

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM 10-K/A
(Amendment No. 1)**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File No. 814-00663

ARES CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

33-1089684
(I.R.S. Employer Identification No.)

245 Park Avenue, 44th Floor, New York, New York 10167
(Address of principal executive offices) (Zip Code)
(212) 750-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	ARCC	The NASDAQ Global Select Market
6.875% Senior Notes due 2047	AFC	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section §232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2020, based on the closing price on that date of \$14.45 on The NASDAQ Global Select Market, was approximately \$6,072,661,908. As of March 5, 2021, there were 436,853,247 shares of the registrant's common stock outstanding.

Portions of the registrant's Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year are incorporated by reference into Part III of the Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

EXPLANATORY NOTE

Ares Capital Corporation, a Maryland corporation, (together with its subsidiaries, where applicable, "Ares Capital or the "Company", which may also be referred to as "we", "us" or "our"), is filing this Amendment No. 1 (the "Amendment") to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which was filed with the Securities and Exchange Commission ("SEC") on February 10, 2021 (the "Form 10-K"), to include the audited financial statements of the Senior Direct Lending Program, LLC (d/b/a the "Senior Direct Lending Program" or the "SDLP") for the year ended December 31, 2020. The SDLP consolidated financial statements for the year ended December 31, 2020 (Exhibit 99.2) are included in Part IV, Item 15 of this filing.

We have determined that the SDLP, our unconsolidated portfolio company, has met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which we are required, pursuant to Rule 3-09 of Regulation S-X, to attach separate audited financial statements as an exhibit to our Form 10-K. In accordance with Rule 3-09(b), the separate audited financial statements of the SDLP are being filed as an amendment to the Form 10-K within 90 days after the end of the SDLP's December 31 fiscal year.

In addition, this Amendment revises Part IV, Item 15 of the Form 10-K to include the filing of new Exhibits 31.1, 31.2 and 32.1, certifications of our Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a-14(a) and (b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and new Exhibit 23.2, consent of Independent Auditors.

Except as described above, no other changes have been made to the Form 10-K. This Amendment does not reflect subsequent events that may have occurred after the original filing date of the Form 10-K or modify or update in any way disclosures made in the Form 10-K. Among other things, forward-looking statements made in the Form 10-K have not been revised to reflect events that occurred or facts that became known to us after filing of the Form 10-K, and such forward-looking statements should be read in their historical context. Furthermore, this Amendment should be read in conjunction with the Form 10-K and any subsequent filings with the SEC.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Annual Report:

1. Financial Statements

The following financial statements and related notes were filed as part of the Annual Report on Form 10-K filed with the SEC on February 10, 2021:

Consolidated Balance Sheets as of December 31, 2020 and 2019
Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018
Consolidated Schedule of Investments as of December 31, 2020 and 2019
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

The following financial statements and related notes of Senior Direct Lending Program, LLC are included in the Amendment No. 1 on Form 10-K/A pursuant to Rule 3-09 of Regulation S-X:

Consolidated Balance Sheets as of December 31, 2020 and 2019
Consolidated Schedule of Investments as of December 31, 2020 and 2019
Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Changes in Members' Capital for the years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

2. Financial Statement Schedules—None. We have omitted financial statement schedules because they are not required or are not applicable, or the required information is shown in the financial statements or notes to the financial statements.
3. Exhibits.

Number	Document
3.1	Articles of Amendment and Restatement, as amended(1)
3.2	Third Amended and Restated Bylaws, as amended(2)
4.1	Form of Stock Certificate(3)
4.2	Form of Subscription Certificate(4)
4.3	Indenture, dated June 16, 2006, between Allied Capital Corporation and The Bank of New York, as trustee(5)
4.4	Form of Note under the Indenture, dated June 16, 2006, between Allied Capital Corporation and The Bank of New York, as trustee(6)
4.5	Third Supplemental Indenture, dated as of March 28, 2007, between Allied Capital Corporation and The Bank of New York, as trustee(6)
4.6	Form of 6.875% Notes due 2047(6)
4.7	Fourth Supplemental Indenture, dated as of April 1, 2010, among Ares Capital Corporation, Allied Capital Corporation and The Bank of New York Mellon, as trustee(7)
4.8	Indenture, dated as of October 21, 2010, between Ares Capital Corporation and U.S. Bank National Association, as trustee(8)
4.9	Sixth Supplemental Indenture, dated as of September 19, 2016, relating to the 3.625% Notes due 2022, between Ares Capital Corporation and U.S. Bank National Association, as trustee(9)
4.10	Form of 3.625% Notes due 2022(9)
4.11	Seventh Supplemental Indenture, dated as of August 10, 2017, relating to the 3.500% Notes due 2023, between Ares Capital Corporation and U.S. Bank National Association, as trustee(10)
4.12	Form of 3.500% Notes due 2023(10)
4.13	Eighth Supplemental Indenture, dated as of January 11, 2018, relating to the 4.250% Notes due 2025, between Ares Capital Corporation and U.S. Bank National Association, as trustee(11)

