ARES CAPITAL CORP
Form 497
July 07, 2006

QuickLinks -- Click here to rapidly navigate through this document

Filed pursuant to Rule 497
Registration No. 333-134077

Subject to Completion
Preliminary Prospectus Supplement dated July 7, 2006

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

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 23, 2006)

9,375,000 Shares

Common Stock

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

We are managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, an independent Los Angeles based firm that currently manages investment funds that have approximately $10.7 billion of committed capital. Ares Technical Administration LLC provides the administrative services necessary for us to operate.

Our common stock is quoted on The NASDAQ National Market under the symbol "ARCC." On July 5, 2006, the last reported sales price of our common stock on The NASDAQ National Market was $17.13 per share.

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

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

	Per Share	Total

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

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

The underwriters may also purchase up to an additional 1,406,250 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments. If the underwriters exercise this option in full, the total public offering price will be $, the total underwriting discount (sales load) paid by us will be $, and total proceeds, before expenses, will be $.

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

The shares will be ready for delivery on or about July , 2006.

Merrill Lynch & Co. **UBS Investment Bank**

Citigroup **JPMorgan** **Wachovia Securities**

SunTrust Robinson Humphrey

The date of this prospectus is , 2006.

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

Prospectus Supplement
TABLE OF CONTENTS

Prospectus
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

THE COMPANY

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

Ares Capital

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

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

The first and second lien senior loans generally have stated terms of three to ten years and the mezzanine debt investments generally have stated terms of up to ten years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, there is no limit on the maturity or duration of any security in our portfolio. The debt that we invest in typically is not rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's or lower than "BBB-" by Standard & Poor's). We may invest without limit in debt of any rating, including securities that have not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage Ares' current investment platform, resources and existing relationships with financial sponsors, financial institutions, hedge funds and other investment firms to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares' senior principals have worked together for many years and have substantial experience in investing in senior loans, high yield bonds, mezzanine debt and private equity. The Company has access to the Ares staff of approximately 58 investment professionals and to the 38 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance and investor relations.

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

About Ares

Ares is an independent firm with approximately $10.7 billion of total committed capital and 129 employees. Ares was founded in 1997 by a group of highly experienced investment professionals.

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

Ares is comprised of the following groups:

Capital Markets Group. The Ares Capital Markets Group currently manages a variety of funds and investment vehicles that have approximately $6.8 billion of total committed capital, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

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

Private Equity Group. The Ares Private Equity Group manages the Ares Corporate Opportunities Fund L.P. and the Ares Corporate Opportunities Fund II, L.P. (collectively referred to as "ACOF"), which together have approximately $2.7 billion of total committed capital. ACOF generally makes private equity investments in companies in amounts substantially larger than the private equity investments anticipated to be made by Ares Capital. The Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

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

Ares Capital Management

Ares Capital Management, our investment adviser, is served by a dedicated origination and transaction development team of 17 investment professionals, including our President, Michael J. Arougheti, which team is augmented by Ares' additional investment professionals, primarily its 24 member Capital Markets Group. Ares Capital Management's investment committee has 5 members, including Mr. Arougheti and 4 founding members of Ares. In addition, Ares Capital Management leverages off of Ares' entire investment platform and benefits from the Ares investment professionals' significant capital markets, trading and research expertise developed through Ares industry analysts. Ares funds have made investments in over 1,000 companies in over 30 different industries and currently hold over 400 investments in over 30 different industries.

Our Corporate Information

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

FEES AND EXPENSES

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

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid by us	4.50%(1)
Offering expenses borne by us	0.30%(2)
Dividend reinvestment plan expenses	None(3)
Total stockholder transaction expenses paid by us	4.80%

Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(4):	
Management fees	2.04%(5)
Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income, subject to certain limitations)	2.07%(6)
Interest payments on borrowed funds	1.23%(7)
Other expenses	0.78%(8)
Total annual expenses (estimated)	6.12%(9)

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

(2) Amount reflects estimated offering expenses of approximately $483,125 and based on the 9,375,000 shares offered in this offering.

