Subordinated notes (due 7/28)			23.8	21.3	23.8	21.3
Cent CDO 12 Limited	Investment company	Income notes (due 11/20)			14.2	26.8	14.2	26.8
Cent CLO 22 Limited	Investment company	Subordinated notes (due 11/26)			35.5	16.8	35.5	16.8
Cent CLO 24 Limited	Investment company	Subordinated notes (due 10/26)			23.9	18.3	23.9	18.3
Centurion CDO 8 Limited	Investment company	Subordinated notes (due 3/17)			0.2		0.2	
CoLTs 2005-1 Ltd.	Investment company	Preference shares (360 shares, due 12/16)			1.7	0.1	1.7	0.1
CoLTs 2005-2 Ltd.	Investment company	Preference shares (34,170,000 shares,			11.0	0.6	11.0	0.6

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		due 12/18)					
Covestia Capital Partners, LP	Investment partnership	Limited partnership interest	\$ 0.5	\$ 1.9	0.5	1.9	
CREST Exeter Street Solar 2004-1	Investment company	Preferred securities (3,500,000 shares, due 6/39)		3.2	3.2		
Dryden 40 Senior Loan Fund	Investment company	Subordinated notes (due 8/28)		8.1	7.1	8.1	7.1
Eaton Vance CDO X plc	Investment company	Secured subordinated notes (due 2/27)		11.1	5.0	11.1	5.0
European Capital Private Debt LP(4)	Investment partnership	Partnership interest		97.7	102.2	97.7	102.2
European Capital UK SME Debt LP(4)	Investment partnership	Partnership interest		11.5	11.4	11.5	11.4
Flagship CLO V	Investment company	Deferrable notes (due 9/19)		1.5	1.7	1.5	1.7
		Subordinated securities (15,000 shares, due 9/19)		7.0	0.6	7.0	0.6
GoldenTree Loan Opportunities VII, Limited	Investment company	Subordinated notes (due 4/25)		29.6	21.4	29.6	21.4

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Halcyon Loan Advisors Funding 2014-1 Ltd.	Investment company	Subordinated notes (due 2/26)			0.9	0.4	0.9	0.4
Halcyon Loan Advisors Funding 2015-2, Ltd.	Investment company	Subordinated notes (due 7/27)			18.5	15.2	18.5	15.2
HCI Equity, LLC(4)	Investment company	Member interest		0.1				0.1
Herbert Park B.V.	Investment company	Subordinated notes (due 10/26)			25.4	18.7	25.4	18.7
Imperial Capital Private Opportunities, LP	Investment partnership	Limited partnership interest	4.1	15.4			4.1	15.4
LightPoint CLO IV, LTD	Investment company	Income notes (due 4/18)			3.6		3.6	
LightPoint CLO VII, Ltd.	Investment company	Subordinated notes (due 5/21)			2.5	1.4	2.5	1.4
Madison Park Funding XII, Ltd.	Investment company	Subordinated notes (due 7/26)			8.1	6.7	8.1	6.7
Madison Park Funding XIII, Ltd.	Investment company	Subordinated notes (due 1/25)			24.2	19.2	24.2	19.2
Montgomery Lane, LLC(4)	Holding company for RMBS securities	Common membership units (100 units)				3.8		3.8
NYLIM Flatiron CLO 2006-1 LTD.	Investment company	Subordinated securities (10,000 shares, due 8/20)			4.4	2.7	4.4	2.7
Och Ziff Loan Management XIII, Ltd.	Investment company	Subordinated notes (due 7/27)			13.1	12.0	13.1	12.0
Octagon Investment Partners XIX, Ltd.	Investment company	Subordinated notes (due 4/26)			17.7	13.2	17.7	13.2
Octagon Investment Partners XVIII, Ltd.	Investment company	Subordinated notes (due 12/24)			12.0	8.3	12.0	8.3
OHA Credit Partners XI, Ltd.	Investment company	Subordinated notes (due 10/28)			30.4	27.3	30.4	27.3
Partnership Capital Growth Fund I, L.P.	Investment partnership	Limited partnership interest		0.4				0.4
Partnership Capital Growth Investors III, L.P.	Investment partnership	Limited partnership interest	2.5	2.7			2.5	2.7
PCG-Ares Sidecar Investment II, L.P.	Investment partnership	Limited partnership interest	6.6	10.3			6.6	10.3
PCG-Ares Sidecar Investment, L.P.	Investment partnership	Limited partnership interest	2.2	1.6			2.2	1.6
Piper Jaffray Merchant Banking Fund I, L.P.	Investment partnership	Limited partnership interest	1.6	1.8			1.6	1.8
Qualium I	Investment company/partnership	Common stock (249,414 shares)			5.3	5.0	5.3	5.0
Sapphire Valley CDO I, Ltd.	Investment company	Subordinated notes (due 12/22)			18.7	10.0	18.7	10.0
Senior Secured Loan Fund LLC(4)	Co-investment vehicle	Subordinated certificates (due 12/24)	1,938.4	1,899.8			1,938.4	1,899.8

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		Member interest (87.5% interest)				
THL Credit Wind River 2014-2 CLO Ltd.	Investment company	Income notes (due 7/26)	9.6	8.2	9.6	8.2
Vitesse CLO, Ltd.	Investment company	Preferred securities (20,000,000 shares, due 8/20)	11.9		11.9	
Voya CLO 2014-4, Ltd.	Investment company	Subordinated notes (due 10/26)	22.3	16.5	22.3	16.5
VSC Investors LLC	Investment company	Membership interest	0.3	1.1	0.3	1.1
<b>Total</b>			<b>1,956.2</b>	<b>1,935.1</b>	<b>645.9</b>	<b>490.3</b>
					<b>2,602.1</b>	<b>2,425.4</b>

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Company	Business Description	Investment	Ares Capital Cost	Ares Capital Fair Value	American Capital Cost	American Capital Fair Value	Pro Forma Ares Capital Cost	Pro Forma Ares Capital Fair Value
<b>Business Services</b>								
2329497 Ontario Inc.	Outsourced data center infrastructure and related services provider	Junior secured loan (10.5%, due 6/19)	43.0	29.5			43.0	29.5
Accruent, LLC and Athena Parent, Inc.	Real estate and facilities management software provider	Junior secured loan (10.8%, due 11/22)	42.5	42.5			42.5	42.5
		Common stock (3,000 shares)	3.0	3.0			3.0	3.0
BeyondTrust Software, Inc.	Provider of privileged account management and vulnerability management software solutions	Senior secured loan (8.0%, due 9/19)			29.6	28.7	29.6	28.7
Blue Topco GmbH(4)	Web sheet and sheet fed printing facilities	Senior secured loan (5.0%, due 6/19)(2)			2.4	2.3	2.4	2.3
		Senior subordinated loan (due 6/19)(3)			7.1	8.2	7.1	8.2
BluePay Processing, LLC	Technology-enabled payment processing solutions provider	Junior secured loan (9.5%, due 8/22)			32.8	32.8	32.8	32.8
Brandtone Holdings Limited	Mobile communications and marketing services provider	Senior secured loan (9.5%, due 11/18)	4.7	4.6			4.7	4.6
		Senior secured loan (9.5%, due 1/19)	3.1	3.0			3.1	3.0
		Warrant to purchase up to 184,003 units of Series Three participating convertible preferred shares						
CallMiner, Inc.	Provider of cloud-based conversational analytics solutions	Junior secured loan (10.5%, due 5/18)	2.8	2.8			2.8	2.8
		Junior secured loan (10.5%, due 9/18)	1.6	1.6			1.6	1.6
		Warrant to purchase up to 2,350,636 shares of Series 1 preferred stock						
Cast & Crew Payroll, LLC	Payroll and accounting services provider to the entertainment industry	Junior secured loan (8.8%, due 8/23)			35.7	33.8	35.7	33.8
CIBT Holdings, Inc. and CIBT Investment Holdings, LLC	Expedited travel document processing services	Class A shares (2,500 shares)	2.5	5.5			2.5	5.5
CMW Parent LLC (fka Black Arrow, Inc.)	Multiplatform media firm	Series A units (32 units)						
Columbo TopCo Limited(4)	Outsourced compliance consulting and software provider	Common stock (745,352 shares)			1.0		1.0	
		Redeemable preferred stock (34,028,135 shares)			71.9	43.0	71.9	43.0
Command Alkon, Incorporated and CA Note Issuer, LLC	Software solutions provider to the ready-mix concrete industry	Junior secured loan (9.3%, due 8/20)	10.0	10.0			10.0	10.0
		Junior secured loan (9.3%, due 8/20)	11.5	11.5			11.5	11.5

