



ARES CAPITAL MANAGEMENT LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2014

This brochure provides information about the qualifications and business practices of Ares Capital Management LLC (“ACM” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 310-201-4100 or adell@aresmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about ACM is also available on the SEC’s website at:

www.adviserinfo.sec.gov

Registration with the SEC as an investment adviser does not imply that ACM or any principals or employees of ACM possess a particular level of skill or training in the investment advisory or any other business.

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Item 2 - Material Changes

This brochure contains updated information about the Firm's business since the last annual update dated March 29, 2013; however, no material changes are included in this updated brochure.

Item 3 - Table of Contents

Item 1 – Cover Page.....	–
Item 2 - Material Changes.....	2
Item 3 - Table of Contents	2
Item 4 - Advisory Business.....	3
Item 5 - Fees and Compensation.....	4
Item 6 - Performance Based Fees and Side-by-Side Management.....	4
Item 7 - Types of Clients	4
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss	4
Item 9 - Disciplinary Information	5
Item 10 - Other Financial Industry Activities and Affiliations.....	6
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Item 12 - Brokerage Practices.....	8
Item 13 - Review of Accounts	8
Item 14 - Client Referrals and Other Compensation	8
Item 15 - Custody.....	8
Item 16 - Investment Discretion	9
Item 17 - Voting Client Securities	9
Item 18 - Financial Information.....	9

Item 4 - Advisory Business

ACM is a Delaware limited liability company that was formed in April 2004. ACM is a wholly owned subsidiary of Ares Management LLC ("Ares Management"), a Delaware limited liability company that was initially established in 1997 and became an independent company in 2002. The indirect principal owner of Ares Management is Antony P. Ressler who, together with the other Co-Founders of Ares Management, indirectly holds a majority ownership in Ares Management through intermediate holding companies.

ACM provides investment management services on a discretionary basis to Ares Capital Corporation ("ARCC"), a publicly traded, closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act, as amended (the "1940 Act"). ACM provides investment management services on a non-discretionary basis to a private investment vehicle, the Senior Secured Loan Fund LLC, doing business as the Senior Secured Loan Program ("SSLP"). ACM shares management duties with a co-manager, GE Commercial Finance Investment Advisory Services LLC ("GECFAS"), an indirect wholly owned subsidiary of General Electric Corporation. As of December 31, 2013, ACM had assets under management ("AUM") of \$15,140,200,000 of which \$8,743,850,000 is attributable to the SSLP and is managed on a non-discretionary basis. AUM is calculated by aggregating the gross value of all securities accounts for which ACM provides continuous and regular supervisory or management services.

The SSLP was organized for the purposes of (a) funding, holding for investment and disposing of senior secured commercial loans in accordance with and subject to certain investment objectives, policies and restrictions as outlined in the SSLP's documents, (b) receiving other portfolio investment proceeds of qualified loans held by the SSLP, and holding for investment and disposing of such portfolio investments, and (c) engaging in such additional acts and activities and conducting such other businesses related or incidental to the management of the SSLP. ACM and GECFAS (collectively "Co-Managers") serve as co-managers of the SSLP. Investment decisions are made specifically by the Investment Committee of SSLP, composed equally of representatives of ARCC and GE Global Sponsor Finance LLC ("GEGSF"), an affiliate of GECFAS. The Investment Committee meets periodically as needed to discuss new investment prospects, structuring and execution of investments under consideration and enhancing value in current portfolio companies. In general, Investment Committee approval is required before the Co-Managers may bind the SSLP. The SSLP has entered into sourcing agreements with ARCC and with GEGSF. ARCC and GEGSF own 87.5% and 12.5% of the subordinated certificates of the SSLP, respectively. Under the terms of the respective sourcing agreements, ARCC and GEGSF each agrees to provide to the SSLP a right to invest in and make for its own account (and provide an investment commitment with respect to) all or any portion of any issuance of ARCC or GEGSF originated senior secured loans meeting the investment criteria as outlined in the respective sourcing agreement. For potential investments suitable for the SSLP and subject to any necessary borrower or obligor consent, ACM and/or GEGSF will notify the SSLP of any proposals to arrange the syndication or placement of the related senior secured loans. In addition, each of ARCC and GEGSF may, but shall not be obligated to, offer to the SSLP a right to invest in and acquire for its own account all or any portion of any issuance of an ARCC or GEGSF originated senior secured loan that does not meet the investment criteria.

ARCC and GEGSF will, as applicable, prepare and deliver to the Co-Managers and each member of the Investment Committee an investment package with respect to the specific loan proposed to be made. ARCC and/or GEGSF may also provide additional assistance to the SSLP in its due diligence process, including arranging meetings with the potential obligors, preparing additional analysis of the terms of the loan, obtaining and providing additional documentation upon request from the SSLP, ACM or the Investment Committee, among others. ARCC and GEGSF each receive a sourcing fee from the SSLP for services provided under the applicable sourcing agreements.