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

(4) "Consolidated net assets attributable to common stock" equals net asset value at March 31, 2006 plus the anticipated net proceeds from this offering.

(5) Our management fee is 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents. The 2.04% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement."

(6) We expect to use a portion of the net proceeds of this offering to repay outstanding indebtedness under our Revolving Credit Facility ($102 million outstanding as of July 7, 2006). We expect to invest the remainder of the net proceeds from this offering within 90 days. This item represents an estimate of our annualized incentive fees based on actual amounts earned for the three months ended March 31, 2006. It also assumes that this fee will remain constant although it is based on our performance and will not be paid unless we achieve certain goals. We have also assumed that the net realized capital gains based incentive fees are equal to 0% as we had not received any such incentive fees for the quarter ending March 31, 2006. We may realize sufficient capital gains to result in the payment of such incentive fees.

The incentive fee consists of two parts:

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

The second, payable annually in arrears for each calendar year ending on or after December 31, 2004, equals 20% of our net realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation.

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness) is less than 8.0% of our net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases.

See "Management Investment Advisory and Management Agreement."

(7)

"Interest payments on borrowed funds" represents an estimate of our annualized interest expenses based on actual interest and credit facility expense incurred and amortization of debt issuance cost for the quarter ended March 31, 2006. During the quarter ended March 31, 2006, the average borrowings were $82.9 million and cash paid for interest expense was $308,038. We had outstanding borrowings of $185.2 million at March 31, 2006. The estimate is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us."

(8)

Includes our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Administration in performing its obligations under the administration agreement. Such expenses are based on annualized other expenses for the quarter ended March 31, 2006. See "Management Administration Agreement." The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses.

(9)

"Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets, rather than the total assets, including assets that have been funded with borrowed monies. If the "Total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, our "Total annual expenses" would be 4.49% of consolidated total assets.

Example

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

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return(1)	$ 88	$ 168	$ 249	$ 459

(1) The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a $1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, $97; 3 years, $195; 5 years, $294; and 10 years, $543. However, cash payment of the capital incentive fee would be deferred if during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness) was less than 8.0% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

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

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

RECENT DEVELOPMENTS

Capital Raising Activities

On July 7, 2006, Ares Capital, through its newly formed, wholly owned Delaware subsidiary, ARCC CLO 2006 LLC ("ARCC CLO"), completed a $400 million debt securitization where approximately $314 million principal amount of asset-backed notes (including $50 million revolving notes that have not been drawn down as of the date of this prospectus supplement) (the "Offered Notes") were issued to third parties and secured by a pool of middle market loans that have been purchased or originated by the Company. We retained approximately $86 million of certain BBB and non-rated securities in the debt securitization. The blended pricing of the Offered Notes, excluding fees, is approximately 3 month LIBOR plus 34 basis points. The securitization is an on-balance-sheet financing for the Company.

The classes, amounts, ratings and interest rates (expressed as a spread to LIBOR) of the Offered Notes are:

Class	Amount (millions)	Rating (S&P/Moody's)	LIBOR Spread (basis points)
A-1A	$ 75	AAA/Aaa	25
A-1A VFN	$ 50(1)	AAA/Aaa	28
A-1B	$ 14	AAA/Aaa	37
A-2A	$ 75	AAA/Aaa	22
A-2B	$ 33	AAA/Aaa	35
B	$ 23	AA/Aa2	43
C	$ 44	A/A2	70
Total	$ 314		

(1) Revolving class, none of which was drawn down as of the date of this prospectus supplement.

During the first five years from the closing date, principal collections received on the underlying collateral may be used to purchase new collateral, allowing us to maintain the initial leverage in the securitization for the entire five-year period. Under the terms of the securitization, up to 15% of the collateral may be subordinated loans that are neither first nor second lien loans.