Number	Document
4.14	Form of 4.250% Notes due 2025(11)
4.15	Ninth Supplemental Indenture, dated as of March 8, 2019, relating to the 4.625% Convertible Notes due 2024, between Ares Capital Corporation and U.S. Bank National Association, as trustee(12)
4.16	Form of 4.625% Convertible Senior Notes due 2024(12)
4.17	Tenth Supplemental Indenture, dated as of June 10, 2019, relating to the 4.200% Notes due 2024, between Ares Capital Corporation and U.S. Bank National Association, as trustee(13)
4.18	Form of 4.200% Notes due 2024(13)
4.19	Eleventh Supplemental Indenture, dated as of January 15, 2020, relating to the 3.250% Notes due 2025, between the Company and U.S. Bank National Association, as trustee(14)
4.20	Form of 3.250% Notes due 2025(14)
4.21	Twelfth Supplemental Indenture, dated as of July 15, 2020, relating to the 3.875% Notes due 2026, between the Company and U.S. Bank National Association, as trustee(15)
4.22	Form of 3.875% Notes due 2026 (15)
4.23	Thirteenth Supplemental Indenture, dated as of January 13, 2021, relating to the 2.150% Notes due 2026, between the Company and U.S. Bank National Association, as trustee(16)
4.24	Form of 2.150% Notes due 2026 (16)
4.25	Indenture, dated as of January 27, 2017, between Ares Capital Corporation and U.S. Bank National Association, as trustee(17)
4.26	Form of 3.75% Convertible Senior Notes due 2022(17)
4.27	Description of Securities(18)
10.1	Dividend Reinvestment Plan of Ares Capital Corporation(19)
10.2	Second Amendment Restated Investment Advisory and Management Agreement between Ares Capital Corporation and Ares Capital Management LLC, dated as of June 6, 2019(20)
10.3	Amended and Restated Administration Agreement, dated as of June 1, 2007, between Ares Capital Corporation and Ares Operations LLC(21)
10.4	Amended and Restated Custodian Agreement, dated as of May 15, 2009, between Ares Capital Corporation and U.S. Bank National Association(22)
10.5	Amendment No. 1, dated as of December 19, 2014, to the Amended and Restated Custodian Agreement dated as of May 15, 2009, by and among Ares Capital Corporation and U.S. Bank National Association(23)
10.6	Trademark License Agreement between Ares Capital Corporation and Ares Management LLC(24)
10.7	Form of Indemnification Agreement between Ares Capital Corporation and directors and certain officers(25)
10.8	Form of Indemnification Agreement between Ares Capital Corporation and members of Ares Capital Management LLC investment committee(25)
10.9	Amended and Restated Purchase and Sale Agreement, dated as of January 22, 2010, among Ares Capital Corporation, as seller, and Ares Capital CP Funding Holdings LLC, as purchaser(26)
10.10	Amendment No. 1 to Amended and Restated Purchase and Sale Agreement, dated as of June 7, 2012, among Ares Capital Corporation, as seller, and Ares Capital CP Funding Holdings LLC, as purchaser(27)
10.11	Second Tier Purchase and Sale Agreement, dated as of January 22, 2010, among Ares Capital CP Funding Holdings LLC, as seller, and Ares Capital CP Funding LLC, as purchaser(28)
10.12	Amendment No. 1 to Second Tier Purchase and Sale Agreement, dated as of June 7, 2012, among Ares Capital CP Funding Holdings LLC, as seller, and Ares Capital CP Funding LLC, as purchaser(27)
10.13	Amended and Restated Sale and Servicing Agreement, dated as of January 22, 2010, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer, Wachovia Bank, National Association, as servicer, U.S. Bank National Association, as trustee and collateral custodian, and Wells Fargo Securities, LLC, as agent(26)
10.14	Amendment No. 1 to the Amended and Restated Sale and Servicing Agreement, dated as of May 6, 2010, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer, Wells Fargo Bank, National Association, as successor by merger to Wachovia Bank as note purchaser, U.S. Bank, National Association, as trustee and collateral custodian, and Wells Fargo Securities LLC, as agent(28)
10.15	Amendment No. 2 to the Amended and Restated Sale and Servicing Agreement, dated as of January 18, 2011, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer, Wells Fargo Bank, National Association, as successor by merger to Wachovia Bank as note purchaser, U.S. Bank National Association, as trustee and collateral custodian, and Wells Fargo Securities, LLC, as agent(29)
10.16	Amendment No. 3 to the Amended and Restated Sale and Servicing Agreement, dated as of October 13, 2011, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer and as transferor, Wells Fargo Bank, National Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, U.S. Bank National Association, as trustee, collateral custodian and bank and Wells Fargo Securities, LLC, as agent(30)