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Junior secured loan (9.3%, due 8/20)	26.5	26.5	26.5	26.5
Senior subordinated loan (14.0%, due 8/21)(2)	21.8	21.8	21.8	21.8
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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Compusearch Software Systems, Inc.	E-procurement and contract management solutions for the Federal marketplace	Junior secured loan (9.8%, due 11/21)			51.0	51.0	51.0	51.0
Compuware Parent, LLC	Web and mobile cloud performance testing and monitoring services provider	Class A-1 common stock (4,132 units)	2.3	2.1			2.3	2.1
		Class B-1 common stock (4,132 units)	0.5	0.4			0.5	0.4
		Class C-1 common stock (4,132 units)	0.3	0.3			0.3	0.3
		Class A-2 common stock (4,132 units)						
		Class B-2 common stock (4,132 units)						
		Class C-2 common stock (4,132 units)						
Convergent Technologies, LLC	Service-based integrator of Electronic Security, Fire Alarm & Life Safety, Healthcare Technologies, Communications and Building Automation	Junior secured loan (9.0%, due 12/17-12/20)			94.0	94.0	94.0	94.0
Datapipe, Inc.	Provider of outsourced IT solutions	Junior secured loan (8.5%, due 9/19)			29.2	29.0	29.2	29.0
Directworks, Inc. and Co-Exprise Holdings, Inc.	Provider of cloud-based software solutions for direct materials sourcing and supplier management for manufacturers	Senior secured loan (10.3%, due 4/18)	1.9	2.0			1.9	2.0
		Warrant to purchase up to 1,875,000 shares of Series 1 preferred stock						
DTI Holdco, Inc. and OPE DTI Holdings, Inc.	Provider of legal process outsourcing and managed services	Senior secured loan (5.8%, due 8/20)	1.0	1.0			1.0	1.0
		Class A common stock (7,500 shares)	7.5	3.6			7.5	3.6
		Class B common stock (7,500 shares)		3.6				3.6
Electronic Warfare Associates, Inc.	Provider of electronic warfare, cyber security and advanced commercial test tools systems	Warrant to purchase 863,887 shares of common stock			0.8	0.9	0.8	0.9
		Senior secured loan (12.0%, due 2/19)			15.0	15.3	15.0	15.3
EN Engineering, L.L.C.	National utility services firm providing engineering and consulting services to natural gas, electric power and other energy and industrial end markets	Senior secured loan (7.0%, due 6/21)						
		Senior secured loan (8.5%, due 6/21)	4.6	4.6			4.6	4.6

Senior secured loan (7.0%, due 6/21)	22.1	22.3	22.1	22.3
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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Faction Holdings, Inc. and The Faction Group LLC (fka PeakColo Holdings, Inc.)	Wholesaler of cloud-based software applications and services	Senior secured loan (9.8%, due 12/19)	3.0	3.0			3.0	3.0
		Senior secured loan (9.8%, due 5/19)	3.8	3.9			3.8	3.9
		Warrant to purchase up to 1,481 shares of Series A preferred stock		0.1				0.1
		Warrant to purchase up to 2,037 shares of Series A preferred stock	0.1	0.1			0.1	0.1
Financière Tarmac S.A.S.(4)	Provider of health & safety services for multi-unit residential buildings	Common stock (4,987,267 shares)			23.2	6.8	23.2	6.8
		Redeemable preferred stock (31,303,601 shares)			32.3	34.7	32.3	34.7
First Insight, Inc.	Software company providing merchandising and pricing solutions to companies worldwide	Warrant to purchase up to 122,827 units of Series C preferred stock						
Flexera Software LLC	Provider of software used to deploy and tack the usage of software applications	Junior secured loan (8.0%, due 4/21)			5.0	4.8	5.0	4.8
GTCR Valor Companies, Inc.	Provider of public relations software	Junior secured loan (10.5%, due 6/24)			97.3	97.3	97.3	97.3
Holding Saint Augustine S.A.S.(4)	Provider of outsourced services to industrial customers	Senior secured loan (due 9/19)			4.4		4.4	
Hyland Software, Inc.	Provider of ECM software, serving small and medium size organizations	Junior secured loan (8.3%, due 7/23)			10.0	9.7	10.0	9.7
iControl Networks, Inc. and uControl Acquisition, LLC	Software and services company for the connected home market	Junior secured loan (9.5%, due 3/19)	19.7	20.1			19.7	20.1
		Warrant to purchase up to 385,616 shares of Series D preferred stock						
IfByPhone Inc.	Voice-based marketing automation software provider	Warrant to purchase up to 124,300 shares of Series C preferred stock	0.1	0.1			0.1	0.1
Infogix Parent Corporation	Provides data integrity, analytics, and visibility solutions	Senior secured loan (7.8%, due 12/21)			88.4	88.2	88.4	88.2
		Redeemable preferred stock (2,475 shares)			2.6	2.6	2.6	2.6
Inmar, Inc.	Provides technology-driven logistics management solutions in the consumer goods and healthcare markets	Junior secured loan (8.0%, due 1/22)			19.8	18.5	19.8	18.5
Interactions Corporation			2.2	2.5			2.2	2.5

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	Developer of a speech recognition software based customer interaction system	Junior secured loan (9.9%, due 7/19)				
		Junior secured loan (9.9%, due 7/19)	22.2	22.5	22.2	22.5
		Warrant to purchase up to 68,187 shares of Series G-3 convertible preferred stock	0.3	0.3	0.3	0.3
iParadigms, LLC	Provider of anti-plagiarism software to the education industry	Junior secured loan (8.3%, due 7/22)		39.3	35.7	39.3
						35.7

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
iPipeline, Inc., Internet Pipeline, Inc. and iPipeline Holdings, Inc.	Provider of SaaS-based software solutions to the insurance and financial services industry	Senior secured loan (8.3%, due 8/22)	11.9	11.9			11.9	11.9
		Senior secured loan (8.3%, due 8/22)	44.7	44.7			44.7	44.7
		Senior secured loan (8.3%, due 8/22)	14.9	14.9			14.9	14.9
		Preferred stock (1,485 shares)	1.5	2.5			1.5	2.5
		Common stock (647,542 shares)						
Iron Bow Technologies, LLC	Provider of information technology solutions	Junior secured loan (13.2%, due 2/21)(2)			15.2	15.2	15.2	15.2
IronPlanet, Inc.	Online auction platform provider for used heavy equipment	Warrant to purchase to up to 133,333 shares of Series C preferred stock	0.2	0.2			0.2	0.2
ISS Compressors Industries, Inc., ISS Valves Industries, Inc., ISS Motors Industries, Inc., ISS Machining Industries, Inc., and ISS Specialty Services Industries, Inc.	Provider of repairs, refurbishments and services to the broader industrial end user markets	Senior secured loan (7.0%, due 6/18)	32.6	32.6			32.6	32.6
		Senior secured loan (7.0%, due 6/18)	6.2	6.2			6.2	6.2
Itel Laboratories, Inc.	Data services provider for building materials to property insurance industry	Preferred units (1,798,391 units)	1.0	1.1			1.0	1.1
Landslide Holdings, Inc.	Software for IT departments and systems management	Junior secured loan (8.3%, due 2/21)			9.0	8.8	9.0	8.8
LLSC Holdings Corporation(4)	Provider of in-store marketing services to retailers and marketers of consumer products	Convertible preferred stock (9,000 shares)			10.8	17.7	10.8	17.7
Market Track Holdings, LLC	Business media consulting services company	Preferred stock (1,685 shares)	2.2	2.5			2.2	2.5
		Common stock (16,251 shares)	2.2	2.7			2.2	2.7
Maximus Holdings, LLC	Provider of software simulation tools and related services	Warrant to purchase up to 1,050,013 shares of common stock						
Miles 33 Limited(4)	Supplier of computer software to the publishing sector	Senior secured loan (5.3%, due 12/17-9/18)(2)			6.8	6.8	6.8	6.8
		Senior subordinated loan (due 9/21)(3)			13.0	13.0	13.0	13.0
		Redeemable preferred stock			1.2		1.2	
Ministry Brands, LLC and MB Parent Holdings, LLC	Software and payment services provider to faith-based institutions	Senior secured loan (10.8%, due 11/21)	48.6	48.9			48.6	48.9
		Senior secured loan (10.8%, due 11/21)	25.0	25.0			25.0	25.0
			2.1	2.4			2.1	2.4

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		Class A common units (2,130,772 units)				
Mitchell International, Inc.	Provider of information services and technology solutions for the automobile insurance claims industry	Junior secured loan (8.5%, due 10/21)	16.9	15.8	16.9	15.8

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Fair Value
MVL Group, Inc.(4)	Marketing research provider	Senior subordinated loan (due 7/12)(3) Common stock (560,716 shares)	0.2	0.2			0.2	0.2
NAS, LLC, Nationwide Marketing Group, LLC and Nationwide Administrative Services, Inc.	Buying and marketing services organization for appliance, furniture and consumer electronics dealers	Junior secured loan (9.8%, due 12/21)	24.1	22.7			24.1	22.7
Novetta Solutions, LLC	A provider of threat and fraud analytics software and solutions	Senior secured loan (6.0%, due 10/22)			12.8	12.5	12.8	12.5
		Junior secured loan (9.5%, due 10/23)			30.7	29.1	30.7	29.1
Park Place Technologies, LLC	Provider of third party maintenance services to the server and storage markets.	Junior secured loan (10.0%, due 12/22)			41.5	41.5	41.5	41.5
PayNearMe, Inc.	Electronic cash payment system provider	Senior secured loan (9.5%, due 9/19) Common stock (100 shares)	9.6	9.9			9.6	9.9
		Warrant to purchase up to 195,726 shares of Series E preferred stock	0.2	0.2			0.2	0.2
PHL Investors, Inc., and PHL Holding Co.(4)	Mortgage services	Class A common stock (576 shares)	3.8				3.8	
Poplicus Incorporated	Business intelligence and market analytics platform for companies that sell to the public sector	Senior secured loan (due 7/19)(3)	4.7	2.5			4.7	2.5
		Warrant to purchase up to 2,402,991 shares of Series C preferred stock	0.1				0.1	
PowerPlan, Inc. and Project Torque Ultimate Parent Corporation	Fixed asset financial management software provider	Junior secured loan (10.8%, due 2/23)	29.8	30.0			29.8	30.0
		Junior secured loan (10.8%, due 2/23)	49.6	50.0			49.6	50.0
		Class A common stock (1,980 shares)	2.0				2.0	
		Class B common stock (989,011 shares)		3.0				3.0
Powersport Auctioneer Holdings, LLC	Powersport vehicle auction operator	Common units (1,972 units)	1.0	1.4			1.0	1.4
Project Silverback Holdings Corp.	Management software solution offering	Common stock (308,224 shares)				0.4		0.4
		Convertible preferred stock (743 shares)			0.9	0.9	0.9	0.9
		Senior secured loan (6.5%, due 7/20)			23.7	23.9	23.7	23.9
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)	0.3	0.3			0.3	0.3
Rocket Fuel Inc.	Provider of open and integrated software for	Common stock (11,405 units)						