The Class A-1A VFN Notes are a revolving class of secured notes and allow us to borrow and repay AAA/Aaa financing over the initial five-year period thereby providing more efficiency in funding costs. All of the notes are secured by the assets of ARCC Commercial Loan Trust 2006, including commercial loans currently totaling $308.1 million as of the closing date, which were sold to the trust by the Company, the originator and servicer of the assets. Additional commercial loans will be purchased by the trust from the Company primarily using the proceeds from the Class A-1A VFN Notes. The pool of commercial loans in the trust must meet certain requirements, including, but not limited to, asset mix and concentration, collateral coverage, term, agency rating, minimum coupon, minimum spread and sector diversity requirements.

Approximately $243 million of the total proceeds from the sale of the Offered Notes (not including the revolving notes that have not yet been drawn down) were used to pay down amounts outstanding under our Senior Secured Revolving Credit Agreement (the "Revolving Credit Facility") and our wholly owned subsidiary Ares Capital CP Funding LLC's credit facility (the "CP Funding Facility" and, together with the Revolving Credit Facility, the "Facilities"). The Facilities provide for up to $600 million of borrowings and are expected to remain in place and be available for future drawings prior to expiration.

As of July 7, 2006, there were no amounts outstanding under the CP Funding Facility and $102 million outstanding under the Revolving Credit Facility. Total borrowings as of July 7, 2006 were $366 million. For a description of our Facilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Financials, Liquidity and Capital Resources" in the accompanying prospectus.

Investment Activity

As of June 30, 2006, the year to date net realized capital gains on our investments were approximately $24.5 million ($9.8 million of which were previously recorded as unrealized gains at December 31, 2005 and have been subsequently realized), for which we currently estimate we will owe taxes of approximately $4.4 million. Gross originations during the quarter ended June 30, 2006 were $255.5 million. During the same quarter, we realized certain investments, bringing net investments for the quarter to $146.4 million. In addition, during the quarter ended June 30, 2006, we made commitments in excess of our final investments and syndicated a portion of these commitments to third parties. As a result of this activity, during the same quarter, we generated in excess of $5 million of structuring fee income.

We currently have outstanding commitments to fund an aggregate of approximately $200 million of investments. We expect to syndicate a portion of these commitments to third parties. In addition, we have a pipeline of approximately $250 million. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment, the execution and delivery of satisfactory documentation and the receipt of any necessary consents. We cannot assure you that we will make any of these investments.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 9,375,000 shares of our common stock in this offering will be approximately $152,883,906 (or approximately $175,888,961 if the underwriters fully exercise their overallotment option), in each case assuming a public offering price of $17.13 per share, after deducting the underwriting discounts and commissions of $7,226,719 (or approximately $8,310,727 if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately $483,125 payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of common stock we sell in the offering, both of which will be determined at pricing.

We expect to use approximately $102 million of the net proceeds of this offering to repay outstanding indebtedness under our Revolving Credit Facility. We expect such repayment will occur within 5 business days after the closing of this offering. The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six month) plus 1.00%, generally. As of July 5, 2006, the one, two, three and six month LIBOR were 5.34%, 5.43%, 5.49% and 5.59%, respectively. The Revolving Credit Facility expires on December 28, 2010. We intend to use the remainder of the net proceeds within 90 days to fund investments in portfolio companies in accordance with our investment objective and the strategies described in the accompanying prospectus and for general corporate purposes. However, it could take a longer time to invest substantially all of the net proceeds, depending on the availability of appropriate investment opportunities and market conditions.

We intend to invest primarily in first and second lien senior loans and mezzanine debt of middle market companies, each of which may include an equity component, and, to a lesser extent, in equity securities in such companies. In addition to such investments, we may invest up to 30% of the portfolio in opportunistic investments, including high-yield bonds, debt and equity securities in collateralized debt obligation vehicles, distressed debt or equity securities of public companies. As part of this 30%, we may also invest in debt of middle market companies located outside of the United States, which investments are not anticipated to be in excess of 10% of the portfolio. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not be able to achieve our investment objective and/or pay any dividends during this period or, if we are able to do so, such dividends may be substantially lower than the dividends that we expect to pay when our portfolio is fully invested. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our shares may decline. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