Number	Document
10.17	Amendment No. 4 to the Amended and Restated Sale and Servicing Agreement, dated as of January 18, 2012, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Wells Fargo Bank, National Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as collateral custodian, trustee and bank(31)
10.18	Amendment No. 5 to the Amended and Restated Sale and Servicing Agreement, dated as of June 7, 2012, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Wells Fargo Bank, National Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as collateral custodian, trustee and bank(27)
10.19	Amendment No. 6 to Loan and Servicing Agreement, dated as of January 25, 2013, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Wells Fargo Securities, LLC, as agent, Wells Fargo Bank, National Association, as swingline lender, and the other lenders party thereto (32)
10.20	Omnibus Amendment, dated as of May 14, 2014, among Ares Capital CP Funding LLC, Ares Capital CP Funding Holdings LLC, Ares Capital Corporation, Wells Fargo Bank, National Association, as swingline lender and as a lender, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as trustee, bank and collateral custodian (amending the Loan and Servicing Agreement, dated as of January 22, 2010, the Amended and Restated Purchase and Sale Agreement, dated as of January 22, 2010, and the Second Tier Purchase and Sale Agreement, dated as of January 22, 2010)(33)
10.21	Amendment No. 8 to the Loan and Servicing Agreement, dated as of January 3, 2017, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Wells Fargo Securities, LLC, as agent, and Wells Fargo Bank, National Association, as swingline lender, and the other lenders party thereto(34)
10.22	Amendment No. 10 to Loan and Servicing Agreement, dated as of October 2, 2018, among Ares Capital CP Funding LLC, Ares Capital Corporation, Wells Fargo Bank National Association, as the agent and Wells Fargo Bank, National Association, as a lender and Bank of America, N.A.(35)
10.23	Amendment No. 11 to Loan and Servicing Agreement, dated as of December 14, 2018, among Ares Capital CP Funding LLC, Ares Capital Corporation, Wells Fargo Bank National Association, as the agent and Wells Fargo Bank, National Association, as a lender and Bank of America, N.A.(36)
10.24	Amendment No. 12 to Loan and Servicing Agreement, dated as of June 18, 2019, among Ares Capital CP Funding LLC, as the borrower, Ares Capital Corporation, as the servicer, Wells Fargo Bank, National Association, as the agent, Wells Fargo Bank, National Association, as a lender, Bank of America, N.A, as a lender and U.S. Bank National Association, as trustee, bank and collateral custodian(37)
10.25	Amendment No. 13 to Loan and Servicing Agreement, dated as of January 31, 2020, among Ares Capital CP Funding LLC, as the borrower, Ares Capital Corporation, as the servicer, Wells Fargo Bank, National Association, as the agent, Wells Fargo Bank, National Association, as a lender, Bank of America, N.A, as a lender, TIAA, FSB, as a lender, Sampension Livsforsikring A/S, as a lender, Arkitekternes Pensionskasse, as a lender, Pensionskassen for Jordbrugsakademikere og Dyrklæger, as a lender and U.S. Bank National Association, as trustee, bank and collateral custodian (38)
10.26	Eleventh Amended and Restated Senior Secured Revolving Credit Agreement, dated as of March 30, 2020, among Ares Capital Corporation, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent(39)
10.27	Loan and Servicing Agreement, dated as of January 20, 2012, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, collateral agent and lender, and U.S. Bank National Association, as collateral custodian and bank(40)
10.28	Purchase and Sale Agreement, dated as of January 20, 2012, between Ares Capital JB Funding LLC, as purchaser, and Ares Capital Corporation, as seller(40)
10.29	Revolving Credit and Security Agreement, dated as of June 11, 2020, among ARCC FB Funding LLC, as the borrower, BNP Paribas, as the administrative agent, Ares Capital Corporation as equity holder and servicer, and U.S. Bank National Association as collateral agent(41)
10.30	Purchase and Sale Agreement, dated as of June 11, 2020, between ARCC FB Funding LLC, as the purchaser and Ares Capital Corporation, as the seller(41)
10.31	Amendment No. 1, dated as of December 21, 2020, among ARCC FB Funding LLC, as the borrower, BNP Paribas, as the administrative agent, Ares Capital Corporation as equity holder and servicer, and U.S. Bank National Association as collateral agent(53)
10.32	Omnibus Amendment No. 1, dated as of September 14, 2012, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(42)
10.33	Omnibus Amendment No. 2, dated as of December 20, 2013, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(43)