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	digital marketing optimization					
Sonian Inc.	Cloud-based email archiving platform	Senior secured loan (9.0%, due 9/19)	7.3	7.5	7.3	7.5
		Warrant to purchase up to 169,045 shares of Series C preferred stock	0.1	0.1	0.1	0.1

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Systems Maintenance Services Holding, Inc.	Provides multi-vendor maintenance solutions for IT original equipment manufacturers	Junior secured loan (9.3%, due 10/20)			34.8	34.8	34.8	34.8
Talari Networks, Inc.	Networking equipment provider	Senior secured loan (9.8%, due 12/18)	5.9	6.0			5.9	6.0
		Warrant to purchase up to 421,052 shares of Series D-1 preferred stock	0.1	0.1			0.1	0.1
TestAmerica Environmental Services, LLC(4)	Operator of environmental testing laboratories	Senior subordinated loan (12.5%, due 6/18)(2)			16.9	43.3	16.9	43.3
The Greeley Company, Inc. and HCP Acquisition Holdings, LLC(4)	Healthcare compliance advisory services	Senior subordinated loan (due 3/17)(3)	2.7	1.4			2.7	1.4
		Class A units (14,293,110 units)	12.8				12.8	
TraceLink, Inc.	Supply chain management software provider for the pharmaceutical industry	Senior secured revolving loan (7.5%, due 12/16)	4.4	4.4			4.4	4.4
		Senior secured loan (8.5%, due 1/19)	4.4	4.5			4.4	4.5
		Warrant to purchase up to 283,353 shares of Series A-2 preferred stock	0.1	1.0			0.1	1.0
Tyden Cayman Holdings Corp.	Manufacturer and provider of cargo security and product identification and traceability solutions	Common stock (5,521,203 shares)			5.5	4.3	5.5	4.3
		Convertible preferred stock (46,276 shares)			0.1	0.1	0.1	0.1
Velocity Holdings Corp.	Hosted enterprise resource planning application management services provider	Common units (1,713,546 units)	4.5	3.2			4.5	3.2
W3 Co.	Provider of integrated safety and compliance solutions to companies operating in hazardous environments	Junior secured loan (due 9/20)(3)			8.8	3.9	8.8	3.9
WorldPay Group PLC	Payment processing company	C2 shares (73,974 shares)						
<b>Total</b>			<b>625.4</b>	<b>598.8</b>	<b>941.4</b>	<b>909.3</b>	<b>1,566.8</b>	<b>1,508.1</b>
<b>Financial Services</b>								
AllBridge Financial, LLC(4)	Asset management services	Equity interests		0.5				0.5
American Capital Asset Management, LLC(4)	Asset management services	Senior subordinated loan (5.0%, due 9/16)			35.0	35.0	35.0	35.0(8)
		Common membership interest (100% interest)			586.6	955.2	586.6	955.2(8)

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AmWINS Group, LLC	Wholesale insurance broker	Junior secured loan (9.5%, due 9/20)	45.1	46.1	45.1	46.1
Callidus Capital Corporation(4)	Asset management services	Common stock (100 shares)	3.0	1.7	3.0	1.7
Ciena Capital LLC(4)	Real estate and small business loan servicer	Senior secured revolving loan (6.0%, due 12/16)	14.0	14.0	14.0	14.0
		Senior secured loan (12.0%, due 12/16)	0.3	0.3	0.3	0.3
		Senior secured loan (12.0%, due 12/16)	0.5	0.5	0.5	0.5
		Senior secured loan (12.0%, due 12/16)	1.3	1.3	1.3	1.3
		Equity interests	35.0	14.9	35.0	14.9
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (12.8%, due 5/18)	28.0	28.0	28.0	28.0

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
FAMS Acquisition, Inc.(4)	Provider of outsourced receivables management services	Senior subordinated loan (14.0%, due 1/16)(2)			12.9	11.9	12.9	11.9
		Senior subordinated loan (due 1/16)(3)			14.4	12.8	14.4	12.8
Gordian Acquisition Corp.	Financial services firm	Common stock (526 shares)						
Imperial Capital Group LLC	Investment services	Class A common units (32,369 units)	7.9	11.7			7.9	11.7
		2006 Class B common units (10,605 units)						
		2007 Class B common units (1,323 units)						
Ivy Hill Asset Management, L.P.(4)	Asset management services	Member interest (100.00% interest)	171.0	231.2			171.0	231.2(8)
Javlin Three LLC, Javlin Four LLC, and Javlin Five LLC	Asset-backed financial services company	Senior secured revolving loan (10.5%, due 6/17)	38.8	38.8			38.8	38.8
LSQ Funding Group, L.C. and LM LSQ Investors LLC	Asset based lender	Senior subordinated loan (10.5%, due 6/21)	30.0	30.0			30.0	30.0
		Membership units (3,275,000 units)	3.3	3.3			3.3	3.3
The Gordian Group, Inc.	Financial services firm	Senior secured loan (5.7%, due 7/19)			41.1	40.3	41.1	40.3
<b>Total</b>			<b>333.1</b>	<b>376.2</b>	<b>735.1</b>	<b>1,101.3</b>	<b>1,068.2</b>	<b>1,477.5</b>
<b>Healthcare Services</b>								
Absolute Dental Management LLC and ADM Equity, LLC	Dental services provider	Senior secured loan (9.3%, due 1/22)	18.8	18.8			18.8	18.8
		Senior secured loan (9.3%, due 1/22)	5.0	5.0			5.0	5.0
		Class A preferred units (4,000,000 units)	4.0	3.3			4.0	3.3
		Class A common units (4,000,000 units)						
ADCS Billings Intermediate Holdings, LLC	Dermatology practice	Senior secured loan (6.8%, due 5/22)	8.6	8.6			8.6	8.6
		Senior secured loan (6.8%, due 5/22)	22.5	22.5			22.5	22.5
Alcami Holdings LLC(4)	Chemistry outsourcing partner to the pharmaceutical and biotechnology industries	Senior secured loan (6.5%, due 3/17-10/20)			109.3	110.1	109.3	110.1
		Senior subordinated loan (13.2%, due 10/20)(2)			144.3	147.6	144.3	147.6
		Redeemable preferred stock (84,936 shares)			61.1		61.1	
Alegeus Technologies Holdings Corp.	Benefits administration and transaction processing provider	Preferred stock (2,997 shares)	3.1	1.9			3.1	1.9
		Common stock (3 shares)						
Argon Medical Devices, Inc.	Manufacturer and marketer of single-use specialty medical	Junior secured loan (10.5%, due 6/22)	8.8	9.0			8.8	9.0

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devices

AwarePoint Corporation	Healthcare technology platform developer	Senior secured loan (10.5%, due 6/18)	8.5	8.8	8.5	8.8
		Warrant to purchase up to 3,213,367 shares of Series 1 preferred stock		0.6		0.6

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
CCS Intermediate Holdings, LLC and CCS Group Holdings, LLC	Correctional facility healthcare operator	Senior secured revolving loan (5.0%, due 7/19)	3.8	3.2			3.8	3.2
		Senior secured revolving loan (6.5%, due 7/19)	1.7	1.4			1.7	1.4
		Senior secured loan (5.0%, due 7/21)	6.6	5.6			6.6	5.6
		Junior secured loan (9.4%, due 7/22)	134.0	108.0			134.0	108.0
		Class A units (601,937 units)		0.4				0.4
Correctional Medical Group Companies, Inc.	Correctional facility healthcare operator	Senior secured loan (9.6%, due 9/21)	3.1	3.1			3.1	3.1
		Senior secured loan (9.6%, due 9/21)	4.1	4.1			4.1	4.1
		Senior secured loan (9.6%, due 9/21)	44.7	44.7			44.7	44.7
DCA Investment Holding, LLC	Multi-branded dental practice management	Senior secured revolving loan (7.8%, due 7/21)	3.4	3.4			3.4	3.4
		Senior secured loan (6.3%, due 7/21)	18.9	18.6			18.9	18.6
DNAxexus, Inc.	Bioinformatics company	Senior secured loan (9.3%, due 10/18)	10.1	10.3			10.1	10.3
		Warrant to purchase up to 909,092 units of Series C preferred stock		0.3				0.3
Gentle Communications, LLC	Dental services provider	Senior secured loan (7.5%, due 5/22)	43.5	43.5			43.5	43.5
Global Healthcare Exchange, LLC and GHX Ultimate Parent Corp.	On-demand supply chain automation solutions provider	Class A common stock (2,991 shares)	3.0	3.0			3.0	3.0
		Class B common stock (980 shares)		5.4				5.4
Greenphire, Inc. and RMCF III CIV XXIX, L.P	Software provider for clinical trial management	Senior secured loan (9.0%, due 12/18)	4.0	4.0			4.0	4.0
		Limited partnership interest	1.0	1.0			1.0	1.0
HALT Medical, Inc.(4)	Patented disposable needle used to remove uterine fibroids	Senior secured loan (due 6/16)(3)			74.0	36.1	74.0	36.1
INC Research Mezzanine Co-Invest, LLC	Pharmaceutical and biotechnology consulting services	Common units (1,410,000 units)		1.6				1.6
Intermedix Corporation	Revenue cycle management provider to the emergency healthcare industry	Junior secured loan (9.3%, due 6/20)	112.0	107.5			112.0	107.5
LM Acquisition Holdings, LLC	Developer and manufacturer of medical equipment	Class A units (426 units)	0.7	1.8			0.7	1.8
MC Acquisition Holdings I, LLC	Healthcare professional provider	Class A units (1,338,314 shares)	1.3	1.3			1.3	1.3
MW Dental Holding Corp.	Dental services provider	Senior secured revolving loan (8.5%, due 4/18)	2.0	2.0			2.0	2.0