PRICE RANGE OF COMMON STOCK

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

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

	NAV(1)	Price Range High	Price Range Low	Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Dividend Per Share(2)
Fiscal 2004						
Fourth quarter	$ 14.43	$ 19.75	$ 15.00	136.9%	104.1%	$ 0.30
Fiscal 2005						
First quarter	$ 14.96	$ 18.74	$ 15.57	125.3%	104.0%	$ 0.30
Second quarter	$ 14.97	$ 18.14	$ 15.96	121.2%	106.6%	$ 0.32
Third quarter	$ 15.08	$ 19.25	$ 16.18	127.7%	107.3%	$ 0.34
Fourth quarter	$ 15.03	$ 16.73	$ 15.08	111.3%	100.3%	$ 0.34
Fiscal 2006						
First quarter	$ 15.03	$ 17.97	$ 16.23	119.6%	108.0%	$ 0.36
Second quarter	$ *	$ 17.50	$ 16.36	* %	* %	$ 0.38
Third quarter (through July 5, 2006)	$ *	$ 17.13	$ 16.91	*	*	**

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

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

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

** *Dividend has not yet been declared for this period.*

On July 5, 2006, the last reported sales price of our common stock on The NASDAQ National Market was $17.13 per share.

CAPITALIZATION

The following table sets forth (1) our actual capitalization at March 31, 2006 and (2) our capitalization as adjusted to reflect the effects of the sale of our common stock in this offering (assuming no exercise of the underwriters' overallotment option) at an assumed public offering price of $17.13 per share, after deducting the underwriting discounts and commissions and offering expenses payable by us. The adjusted information below is illustrative only and our capitalization following the completion of the offering is subject to adjustment based on the actual public offering price of our common stock and the actual number of shares we sell in the offering, both of which will be determined at pricing. You should read this table together with "Use of Proceeds" and our balance sheet included in the accompanying prospectus.

	As of March 31, 2006			
		Actual		**As Adjusted**
Cash and cash equivalents	$	19,034,286	$	69,918,192
Debt				
Credit facilities	$	185,200,000		83,200,000(1)
Stockholders' Equity				
Common stock, par value $.001 per share, 100,000,000 common shares authorized, 38,007,148 and 47,382,148 common shares issued and outstanding, respectively(2)	$	38,008	$	47,382
Capital in excess of par value		560,795,135		713,669,667
Accumulated net realized gain on sale of investments		4,385,073		4,385,073
Net unrealized depreciation on investments		6,157,122		6,157,122
Total stockholders' equity	$	571,375,338	$	724,259,244
Total capitalization	$	756,575,338	$	807,459,244

(1) The above table reflects debt outstanding as of March 31, 2005 of $185,200,000 under the CP Funding Facility and the Revolving Credit Facility. However as of July 7, 2006, the Company had $0 outstanding under the CP Funding Facility, $102,000,000 outstanding under the Revolving Credit Facility and $264,000,000 outstanding in Offered Notes. Proceeds from the sale of our common stock in this offering will be used to pay down outstanding indebtedness of approximately $102,000,000 under the Revolving Credit Facility.

(2) Does not include 101,749 shares issued under our Dividend Reinvestment Plan on April 17, 2006 and 98,357 shares issued under our Dividend Reinvestment Plan on June 30, 2006.

UNDERWRITING

We intend to offer the shares through the underwriters named below. Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Wachovia Capital Markets, LLC and SunTrust Capital Markets, Inc. are acting as representatives of the underwriters. Subject to the terms and conditions described in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
UBS Securities LLC	
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Wachovia Capital Markets, LLC	
SunTrust Capital Markets, Inc.	
Total	9,375,000

The underwriters have agreed that they must purchase all of the shares sold under the purchase agreement if they purchase any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' overallotment option described below. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

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

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

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters' overallotment option to purchase up to an additional 1,406,250 shares.

	No exercise	Full exercise
Per share	$	$
Total	$	$

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

We estimate that the total expenses of the offering payable by us, not including underwriting discounts and commissions, will be approximately $483,125.