Number	Document
10.34	Omnibus Amendment No. 3, dated as of June 30, 2015, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(44)
10.35	Omnibus Amendment No. 4, dated as of August 24, 2017, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012)(45)
10.36	Omnibus Amendment No. 5, dated as of September 12, 2018, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012)(46)
10.37	Omnibus Amendment No. 6, dated as of September 10, 2019, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012 and the Purchase and Sale Agreement, dated as of January 20, 2012)(47)
10.38	Omnibus Amendment No. 7, dated as of December 31, 2019, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012 and the Purchase and Sale Agreement, dated as of January 20, 2012)(48)
10.39	Equity Distribution Agreement, dated as of November 8, 2019, among Ares Capital Corporation, Ares Capital Management LLC, Ares Operations LLC and Truist Securities Inc.(49)
10.40	Equity Distribution Agreement, dated as of August 10, 2020, among Ares Capital Corporation, Ares Capital Management LLC, Ares Operations LLC and Regions Securities LLC (50)
11.1	Statement of Computation of Per Share Earnings(51)
14.1	Code of Ethics(52)
21.1	Subsidiaries of Ares Capital Corporation(53)
23.1	Consent of Independent Registered Public Accounting Firm(53)
23.2	Consent of Independent Auditors*
31.1	Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
99.1	Report of Independent Registered Public Accounting Firm on Supplemental Information(53)
99.2	Audited Consolidated Financial Statements of the Senior Direct Lending Program, LLC for the year ended December 31, 2020*

* Filed herewith

** Furnished herewith

- (1) Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q (File No. 814-00663), for the quarter ended September 30, 2020, filed on October 27, 2020.
- (2) Incorporated by reference to Exhibit 3.2 to the Company's Form 10-K (File No. 814-00663) for the year ended December 31, 2018, filed on February 12, 2019.
- (3) Incorporated by reference to Exhibit (d) to the Company's pre effective Amendment No. 2 to the Registration Statement under the Securities Act of 1933, as amended, on Form N 2 (File No. 333 114656), filed on September 28, 2004.
- (4) Incorporated by reference to Exhibit (d)(4) to the Company's pre effective Amendment No. 2 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-149139), filed on April 9, 2008.
- (5) Incorporated by reference to Exhibit d.2 to Allied Capital's Registration Statement under the Securities Act of 1933, as amended, on Form N 2/A (File No. 333 133755), filed on June 21, 2006.
- (6) Incorporated by reference to Exhibits d.8 and d.9, as applicable, to Allied Capital's post effective Amendment No. 3 to the Registration Statement under the Securities Act of 1933, as amended, on Form N 2/A (File No. 333 133755), filed on March 28, 2007.