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		Senior secured loan (8.5%, due 4/18)	50.1	50.1	50.1	50.1
		Senior secured loan (8.5%, due 4/18)	47.5	47.5	47.5	47.5
		Senior secured loan (8.5%, due 4/18)	19.6	19.6	19.6	19.6
My Health Direct, Inc.	Healthcare scheduling exchange software solution provider	Senior secured loan (10.8%, due 1/18)	1.9	1.9	1.9	1.9
		Warrant to purchase up to 4,548 shares of Series D preferred stock				
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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
New Trident Holdcorp, Inc.	Outsourced mobile diagnostic healthcare service provider	Junior secured loan (10.3%, due 7/20)	79.0	76.8			79.0	76.8
NMSC Holdings, Inc. and ASP NAPA Holdings, LLC	Anesthesia management services provider	Junior secured loan (11.0%, due 10/23)	74.3	74.3			74.3	74.3
		Class A units (25,277 units)	2.5	2.5			2.5	2.5
Nodality, Inc.	Biotechnology company	Senior secured loan (due 7/16)(3)	2.4	2.6			2.4	2.6
		Senior secured loan (due 7/16)(3)	9.7	0.7			9.7	0.7
		Common stock (3,736,255 shares)						
OmniSYS Acquisition Corporation, OmniSYS, LLC, and OSYS Holdings, LLC	Provider of technology-enabled solutions to pharmacies	Senior secured loan (8.5%, due 11/18)	10.5	10.5			10.5	10.5
		Senior secured loan (8.5%, due 11/18)	5.9	5.9			5.9	5.9
		Limited liability company membership interest (1.57%)	1.0	0.7			1.0	0.7
Patterson Medical Supply, Inc.	Distributor of rehabilitation supplies and equipment	Junior secured loan (8.8%, due 8/23)	18.8	19.0			18.8	19.0
PerfectServe, Inc.	Communications software platform provider for hospitals and physician practices	Senior secured loan (9.0%, due 3/20)	8.7	9.0			8.7	9.0
		Senior secured loan (9.0%, due 6/20)	2.0	2.0			2.0	2.0
		Senior secured loan (9.0%, due 6/21)	2.0	2.0			2.0	2.0
		Warrant to purchase up to 28,428 shares of Series C preferred stock	0.2	0.2			0.2	0.2
		Warrant to purchase up to 34,113 shares of Series C preferred stock		0.3				0.3
PhyMED Management LLC	Provider of anesthesia services	Junior secured loan (9.8%, due 5/21)	46.6	44.9			46.6	44.9
Precyse Acquisition Corp.	Provider of healthcare information management technology and services	Junior secured loan (10.8%, due 4/23)	9.6	10.0			9.6	10.0
Respicardia, Inc.	Developer of implantable therapies to improve cardiovascular health	Warrant to purchase up to 99,094 shares of Series C preferred stock						
Sarnova HC, LLC, Tri-Anim Health Services, Inc., and BEMS Holdings, LLC	Distributor of emergency medical service and respiratory products	Junior secured loan (10.5%, due 7/22)	54.0	54.0			54.0	54.0
Transaction Data Systems, Inc.	Pharmacy management software provider	Junior secured loan (10.0%, due 6/22)	27.5	27.5			27.5	27.5
U.S. Anesthesia Partners, Inc.	Anesthesiology service provider	Junior secured loan (10.3%, due 9/20)	23.5	23.5			23.5	23.5
		Junior secured loan (10.3%, due 9/20)	50.0	50.0			50.0	50.0
Urgent Cares of America Holdings I, LLC and FastMed	Operator of urgent care clinics	Senior secured loan (7.0%, due 12/22)	13.9	13.1			13.9	13.1

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Holdings I, LLC

Senior secured loan (7.0%, due 12/22)	54.5	51.2	54.5	51.2
Preferred units (7,696,613 units)	7.7	8.3	7.7	8.3
Series A common units (2,000,000 units)	2.0	0.9	2.0	0.9
Series C common units (1,026,866 units)		0.4		0.4
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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
VistaPharm, Inc. and Vertice Pharma UK Parent Limited	Manufacturer and distributor of generic pharmaceutical products	Senior secured loan (6.7%, due 12/21)	5.1	5.1			5.1	5.1
		Preferred shares (40,662 shares)	0.4	0.4			0.4	0.4
Young Innovations, Inc.	Dental supplies and equipment manufacturer	Junior secured loan (9.0%, due 7/19)	45.0	45.0			45.0	45.0
<b>Total</b>			<b>1,153.1</b>	<b>1,112.6</b>	<b>388.7</b>	<b>293.8</b>	<b>1,541.8</b>	<b>1,406.4</b>
<b>Other Services</b>								
American Residential Services L.L.C.	Heating, ventilation and air conditioning services provider	Junior secured loan (8.5%, due 12/21)	49.6	50.0			49.6	50.0
Community Education Centers, Inc. and CEC Parent Holdings LLC(4)	Offender re-entry and in-prison treatment services provider	Senior secured loan (6.3%, due 12/17)	13.6	13.6			13.6	13.6
		Senior secured loan (7.8%, due 12/17)	0.7	0.7			0.7	0.7
		Junior secured loan (15.6%, due 6/18)	21.9	21.9			21.9	21.9
		Class A senior preferred units (7,846 units)	9.4	10.5			9.4	10.5
		Class A junior preferred units (26,154 units)	20.2	21.8			20.2	21.8
		Class A common units (134 units)						
Competitor Group, Inc., Calera XVI, LLC and Champion Parent Corporation(4)	Endurance sports media and event operator	Senior secured revolving loan (5.0%, due 11/18)	4.5	4.2			4.5	4.2
		Senior secured loan (5.0%, due 11/18)	38.0	35.8			38.0	35.8
		Preferred shares (18,875 shares)	16.0				16.0	
		Membership units (2,522,512 units)	2.5				2.5	
		Common shares (114,000 shares)						
Crown Health Care Laundry Services, Inc. and Crown Laundry Holdings, LLC(5)	Provider of outsourced healthcare linen management solutions	Senior secured revolving loan (7.3%, due 3/19)	2.0	2.0			2.0	2.0
		Senior secured loan (7.3%, due 3/19)	18.3	18.3			18.3	18.3
		Class A preferred units (2,475,000 units)	2.5	3.2			2.5	3.2
		Class B common units (275,000 units)	0.3	0.4			0.3	0.4
Dwyer Acquisition Parent, Inc. and TDG Group Holding Company	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (11.0%, due 2/20)	31.5	31.5			31.5	31.5
		Senior subordinated loan (11.0%, due 2/20)	52.7	52.7			52.7	52.7
		Common stock (32,843 shares)	3.4	4.8			3.4	4.8
Hard 8 Games, LLC(4)	Develops disruptive gaming technology for casino applications	Senior secured loan (7.2%, due 12/16)(2)			63.3	63.3	63.3	63.3

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		Membership units (2 units)		24.0	23.1	24.0	23.1
Massage Envy, LLC	Franchisor in the massage industry	Senior secured loan (8.5%, due 9/18)	7.8	7.8		7.8	7.8
		Senior secured loan (8.5%, due 9/18)	45.2	45.2		45.2	45.2
		Senior secured loan (8.5%, due 9/18)	18.9	18.9		18.9	18.9
		Common stock (3,000,000 shares)	3.0	5.6		3.0	5.6