Item 5 - Fees and Compensation

The SSLP does not pay any fees to ACM. As compensation for the services received, the SSLP will pay a management fee to GECFAS in the amount of 12.5bps per annum of the sum of the principal amount of the senior loans and eligible investments held by the SSLP, unaffected by accrued interest or general or specific loan loss reserves plus the collateral value of all exchange senior debt and cash consisting of principal or unused proceeds. The advisory fee payable to GECFAS will be payable quarterly in arrears and will be calculated by the SSLP's trustee which will then wire the appropriate amounts to GECFAS. The SSLP is also subject to additional expenses including all of its respective ongoing administrative and operational expenses. These expenses may include, among other things: fees, costs and expenses of the trustee; certain administrative costs; any legal or auditing fees; all out-of-pocket fees, costs and expenses, if any, incurred in holding, developing, negotiating, structuring, and disposing of actual portfolio investments; registration fees and expenses; and other investment costs actually incurred in connection with actual portfolio investments.

Item 6 - Performance Based Fees and Side-by-Side Management

The SSLP does not pay any fees, including performance fees to ACM. Please see “*Item 4 – Advisory Business*” and “*Item 5 – Fees and Compensation*” for a discussion of the relationship between the SSLP and ARCC, which is also a client of ACM, including the sourcing agreement to which both SSLP and ARCC are a party.

Item 7 - Types of Clients

ACM provides portfolio management services to the SSLP, a private investment vehicle which is not currently offered to investors other than ARCC, GEGSF or their affiliates.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

ACM provides portfolio management services for the SSLP, which invests primarily in privately negotiated senior secured corporate loans. ACM's professionals review information provided by the originating business (within GE Capital, and/or ACM), the borrower, private equity sponsor, investment bank or other source and conduct a due diligence review of each potential borrower that passes an initial screening process. Depending on the particular loan and the related obligor, the due diligence review may include any of the following:

- On-site visits;

- Customer calls;
- Interviews with management;
- Phone interviews;
- Review of third party consulting reports; and
- Bank meetings.

After the initial due diligence is conducted, an analysis is performed including:

- A review of the obligor's historical and prospective financial information;
- Transaction drivers;
- Key issues and risk factors; and
- A review and determination of the primary and alternative exit strategies.

Upon completion of the full due diligence review, the potential transaction is summarized and provided to the Investment Committee for approval. The assets typically held by SSLP are known as "senior" loans. Senior loans hold a senior position in the capital structure of the borrower, are typically secured by specific collateral, and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. While these protections can reduce risk, these assets still present significant credit risk, particularly if arising in connection with highly leveraged transactions such as leveraged buyouts, leveraged recapitalization loans, and other types of acquisition financing. Obligations in these types of transactions are subject to greater credit risk (including default and bankruptcy) than many other investments. The value of these assets normally changes in response to changes in interest rates and depends on, among other things, the borrower's credit quality, although assets with floating interest rates generally are less sensitive to interest rate changes, but may still decline in value if their interest rates do not rise as much as interest rates in general.

Lack of a market or restrictions on resale may limit the ability to sell an asset at an advantageous time or price. The terms of the loans may require that collateral be maintained to support payment of the obligation. However, the value of the collateral may decline and there is a risk that the value of the collateral may not be sufficient to cover the amount owed. Collateral securing a loan may be found to be invalid, may be used to pay other outstanding obligations of the borrower under applicable law, or may be difficult to sell. If a borrower defaults, access to the collateral may be limited by bankruptcy and other insolvency laws.

Item 9 - Disciplinary Information

Neither ACM nor any of its management persons has been the subject of any material legal or disciplinary proceedings that are material to a client's evaluation of our business or the integrity of our management.

Item 10 - Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares Management has a wholly owned limited-purpose broker-dealer subsidiary, Ares Investor Services LLC (“AIS”), which had its registration with FINRA approved on January 2, 2014 and is supervised by Ares Management and its affiliates. The Firm’s Chief Compliance Officer is a registered principal of AIS.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

Neither ACM nor any of its management persons is registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

ACM is the investment manager of ARCC. ARCC directly or indirectly owns the equity and voting interests of Ivy Hill Asset Management, L.P. (“Ivy Hill”), an SEC-registered investment adviser.

Ares Management, the parent company of ACM and an SEC registered investment adviser, is also the parent company of:

- (i) Ares Capital Management II, LLC (“ACM II”), an SEC-registered investment adviser and the investment adviser of Ares Dynamic Credit Allocation Fund, Inc. (“ARDC”; NYSE:ARDC) and Ares Multi-Strategy Credit Fund, Inc. (“ARMF”; NYSE:ARMF), both of which are non-diversified closed-end registered management investment companies;
- (ii) Ares Capital Management III, LLC (“ACM III”), an SEC-registered investment adviser, ACM III provides advisory services to primarily Korean-based institutional investors;
- (iii) Ares Commercial Real Estate Management LLC (“ACREM”), an SEC-registered investment. ACREM provides advisory services to Ares Commercial Real Estate Corporation (“ACRE”), a publicly traded specialty finance company that has elected to be treated as a real estate investment trust;
- (iv) Ares Real Estate Management Holdings LLC (“AREMH”), an SEC-registered investment adviser, AREHM provides advisory services predominantly to private investment vehicles designed primarily for institutional investors; and
- (v) Ares Management Limited (“AML”), an entity formed in the United Kingdom and authorized by the UK Financial Conduct Authority.