Overallotment Option

We have granted an option to the underwriters to purchase up to 1,406,250 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We, our executive officers and directors and Ares Capital Management have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC. Specifically, we and these other individuals and entities have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Quotation on the NASDAQ National Market

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

Price Stabilization and Short Positions

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

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

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

Electronic Distribution

Merrill Lynch will be facilitating electronic distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web site maintained by Merrill Lynch. Other than the prospectus in electronic format, the information on the Merrill Lynch Web site is not part of this prospectus supplement.

Other Relationships

Certain of the underwriters and their affiliates have provided in the past to Ares and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Ares, Ares Capital or our portfolio companies for which they will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Ares Capital or on behalf of Ares Capital, Ares or any of our portfolio companies. In addition, the underwriters or their respective affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to Ares, Ares Capital or Ares Capital Management.

Affiliates of certain of the underwriters are limited partners in various Ares private investment funds. Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated are limited partners of Ares Corporate Opportunities Fund, L.P.

The underwriters or their respective affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to Ares, Ares Capital, Ares Capital Management or any of the portfolio companies.

We may purchase securities of third parties from some of the underwriters or their respective affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if among other things we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by these underwriters and their respective affiliates in the ordinary course of their business and not in connection with the offering of the common stock. In addition, after the offering period for the sale of our common stock, the underwriters or their affiliates may develop analyses or opinions related to Ares, Ares Capital or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding Ares Capital to our stockholders.

Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wachovia Capital Markets, LLC was an underwriter of our October 2004 initial public offering and our March 2005 and October 2005 common stock offerings, for which it received customary fees. Each of UBS Securities LLC and J.P. Morgan Securities Inc. was an underwriter of our October 2005 common stock offering, for which it received customary fees. Wachovia Capital Markets, LLC is the administrative agent and a lender under the CP Funding Facility. JPMorgan Chase Bank, N.A. is the administrative agent and a lender under the Revolving Credit Facility. Merrill Lynch Capital Corporation, UBS Loan Finance LLC and Wachovia Bank, National Association are syndication agents and lenders under the Revolving Credit Facility. SunTrust Bank is a lender under the Revolving Credit Facility. Wachovia Securities was the initial purchaser in connection with the issuance by ARCC Commercial Loan Trust 2006 of $400 million of its floating rate notes, for which it received customary fees.

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

The principal business address of Merrill Lynch is 4 World Financial Center, New York, New York 10080. The principal business address of UBS Securities LLC is 299 Park Avenue, New York, New York 10171. The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, New York 10013. The principal business address of J.P. Morgan Securities Inc. is 277 Park Avenue, New York, New York 10172. The principal business address of Wachovia Capital Markets, LLC is One Wachovia Center, 301 South College Street, Charlotte, North Carolina 28288. The principal business address of SunTrust Capital Markets, Inc. is 3333 Peachtree Road, NE, 10th Floor, Atlanta, Georgia 30326.

LEGAL MATTERS

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

PROSPECTUS

$250,000,000

Common Stock

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

We are managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, an independent Los Angeles based firm that currently manages investment funds that have approximately $10.7 billion of committed capital. Ares Technical Administration LLC provides the administrative services necessary for us to operate.

Our common stock is quoted on The NASDAQ National Market under the symbol "ARCC." On June 15, 2006, the last reported sales price of our common stock on The NASDAQ National Market was $16.77 per share.

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

We may offer, from time to time, up to $250 million aggregate initial offering price of our common stock in one or more offerings. We will offer the shares of common stock at prices and on terms to be described in one or more supplements to this prospectus. The offering price per share of our common stock less any underwriting commissions or discounts will not be less than the net value per share of our common stock at the time we make the offering. This prospectus and the accompanying prospectus supplement concisely provide important information you should know before investing in our common stock. Please read the prospectus and the accompanying prospectus supplement before you invest and keep it for future reference. Our Internet address is *http://www.arescapitalcorporation.com.* We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. The SEC also maintains a website at *www.sec.gov* that contains such information.

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

This prospectus may not be used to consummate sales of shares of common stock unless accompanied by a prospectus supplement.

The date of this prospectus is June 23, 2006.

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

TABLE OF CONTENTS