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
McKenzie Sports Products, LLC	Designer, manufacturer and distributor of hunting-related supplies	Senior secured loan (4.8%, due 9/20)	2.0	1.9			2.0	1.9
		Senior secured loan (6.8%, due 9/20)	5.5	5.4			5.5	5.4
		Senior secured loan (6.8%, due 9/20)	39.5	38.7			39.5	38.7
		Senior secured loan (6.8%, due 9/20)	45.0	44.1			45.0	44.1
OpenSky Project, Inc. and OSP Holdings, Inc.	Social commerce platform operator	Senior secured loan (10.0%, due 9/17)	1.5	1.5			1.5	1.5
		Warrant to purchase up to 159,496 shares of Series D preferred stock						
Osmose Utility Services, Inc. and Osmose Holdings, Inc.	Provider of structural integrity management services to transmission and distribution infrastructure	Junior secured loan (8.8%, due 8/23)	24.6	24.3	33.7	33.6	58.3	57.9
SocialFlow, Inc.	Social media optimization platform provider	Senior secured loan (9.5%, due 8/19)	3.9	4.0			3.9	4.0
		Warrant to purchase up to 215,331 shares of Series C preferred stock						
Spin HoldCo Inc.	Laundry service and equipment provider	Junior secured loan (8.0%, due 5/20)	140.0	135.8			140.0	135.8
Surface Dive, Inc.	SCUBA diver training and certification provider	Junior secured loan (9.0%, due 1/22)	37.4	37.4			37.4	37.4
		Junior secured loan (10.3%, due 1/22)	87.9	88.2			87.9	88.2
Towne Holdings, Inc.	Provider of contracted hospitality services and parking systems	Senior secured loan (6.8%, due 5/22)	56.3	56.3			56.3	56.3
		Senior secured loan (6.8%, due 5/22)	9.0	9.0			9.0	9.0
TWH Water Treatment Industries, Inc., TWH Filtration Industries, Inc. and TWH Infrastructure Industries, Inc.	Wastewater infrastructure repair, treatment and filtration holding company	Senior secured loan (10.3%, due 10/19)	5.4	5.4			5.4	5.4
		Senior secured loan (10.3%, due 10/19)	36.4	36.4			36.4	36.4
U.S. Security Associates Holdings, Inc	Security guard service provider	Junior secured loan (11.0%, due 7/18)	25.0	25.0			25.0	25.0
WASH Multifamily Acquisition Inc. and Coinamatic Canada Inc.	Laundry service and equipment provider	Junior secured loan (8.0%, due 5/23)	3.7	3.6			3.7	3.6
		Junior secured loan (8.0%, due 5/23)	20.9	20.6			20.9	20.6
<b>Total</b>			<b>906.0</b>	<b>886.5</b>	<b>121.0</b>	<b>120.0</b>	<b>1,027.0</b>	<b>1,006.5</b>
<b>Consumer Products</b>								
Bellotto Holdings Limited(4)	Provider of made-to-measure blinds	Common stock (2,697,010 shares)			86.0	115.2	86.0	115.2

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		Redeemable preferred stock (7,300,610 shares)	39.5	41.2	39.5	41.2
BRG Sports, Inc.	Designer, manufacturer and licensor of branded sporting goods, reconditioning services and collectibles	Common units (6,566,655 units)	0.7		0.7	
		Redeemable preferred stock (2,009 shares)	2.5	3.0	2.5	3.0

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Delsey Holding S.A.S.	Designs, markets and distributes high-quality innovative travel luggage	Senior subordinated loan (13.5%, due 7/21)(2)			1.5	1.1	1.5	1.1
		Senior subordinated loan (13.5%, due 7/21)(2)			8.0	6.6	8.0	6.6
Feradyne Outdoors, LLC and Bowhunter Holdings, LLC	Provider of branded archery and bowhunting accessories	Senior secured loan (4.0%, due 3/19)	4.5	4.2			4.5	4.2
		Senior secured loan (4.0%, due 3/19)	6.7	6.3			6.7	6.3
		Senior secured loan (6.6%, due 3/19)	9.5	8.7			9.5	8.7
		Senior secured loan (6.6%, due 3/19)	50.1	46.1			50.1	46.1
		Common units (300 units)	3.7	1.8			3.7	1.8
FXI Holdings, Inc.	Producer of flexible polyurethane foam	Common stock (3,163 shares)				0.6		0.6
Group Montana, Inc.(4)	Leading designer, manufacturer and distributor of western-style accessories	Common stock (100% interest)			12.6	1.6	12.6	1.6
		Convertible preferred stock (4,000 shares)			6.8	7.1	6.8	7.1
		Senior secured loan (6.3%, due 1/17)			5.0	5.0	5.0	5.0
Implus Footcare, LLC	Provider of footwear and other accessories	Senior secured loan (8.8%, due 4/21)	17.2	17.2			17.2	17.2
Indra Holdings Corp.	Designer, marketer, and distributor of rain and cold weather products	Junior secured loan (8.5%, due 11/21)	79.1	64.0			79.1	64.0
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of OTC healthcare products	Warrant to purchase up to 1,120 shares of preferred stock		1.4				1.4
		Warrant to purchase up to 1,654,678 shares of common stock		0.8				0.8
Oak Parent, Inc.	Manufacturer of athletic apparel	Senior secured loan (7.6%, due 4/18)	2.4	2.4			2.4	2.4
		Senior secured loan (7.6%, due 4/18)	7.7	7.7			7.7	7.7
		Senior secured loan (9.5%, due 4/18)						
		Senior secured loan (9.5%, due 4/18)						
Plantation Products, LLC, Seed Holdings, Inc. and Flora Parent, Inc.	Provider of branded lawn and garden products	Junior secured loan (9.5%, due 6/21)	2.0	2.0			2.0	2.0
		Junior secured loan (9.5%, due 6/21)	53.8	54.0			53.8	54.0
		Junior secured loan (9.5%, due 6/21)	10.0	10.0			10.0	10.0
		Common stock (30,000 shares)	3.0	4.6			3.0	4.6
RD Holdco Inc.(4)	Manufacturer of steam cleaning carpet care machines rented to consumers	Common stock (458,596 shares)			23.6	26.3	23.6	26.3
		Warrant to purchase 56,372 shares of common stock			2.9		2.9	

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		Junior secured loan (11.3%, due 12/18)		15.6	16.7	15.6	16.7
SHO Holding I Corporation	Manufacturer and distributor of slip resistant footwear	Junior secured loan (9.5%, due 4/23)	97.7	99.0		97.7	99.0

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Shock Doctor, Inc. and Shock Doctor Holdings, LLC(5)	Developer, marketer and distributor of sports protection equipment and accessories	Junior secured loan (11.5%, due 10/21)	35.4	35.4			35.4	35.4
		Junior secured loan (11.5%, due 10/21)	54.0	54.0			54.0	54.0
		Class A preferred units (50,000 units)	5.0	4.8			5.0	4.8
		Class C preferred units (50,000 units)	5.0	4.8			5.0	4.8
The Hygenic Corporation	Designer, manufacturer and marketer of branded wellness products	Junior secured loan (9.8%, due 4/21)	70.0	71.4			70.0	71.4
The Step2 Company, LLC(4)	Toy manufacturer	Junior secured loan (10.0%, due 9/19)	27.5	27.6			27.5	27.6
		Junior secured loan (due 9/19)(3)	30.3	28.1			30.3	28.1
		Common units (1,116,879 units)						
		Class B common units (126,278,000 units)						
Varsity Brands Holding Co., Inc., Hercules Achievement, Inc., Hercules Achievement Holdings, Inc. and Hercules VB Holdings, Inc.	Leading manufacturer and distributor of textiles, apparel & luxury goods	Junior secured loan (9.8%, due 12/22)	55.1	55.6			55.1	55.6
		Junior secured loan (9.8%, due 12/22)	91.0	91.7			91.0	91.7
		Common stock (3,353,370 shares)	3.4	4.6			3.4	4.6
		Common stock (3,353,371 shares)	4.1	5.7			4.1	5.7
<b>Total</b>			<b>728.2</b>	<b>713.9</b>	<b>204.7</b>	<b>224.4</b>	<b>932.9</b>	<b>938.3</b>
<b>Power Generation</b>								
Alphabet Energy, Inc.	Technology developer to convert waste-heat into electricity	Senior secured loan (14.5%, due 8/17)(2)	3.7	4.0			3.7	4.0
		Series 1B preferred stock (12,976 shares)	0.3				0.3	
		Warrant to purchase up to 125,000 shares of Series 2 preferred stock	0.1				0.1	
Bicent (California) Holdings LLC	Gas turbine power generation facilities operator	Senior subordinated loan (8.3%, due 2/21)	49.5	49.5			49.5	49.5
Brush Power, LLC	Gas turbine power generation facilities operator	Senior secured loan (6.3%, due 8/20)	44.6	44.6			44.6	44.6
		Senior secured loan (7.8%, due 8/20)	0.1	0.1			0.1	0.1
		Senior secured loan (6.3%, due 8/20)	2.3	2.3			2.3	2.3
		Senior secured loan (7.8%, due 8/20)	9.7	9.7			9.7	9.7

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		Senior secured loan (6.3%, due 8/20)				
		Senior secured loan (7.8%, due 8/20)				
CEI Kings Mountain Investor, LP	Gas turbine power generation facilities operator	Senior subordinated loan (11.0%, due 3/17)(2)	30.8	30.9	30.8	30.9
CPV Maryland Holding Company II, LLC	Gas turbine power generation facilities operator	Senior subordinated loan (10.0%, due 12/20)	44.5	42.7	44.5	42.7
		Warrant to purchase up to 4 units of common stock				

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
DESRI VI Management Holdings, LLC	Wind power generation facility operator	Senior subordinated loan (9.8%, due 12/21)	25.0	25.0			25.0	25.0
		Non-Controlling Units (10 units)	1.5	2.2			1.5	2.2
Green Energy Partners, Stonewall LLC and Panda Stonewall Intermediate Holdings II LLC	Gas turbine power generation facilities operator	Senior secured loan (6.5%, due 11/21)	24.8	24.0			24.8	24.0
		Senior subordinated loan (13.3%, due 12/21)(2)	19.0	18.4			19.0	18.4
		Senior subordinated loan (13.3%, due 12/21)(2)	88.8	86.2			88.8	86.2
Joule Unlimited Technologies, Inc. and Stichting Joule Global Foundation	Renewable fuel and chemical production developer	Senior secured loan (13.0%, due 10/18)(2)	9.0	7.9			9.0	7.9
		Common stock (11,195,168 shares)						
		Warrant to purchase up to 32,051 shares of Series C-2 preferred stock						
La Paloma Generating Company, LLC	Natural gas fired, combined cycle plant operator	Junior secured loan (due 2/20)(3)	9.0	1.9			9.0	1.9
Moxie Liberty LLC	Gas turbine power generation facilities operator	Senior secured loan (7.5%, due 8/20)	34.7	34.5			34.7	34.5
Moxie Patriot LLC	Gas turbine power generation facilities operator	Senior secured loan (6.8%, due 12/20)	34.7	34.0			34.7	34.0
Panda Power Annex Fund Hummel Holdings II LLC	Gas turbine power generation facilities operator	Senior subordinated loan (13.0%, due 10/16)(2)	113.5	114.1			113.5	114.1
Panda Temple Power II, LLC	Gas turbine power generation facilities operator	Senior secured loan (7.3%, due 4/19)	19.8	18.1			19.8	18.1
Panda Temple Power, LLC	Gas turbine power generation facilities operator	Senior secured loan (7.3%, due 3/22)	23.6	22.0			23.6	22.0
PERC Holdings I LLC	Operator of recycled energy, combined heat and power, and energy efficiency facilities	Class B common units (21,653,543 units)	21.7	24.6			21.7	24.6
<b>Total Manufacturing</b>			<b>610.7</b>	<b>596.7</b>			<b>610.7</b>	<b>596.7</b>
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	Senior secured loan (7.3%, due 9/21)	55.6	55.6	29.5	29.5	85.1	85.1
Component Hardware Group, Inc.	Commercial equipment	Senior secured revolving loan (5.5%, due 7/19)	2.2	2.2			2.2	2.2
		Senior secured loan (5.5%, due 7/19)	8.0	8.0			8.0	8.0