Selection or Recommendation of Other Advisers

ACM does not recommend or select other third-party investment advisers for its clients. Except for its related parties, Ares Management, ACM II, ACM III, ACREM and AREHM, and its related party, Ivy Hill, each of which is an SEC-registered investment adviser, ACM does not have other business relationships with other advisers that create a material conflict of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Statement of Business Ethics and Code of Ethics

Ares Management has adopted an Ethics Policy (the “Code”) pursuant to Rule 204A-1 under the Advisers Act that which sets forth standards of business and fiduciary conduct that the Firm requires of Covered Persons. The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons and the interest of the Firm, its Funds or clients and prevent violation of federal securities laws. The Code includes, among other things, a) policies and procedures regarding personal securities transactions; b) disclosure and reporting obligations of outside business activities, personal securities transactions and holdings; and c) obligations for Covered Persons to report any violations of the Code to the Chief Compliance Officer (“CCO”).

Any client or prospective client or investor or prospective investor may obtain a copy of the Code upon request.

Participation or Interest in Client Transactions; Personal Trading

The Code provides that no Covered Person may, in breach of any fiduciary duty he or she owes to the funds or other client accounts advised or managed by ACM or its affiliates, engage directly or indirectly in any business in a manner detrimental to the funds or other clients or use confidential information gained by reason of his or her employment by or affiliation with ACM in a manner detrimental to the funds or other clients. Further, as general partners, limited partners or investors in certain of the funds, ACM and its related persons have indirect beneficial interests in the securities owned by such funds and will share in any profits and losses generated by such funds’ investments. The Code requires that before, or at the time that, a Covered Person recommends or authorizes the purchase or sale of a covered security by a fund or a client, he or she must disclose to the CCO: a) any beneficial ownership in such covered security that he or she has or proposes to acquire; b) any interest he or she has or proposes to acquire in any third party account in which such covered security is held; c) any beneficial interest in any other security that may benefit from such proposed purchase, sale or other action; and d) any interest in or relationship with the issuer of such covered security that he or she has or proposes to acquire.

The Code covers personal trading policies and procedures of all Covered Persons and their “covered family members” (as defined in the Code). Under the Code, Covered Persons and their covered family members are permitted to trade in securities for their own accounts so long as they follow the Code, which contains preclearance procedures, reporting requirements and other provisions that restrict trading by Covered Persons. Generally, for all “covered securities” transactions in a Covered Persons or a covered family member account, Covered Persons are

required to obtain pre-clearance approval from the Compliance Department. Covered securities purchased by a Covered Person or a covered family member are generally subject to a minimum holding period. The Code also requires that all covered securities holdings and transaction information in covered securities accounts be disclosed to the Compliance Department. Any transactions in securities or investments that are held by one or more funds or other clients are generally subject to a blackout period of five business days after any client or fund has traded in any security of that issuer. The Code's personal trading procedures are administered by the Firm's Compliance Department.

Ares Management personnel may receive discounts from products and services offered by the Private Equity Group's portfolio companies, similar to what would be given to an employee of the portfolio company.

Item 12 - Brokerage Practices

ACM shares the exclusive responsibility with its co-manager for selecting the loans to be purchased or sold for the SSLP subject to approval by the Investment Committee. There are no limitations or restrictions with respect to such selections other than what is disclosed in the SSLP's governing documents (including, debt documents) or otherwise imposed in writing by ACM. The SSLP's business is to focus on making investments in qualified, senior secured loans. Accordingly, ACM does not trade in public securities for SSLP.

Item 13 - Review of Accounts

The SSLP for which ACM serves as investment adviser is maintained and supervised by the investment professionals of the Co-Managers. The SSLP is reviewed by investment and support personnel on a continuous and on-going basis. Matters reviewed include but are not limited to the status of prospective or current investments held by the SSLP, any financial and regulatory reporting relating to investments held by the SSLP, and the performance of the SSLP. At present the SSLP is not being offered to outside investors and is owned entirely by ARCC, GEGSF or their affiliates. At such time as interests in the SSLP are sold to outside investors, ACM will develop a policy and procedures with regard to the frequency and nature of the reporting to the investors in the SSLP.

Item 14 - Client Referrals and Other Compensation

ACM does not compensate any person or entity for the referral of clients. ACM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Item 15 - Custody

All client funds and assets are held in custody by unaffiliated broker/dealers or banks, and the ACM cannot access any clients' accounts or debit advisory fees. ACM is not, therefore, considered to have custody of SSLP's assets. The Co-Managers nevertheless ensure that the SSLP is audited in accordance with Generally Accepted Accounting Principles on an annual basis.

Item 16 - Investment Discretion

The Investment Committee of the SSLP maintains investment discretion over the SSLP.

Item 17 - Voting Client Securities

As previously mentioned, the SSLP offers only senior secured loans. As such, ACM does not vote client securities.

Item 18 - Financial Information

Not applicable