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Harvey Tool Company, LLC and Harvey Tool Holding, LLC	Cutting tool provider to the metalworking industry	Senior subordinated loan (11.0%, due 9/20)(2)	28.0	28.0		28.0	28.0
		Class A membership units (750 units)	0.9	1.5		0.9	1.5
HCV1 S.A.S(4)	R&D designer of in-line inspection devices for product quality control	Common stock (14,569,412 shares)			25.6		25.6
		Senior secured loan (13.8%, due 2/20)(2)			3.6	3.4	3.6 3.4

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Ioxus, Inc	Energy storage devices	Senior secured loan (12.0%, due 6/18)(2)	10.1	9.8			10.1	9.8
		Warrant to purchase up to 1,210,235 shares of Series BB preferred stock		0.2				0.2
		Warrant to purchase up to 3,038,730 shares of common stock						
KPS Global LLC	Walk-in cooler and freezer systems	Senior secured loan (9.7%, due 12/20)	36.5	36.5			36.5	36.5
MacLean-Fogg Company and MacLean-Fogg Holdings, L.L.C.	Manufacturer and supplier for the power utility and automotive markets worldwide	Senior subordinated loan (13.5%, due 10/25)(2)	98.4	98.4			98.4	98.4
		Preferred units (70,183 units)(2)	72.1	72.1			72.1	72.1
Niagara Fiber Intermediate Corp.	Insoluble fiber filler products	Senior secured revolving loan (due 5/18)(3)	1.8	1.4			1.8	1.4
		Senior secured loan (due 5/18)(3)	1.4	1.1			1.4	1.1
		Senior secured loan (due 5/18)(3)	13.4	10.5			13.4	10.5
Nordco Inc.	Railroad maintenance-of-way machinery	Senior secured revolving loan (8.8%, due 8/20)	3.8	3.5			3.8	3.5
		Senior secured loan (7.3%, due 8/20)	70.1	65.2			70.1	65.2
Pelican Products, Inc.	Flashlights	Junior secured loan (9.3%, due 4/21)	40.0	37.2			40.0	37.2
Saw Mill PCG Partners LLC	Metal precision engineered components	Common units (1,000 units)	1.0				1.0	
SI Holdings, Inc.	Elastomeric parts, mid-sized composite structures, and composite tooling	Common stock (1,500 shares)	1.5	2.0			1.5	2.0
TPTM Merger Corp.	Time temperature indicator products	Senior secured revolving loan (7.5%, due 9/18)	1.3	1.3			1.3	1.3
		Senior secured loan (9.7%, due 9/18)	22.0	22.0			22.0	22.0
		Senior secured loan (9.7%, due 9/18)	10.0	10.0			10.0	10.0
		Senior secured loan (9.7%, due 9/18)	2.0	2.0			2.0	2.0
WP CPP Holdings, LLC	Precision engineered castings	Junior secured loan (8.8%, due 4/21)			19.6	17.8	19.6	17.8
Zodiac Marine and Pool S.A.	Boat equipment and marine products manufacturer	Senior subordinated loan (due 9/17)(3)			38.8	3.1	38.8	3.1
		Junior secured loan (due 3/17)(3)			25.2	7.9	25.2	7.9
<b>Total</b>			<b>480.1</b>	<b>468.5</b>	<b>142.3</b>	<b>61.7</b>	<b>622.4</b>	<b>530.2</b>
<b>Restaurants and Food Services</b>								
			28.6	26.6			28.6	26.6

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ADF Capital, Inc., ADF Restaurant Group, LLC, and ARG Restaurant Holdings, Inc.	Restaurant owner and operator	Senior secured loan (9.3%, due 12/18)				
		Senior secured loan (9.3%, due 12/18)	10.9	10.2		10.9
		Promissory note (\$23,652 par due 12/2023)	13.8	11.4		13.8
		Warrant to purchase up to 23,750 units of Series D common stock				11.4

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma Ares Capital	
			Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Benihana, Inc.	Restaurant owner and operator	Senior secured revolving loan (7.8%, due 7/18)	1.1	1.1			1.1	1.1
		Senior secured loan (6.8%, due 1/19)	4.8	4.6			4.8	4.6
DineInFresh, Inc.	Meal-delivery provider	Senior secured loan (9.8%, due 7/18)	6.2	6.3			6.2	6.3
		Warrant to purchase up to 143,079 shares of Series A preferred stock						
Garden Fresh Restaurant Corp.	Restaurant owner and operator	Senior secured loan (10.5%, due 7/18)	40.1	40.1			40.1	40.1
Global Franchise Group, LLC and GFG Intermediate Holding, Inc.	Worldwide franchisor of quick service restaurants	Senior secured loan (10.5%, due 12/19)	60.8	60.8			60.8	60.8
Heritage Food Service Group, Inc. and WCI-HFG Holdings, LLC	Distributor of repair and replacement parts for commercial kitchen equipment	Junior secured loan (9.5%, due 10/22)	31.6	31.3			31.6	31.3
		Preferred units (3,000,000 units)	3.0	2.9			3.0	2.9
Orion Foods, LLC(4)	Convenience food service retailer	Senior secured loan (due 9/15)(3)	1.4	0.8			1.4	0.8
		Junior secured loan (due 9/15)(3)						
		Preferred units (10,000 units)						
		Class A common units (25,001 units)						
		Class B common units (1,122,452 units)						
OTG Management, LLC	Airport restaurant operator	Senior secured revolving loan (8.8%, due 12/17)	8.0	8.0			8.0	8.0
		Senior secured loan (8.8%, due 12/17)	60.1	60.1			60.1	60.1
		Senior secured loan (8.8%, due 12/17)	14.3	14.3			14.3	14.3
		Senior secured loan (8.8%, due 12/17)	24.7	24.7			24.7	24.7
		Common units (3,000,000 units)	3.0	11.9			3.0	11.9
		Warrant to purchase up to 7.73% of common units	0.1	23.8			0.1	23.8
Restaurant Holding Company, LLC	Fast food restaurant operator	Senior secured loan (8.8%, due 2/19)	35.4	35.2			35.4	35.2
<b>Total</b>			<b>347.9</b>	<b>374.1</b>			<b>347.9</b>	<b>374.1</b>
<b>Education</b>								
Campus Management Corp. and Campus Management Acquisition Corp.(5)	Education software developer	Preferred stock (485,159 shares)	10.5	11.2			10.5	11.2
Infilaw Holding, LLC	Operator of for-profit law schools	Senior secured loan (11.5%, due 1/17)(2)	2.5	2.5			2.5	2.5
		Series A preferred units (124,890 units)(2)	125.5	111.7			125.5	111.7
		Series B preferred units (1.96 units)	9.2	2.2			9.2	2.2

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Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Senior secured loan (10.5%, due 12/18)(2)	1.8	1.8	1.8	1.8
		Senior preferred series A-1 shares (163,902 shares)	119.4	75.5	119.4	75.5
		Series B preferred stock (1,401,385 shares)	5.0		5.0	
		Series C preferred stock (1,994,644 shares)	0.7		0.7	
		Common stock (20 shares)				

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital	Fair Value
Lakeland Tours, LLC	Educational travel provider	Senior secured revolving loan (5.8%, due 2/22)	7.6	7.6			7.6	7.6
		Senior secured loan (5.8%, due 2/22)	5.0	5.1			5.0	5.1
		Senior secured loan (10.5%, due 2/22)	31.3	31.7			31.3	31.7
OnCourse Learning Corporation	Provider of state and federally mandated education and training solutions	Senior secured loan (8.5%, due 2/19)			19.3	19.3	19.3	19.3
PIH Corporation	Franchisor of education-based early childhood centers	Senior secured revolving loan (7.0%, due 12/18)	0.6	0.6			0.6	0.6
Primrose Holding Corporation(5)	Franchisor of education-based early childhood centers	Common stock (7,227 shares)				10.5		10.5
R3 Education, Inc. and EIC Acquisitions Corp.	Medical school operator	Preferred stock (1,977 shares)	0.5	0.5			0.5	0.5
		Common membership interest (15.76% interest)	15.8	31.0			15.8	31.0
		Warrant to purchase up to 27,890 shares						
Regent Education, Inc.	Provider of software solutions designed to optimize the financial aid and enrollment processes	Senior secured loan (12.0%, due 1/18)(2)	3.8	3.9			3.8	3.9
		Warrant to purchase up to 987,771 shares of Series CC preferred stock		0.1				0.1
Severin Acquisition, LLC	Provider of student information system software solutions to the K-12 education market	Senior secured revolving loan (5.5%, due 7/21)	1.4	1.3			1.4	1.3
		Junior secured loan (9.8%, due 7/22)	4.1	4.0	29.4	30.2	33.5	34.2
		Junior secured loan (10.3%, due 7/22)	3.2	3.2			3.2	3.2
		Junior secured loan (9.8%, due 7/22)	14.7	14.6			14.7	14.6
WCI-Quantum Holdings, Inc.	Distributor of instructional products, services and resources	Series A preferred stock (1,272 shares)	1.0	1.1			1.0	1.1
<b>Total</b>			<b>363.6</b>	<b>309.6</b>	<b>48.7</b>	<b>60.0</b>	<b>412.3</b>	<b>369.6</b>

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
<b>Containers and Packaging</b>								
Charter NEX US Holdings, Inc.	Producer of high-performance specialty films used in flexible packaging	Junior secured loan (9.3%, due 2/23)	11.7	11.7			11.7	11.7
GS Pretium Holdings, Inc.	Manufacturer and supplier of high performance plastic containers	Common stock (500,000 shares)	0.5	0.4			0.5	0.4
ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	Senior secured revolving loan (6.8%, due 12/18)	1.0	1.0			1.0	1.0
		Junior secured loan (10.2%, due 12/19)	66.0	66.0			66.0	66.0
Industrial Container Services, LLC	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (6.8%, due 12/18)			49.6	49.6	49.6	49.6
		Junior secured loan (10.2%, due 12/19)			9.9	9.9	9.9	9.9
LBP Intermediate Holdings LLC	Manufacturer of paper and corrugated foodservice packaging	Senior secured loan (6.5%, due 7/20)	24.2	24.5			24.2	24.5
Microstar Logistics LLC, Microstar Global Asset Management LLC, and MStar Holding Corporation	Keg management solutions provider	Junior secured loan (8.5%, due 12/18)	78.5	78.5			78.5	78.5
		Junior secured loan (8.5%, due 12/18)	54.0	54.0			54.0	54.0
		Junior secured loan (8.5%, due 12/18)	10.0	10.0			10.0	10.0
		Common stock (50,000 shares)	4.0	7.4			4.0	7.4
Ranpak Corp.	Manufacturer of paper-based protective packaging systems and materials	Junior secured loan (8.3%, due 10/22)			25.0	22.4	25.0	22.4
<b>Total</b>			<b>249.9</b>	<b>253.5</b>	<b>84.5</b>	<b>81.9</b>	<b>334.4</b>	<b>335.4</b>
<b>Oil and Gas</b>								
EXPL Pipeline Holdings LLC(4)	Common-carrier pipeline system that transports petroleum products	Common membership units (100,000 units)			60.6	25.2	60.6	25.2
		Senior secured loan (8.1%, due 1/17)			39.7	39.7	39.7	39.7
Lonestar Prospects, Ltd.	Sand proppant producer and distributor to the oil and natural gas industry	Senior secured loan (8.5%, due 9/18)(2)	24.5	24.0			24.5	24.0
		Senior secured loan (8.5%, due 9/18)(2)	47.9	46.9			47.9	46.9
Petroflow Energy Corporation(5)	Oil and gas exploration and production company	Senior secured loan (3.0%, due 6/19)	16.2	14.7			16.2	14.7
		Junior secured loan (due 12/19)(3)	21.9	3.3			21.9	3.3
			11.1				11.1	



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		Common units (202,000 units)			
Primexx Energy Corporation	Privately-held oil and gas exploration and production company	Junior secured loan (10.0%, due 1/20)	124.6	128.8	124.6 128.8

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
UL Holding Co., LLC and Universal Lubricants, LLC(5)	Manufacturer and distributor of re-refined oil products	Junior secured loan (10.0%, due 5/20)(2)	1.9	7.1			1.9	7.1
		Junior secured loan (10.0%, due 5/20)(2)	8.3	30.0			8.3	30.0
		Junior secured loan (10.0%, due 5/20)(2)	0.9	3.5			0.9	3.5
		Class A common units (533,351 units)	5.0				5.0	
		Class B-5 common units (272,834 units)	2.5				2.5	
		Class C common units (758,546 units)						
		Warrant to purchase up to 719,044 shares of Class A units						
		Warrant to purchase up to 28,663 shares of Class B-1 units						
		Warrant to purchase up to 57,325 shares of Class B-2 units						
		Warrant to purchase up to 29,645 shares of Class B-3 units						
		Warrant to purchase up to 80,371 shares of Class B-5 units						
		Warrant to purchase up to 59,655 shares of Class B-6 units						
		Warrant to purchase up to 1,046,713 shares of Class C units						
<b>Total</b>			<b>264.8</b>	<b>258.3</b>	<b>100.3</b>	<b>64.9</b>	<b>365.1</b>	<b>323.2</b>
<b>Automotive Services</b>								
AEP Holdings, Inc. and Arrowhead Holdco Company	Distributor of non-discretionary, mission-critical aftermarket replacement parts	Senior secured loan (7.3%, due 8/21)	45.3	45.3			45.3	45.3
		Senior secured loan (8.8%, due 8/21)	0.7	0.7			0.7	0.7
		Senior secured loan (8.3%, due 8/21)	10.0	10.0			10.0	10.0
		Senior secured loan (9.8%, due 8/21)						
		Common stock (2,832 shares)	2.8	2.8			2.8	2.8
American Driveline Systems, Inc.(4)	Franchisor of automotive transmission repair centers	Common stock (289,215 shares)			18.2		18.2	
		Senior subordinated loan (11.0%, due 3/21)(2)			45.0	40.7	45.0	40.7
		Redeemable preferred stock (7,121 shares)			83.5		83.5	
CH Hold Corp.	Collision repair company	Senior secured revolving loan (6.3%, due 11/19)	0.8	0.8			0.8	0.8
		Senior secured revolving loan (7.8%, due 11/19)	0.7	0.7			0.7	0.7

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ChargePoint, Inc.	Developer and operator of electric vehicle charging stations	Senior secured loan (9.8%, due 7/19)	9.8	10.0	9.8	10.0
		Senior secured loan (9.8%, due 1/19)	9.6	10.0	9.6	10.0
		Warrant to purchase up to 404,563 shares of Series E preferred stock	0.3	1.4	0.3	1.4
Dent Wizard International Corporation and DWH Equity Investors, L.P.	Automotive reconditioning services	Junior secured loan (10.3%, due 10/20)	50.0	50.0	50.0	50.0
		Class A Common Stock (10,000 shares)	0.3	0.5	0.3	0.5
		Class B Common Stock (20,000 shares)	0.7	1.0	0.7	1.0

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital	Fair Value
Eckler Industries, Inc.	Restoration parts and accessories provider for classic automobiles	Senior secured revolving loan (8.5%, due 7/17)	2.0	1.9			2.0	1.9
		Senior secured loan (7.3%, due 7/17)	7.0	6.5			7.0	6.5
		Senior secured loan (7.3%, due 7/17)	26.3	24.7			26.3	24.7
		Series A preferred stock (1,800 shares)	1.8				1.8	
		Common stock (20,000 shares)	0.2				0.2	
EcoMotors, Inc.	Engine developer	Senior secured loan (11.0%, due 3/18)	11.0	11.5			11.0	11.5
		Warrant to purchase up to 321,888 shares of Series C preferred stock		0.3				0.3
		Warrant to purchase up to 70,000 shares of Series C preferred stock		0.1				0.1
Simpson Performance Products, Inc.	Provider of motorsports safety equipment	Senior secured loan (9.8%, due 2/20)	24.5	24.5			24.5	24.5
SK SPV IV, LLC	Collision repair site operators	Series A common stock (12,500 units)	0.6	3.1			0.6	3.1
		Series B common stock (12,500 units)	0.6	3.1			0.6	3.1
TA THI Buyer, Inc. and TA THI Parent, Inc.	Collision repair company	Series A Preferred stock (50,000 shares)	5.0	13.4			5.0	13.4
		Convertible preferred stock (25,000 shares)			2.5	4.9	2.5	4.9
		Junior secured loan (9.8%, due 1/21)			41.0	42.2	41.0	42.2
<b>Total</b>			<b>210.0</b>	<b>222.3</b>	<b>190.2</b>	<b>87.8</b>	<b>400.2</b>	<b>310.1</b>
<b>Food and Beverage</b>								
American Seafoods Group LLC and American Seafoods Partners LLC	Harvester and processor of seafood	Senior secured revolving loan (7.5%, due 8/21)	3.3	3.3			3.3	3.3
		Senior secured loan (6.0%, due 8/21)	19.2	19.5			19.2	19.5
		Junior secured loan (10.0%, due 2/22)	55.0	55.0			55.0	55.0
		Class A units (77,922 units)	0.1	0.1			0.1	0.1
		Warrant to purchase up to 7,422,078 Class A units	7.4	7.9			7.4	7.9
Eagle Family Foods Group LLC	Manufacturer and producer of milk products	Senior secured loan (10.1%, due 12/21)	4.8	4.8			4.8	4.8
		Senior secured loan (10.1%, due 12/21)	49.6	50.0			49.6	50.0
FPI Holding Corporation(4)	Distributor of stone fruits, grapes, persimmons, pomegranates and Asian pears	Senior secured loan (due 7/16)(3)			0.4		0.4	
GF Parent LLC	Producer of low-acid, aseptic food and beverage products	Class A Preferred Units (2,940 units)	2.9	1.4			2.9	1.4

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		Class A Common Units (60,000 units)	0.1		0.1	
Kettle Cuisine, LLC	Manufacturer of fresh refrigerated and frozen food products	Junior secured loan (10.8%, due 2/22)	28.5	28.5	28.5	28.5
KeyImpact Holdings, Inc. and JWC/KI Holdings, LLC	Foodservice sales and marketing agency	Senior secured loan (7.1%, due 11/21)	46.0	46.0	46.0	46.0
		Membership units (5,000 units)	5.0	6.0	5.0	6.0

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
NECCO Holdings, Inc.(4)	Confectioner	Common stock (860,189 shares)			0.1		0.1	
		Senior secured loan (due 11/17)(3)			11.7	8.4	11.7	8.4
		Junior secured loan (due 11/17)(3)			2.7		2.7	
Teasdale Foods, Inc.	Provider of store brand and branded bean and hominy products	Junior secured loan (10.8%, due 10/21)			52.8	51.7	52.8	51.7
<b>Total</b>			<b>221.9</b>	<b>222.5</b>	<b>67.7</b>	<b>60.1</b>	<b>289.6</b>	<b>282.6</b>
<b>Environmental Services</b>								
MPH Energy Holdings, LP	Operator of municipal recycling facilities	Limited partnership interest						
RE Community Holdings, LP and Pegasus Community Energy, LLC	Operator of municipal recycling facilities	Preferred stock (1,000 shares)	8.8				8.8	
Soil Safe Acquisition Corp.(4)	Provider of environmental services for lightly contaminated soil	Common stock (810 shares)			9.0	11.6	9.0	11.6
		Senior secured loan (8.0%, due 1/18-12/18)			19.5	19.6	19.5	19.6
		Senior subordinated loan (16.1%, due 12/19)(2)			78.3	78.4	78.3	78.4
		Junior secured loan (10.8%, due 7/19)			12.7	12.7	12.7	12.7
Waste Pro USA, Inc	Waste management services	Junior secured loan (8.5%, due 10/20)	16.5	16.5			16.5	16.5
		Junior secured loan (8.5%, due 10/20)	59.8	59.8			59.8	59.8
<b>Total</b>			<b>85.1</b>	<b>76.3</b>	<b>119.5</b>	<b>122.3</b>	<b>204.6</b>	<b>198.6</b>
<b>Commercial Real Estate Finance</b>								
10th Street, LLC and New 10th Street, LLC(4)	Real estate holding company	Senior secured loan (13.0%, due 11/19)(2)	25.4	25.4			25.4	25.4
		Senior subordinated loan (13.0%, due 11/19)(2)	27.4	27.4			27.4	27.4
		Member interest (10.00% interest)	0.6	44.5			0.6	44.5
		Option (25,000 units)						
ACAS Real Estate Holdings Corporation(4)	Real estate holding company	Common stock (100% interest)			4.5	9.4	4.5	9.4
Crescent Hotels & Resorts, LLC and affiliates(4)	Hotel operator	Senior subordinated loan (15.0%, due 9/11)		3.1				3.1
		Common equity interest						
NECCO Realty Investments, LLC(4)	Confectionery production facility	Common membership units (7,450 units)			4.9		4.9	
		Senior secured loan (due 12/17)(3)			32.8	24.9	32.8	24.9
Parmenter Woodland Park Plaza, LLC	Commercial real estate loan	Senior secured loan (5.4%, due 9/18)			17.5	15.3	17.5	15.3

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<b>Total</b>			<b>53.4</b>	<b>100.4</b>	<b>59.7</b>	<b>49.6</b>	<b>113.1</b>	<b>150.0</b>
<b>Aerospace and Defense</b>								
Cadence Aerospace, LLC	Aerospace precision components manufacturer	Senior secured loan (7.0%, due 5/18)	4.0	4.1			4.0	4.1
		Senior secured loan (8.3%, due 5/18)						
		Junior secured loan (10.5%, due 5/19)	79.7	77.3			79.7	77.3
CAMP International Holding Company	Provider of subscription-based maintenance tracking information services to the corporate aviation market	Junior secured loan (8.3%, due 11/19)			15.0	14.7	15.0	14.7

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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Jazz Acquisition, Inc.	Manufacturer and distributor of components for the commercial aerospace, business, military and general aviation markets	Junior secured loan (7.8%, due 6/22)			24.9	19.3	24.9	19.3
Photonis Technologies S.A.S.	Services photo sensor technology needs for Industry & Science, Medical Imaging and Night Vision	Senior secured loan (8.5%, due 9/19)			28.5	29.1	28.5	29.1
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Senior preferred stock (775 shares)(2)	0.1	0.1			0.1	0.1
		Common stock (1,885,195 shares)	2.3	2.8			2.3	2.8
<b>Total</b>			<b>86.1</b>	<b>84.3</b>	<b>68.4</b>	<b>63.1</b>	<b>154.5</b>	<b>147.4</b>
<b>Wholesale Distribution</b>								
CPI Buyer, LLC	Marketer, distributor and manufacturer of products specializing in fluid handling, test and measurement and electrochemistry	Junior secured loan (8.5%, due 8/22)			24.7	23.7	24.7	23.7
Flow Solutions Holdings, Inc.	Distributor of high value fluid handling, filtration and flow control products	Junior secured loan (10.0%, due 10/18)	6.0	5.5			6.0	5.5
		Junior secured loan (10.0%, due 10/18)	29.5	27.1			29.5	27.1
Kele Holdco, Inc.	Distributor of peripheral control products used in building automation systems of commercial buildings	Common stock (30,000 shares)			3.0	3.0	3.0	3.0
		Senior secured loan (7.0%, due 10/20-10/22)			70.9	70.9	70.9	70.9
<b>Total</b>			<b>35.5</b>	<b>32.6</b>	<b>98.6</b>	<b>97.6</b>	<b>134.1</b>	<b>130.2</b>
<b>Hotel Services</b>								
Aimbridge Hospitality, LLC	Hotel operator	Senior secured loan (8.3%, due 10/18)	2.8	2.9			2.8	2.9
		Senior secured loan (8.3%, due 10/18)	3.3	3.3			3.3	3.3
		Senior secured loan (8.3%, due 10/18)	14.8	15.0			14.8	15.0
Castle Management Borrower LLC	Hotel operator	Senior secured loan (5.5%, due 9/20)	5.7	5.7			5.7	5.7
		Junior secured loan (11.0%, due 3/21)	10.0	10.0			10.0	10.0
		Junior secured loan (11.0%, due 3/21)	55.0	55.0			55.0	55.0
<b>Total</b>			<b>91.6</b>	<b>91.9</b>			<b>91.6</b>	<b>91.9</b>
<b>Telecommunications</b>								



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Adaptive Mobile Security Limited	Developer of security software for mobile communications networks	Senior secured loan (10.0%, due 7/18)	2.6	2.7	2.6	2.7
		Senior secured loan (10.0%, due 10/18)	0.7	0.7	0.7	0.7
American Broadband Communications, LLC, American Broadband Holding Company, and Cameron Holdings of NC, Inc.	Broadband communication services	Warrant to purchase up to 208 shares		7.2		7.2
		Warrant to purchase up to 200 shares		6.9		6.9
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Company	Business Description	Investment	Ares Capital		American Capital		Pro Forma	
			Cost	Fair Value	Cost	Fair Value	Ares Capital Cost	Ares Capital Fair Value
Iotum Global Holdings, Inc.	Conference calling provider	Senior secured loan (10.0%, due 5/17)(2)			1.2	1.2	1.2	1.2
LTG Acquisition, Inc.	Manufacturer of display, lighting and passenger communication systems for global mass transportation markets	Common stock (5,000 shares)			5.0	4.8	5.0	4.8
		Junior secured loan (9.0%, due 10/20)			46.0	46.0	46.0	46.0
Startec Equity, LLC(4)	Communication services	Member interest						
Wilcon Holdings LLC	Communications infrastructure provider	Class A common stock (2,000,000 shares)	1.8	3.2			1.8	3.2
<b>Total</b>			<b>5.1</b>	<b>20.7</b>	<b>52.2</b>	<b>52.0</b>	<b>57.3</b>	<b>72.7</b>
<b>Chemicals</b>								
Genomatica, Inc.	Developer of a biotechnology platform for the production of chemical products	Warrant to purchase 322,422 shares of Series D preferred stock						
K2 Pure Solutions Nocal, L.P.	Chemical Producer	Senior secured loan (7.0%, due 2/21)	14.0	14.0			14.0	14.0
		Senior secured loan (7.0%, due 2/21)	26.0	26.0			26.0	26.0
		Senior secured loan (7.0%, due 2/21)	13.0	13.0			13.0	13.0
Kinestral Technologies, Inc.	Designer of adaptive, dynamic glass for the commercial and residential markets.	Senior secured loan (8.8%, due 10/18)	9.6	9.7			9.6	9.7
		Warrant to purchase up to 325,000 shares of Series A preferred stock	0.1	0.2			0.1	0.2
		Warrant to purchase up to 131,883 shares of Series B preferred stock						
Liquid Light, Inc.(4)	Developer and licensor of process technology for the conversion of carbon dioxide into major chemicals	Senior secured loan (due 11/17)(3)	2.1	0.2			2.1	0.2
		Warrant to purchase up to 86,009 shares of Series B preferred stock	0.1				0.1	
<b>Total</b>			<b>64.9</b>	<b>63.1</b>			<b>64.9</b>	<b>63.1</b>