- (7) Incorporated by reference to Exhibit 10.1 to the Company's Form 8 K (File No. 814 00663), filed on April 7, 2010.
 - (8) Incorporated by reference to Exhibit 4.1 to the Company's Form 8 K (File No. 814 00663), filed on October 22, 2010.
 - (9) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on September 19, 2016.
 - (10) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on August 10, 2017.
 - (11) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on January 11, 2018.
 - (12) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8 K (File No. 814 00663), filed on March 8, 2019.
 - (13) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8 K (File No. 814 00663), filed on June 10, 2019.
 - (14) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8 K (File No. 814 00663), filed on January 15, 2020.
 - (15) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed July 15, 2020.
 - (16) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8 K (File No. 814-00663), filed on January 13, 2021.
 - (17) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8 K (File No. 814-00663), filed on January 27, 2017.
 - (18) Incorporated by reference to Exhibit 4.23 to the Company's Form 10-K (File No. 814-00663) for the year ended December 31, 2019, filed on February 12, 2020.
 - (19) Incorporated by reference to Exhibit 10.1 to the Company's Form 10-K (File No. 814-00663) for the year ended December 31, 2018, filed on February 12, 2019.
 - (20) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on June 7, 2019.
 - (21) Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q (File No. 814-00663) for the quarter ended June 30, 2007, filed on August 9, 2007.
 - (22) Incorporated by reference to Exhibit (j) to the Company's pre effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-158211), filed on May 28, 2009.
 - (23) Incorporated by reference to Exhibit 10.5 to the Company's Form 10-K (File No. 814-00663) for the year ended December 31, 2014, filed on February 26, 2015.
 - (24) Incorporated by reference to Exhibit 99(K)(3) to the Company's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-114656), filed on September 17, 2004.
 - (25) Incorporated by reference to Exhibits (k)(3) and (k)(4), as applicable, to the Company's Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-188175), filed on April 26, 2013.
 - (26) Incorporated by reference to Exhibits 10.2 through 10.4, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on January 25, 2010.
 - (27) Incorporated by reference to Exhibits 10.1 through 10.3, as applicable, to the Company's Form 8-K (File No. 814-0663), filed on June 8, 2012.
 - (28) Incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q (File No. 814-00663) for the quarter ended March 30, 2010, filed on May 10, 2010.
 - (29) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on January 19, 2011.
 - (30) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on October 14, 2011.
 - (31) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on January 19, 2012.
 - (32) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on January 28, 2013.
 - (33) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on May 15, 2014.
 - (34) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on January 4, 2017.
 - (35) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on October 3, 2018.
 - (36) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on December 17, 2018.
 - (37) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on June 19, 2019.
 - (38) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on February 3, 2020.
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- (39) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on March 31, 2020.
 - (40) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on January 24, 2012.
 - (41) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on June 16, 2020.
 - (42) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on September 17, 2012.
 - (43) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on December 23, 2013.
 - (44) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on July 1, 2015.
 - (45) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on August 28, 2017.
 - (46) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on September 13, 2018.
 - (47) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on September 10, 2019.
 - (48) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on January 2, 2020.
 - (49) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Company's 8-K (File No. 814-00663), filed on November 8, 2019.
 - (50) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on August 10, 2020.
 - (51) Incorporated by reference to Note 10 to the Company's Notes to Consolidated Financial Statements in the Company's Form 10-K (File No. 814-00663) for the year ended December 31, 2020, filed on February 10, 2021.
 - (52) Incorporated by reference to Exhibit (r) to the Registrant's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-212142), filed on June 14, 2017.
 - (53) Incorporated by reference to Exhibits 10.31, 21.1, 23.1 and 99.1, as applicable, to the Company's Form 10-K (File No. 814-00663) for the year ended December 31, 2020, filed on February 10, 2021.
-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARES CAPITAL CORPORATION

By: /s/ R. KIPP DEVEER

R. Kipp deVeer
Chief Executive Officer and Director
Date: March 5, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ R. KIPP DEVEER

R. Kipp deVeer
Chief Executive Officer (principal executive officer) and Director
Date: March 5, 2021

By: /s/ PENNI F. ROLL

Penni F. Roll
Chief Financial Officer (principal financial officer)
Date: March 5, 2021

By: /s/ SCOTT C. LEM

Scott C. Lem
Chief Accounting Officer (principal accounting officer)
Date: March 5, 2021

By: /s/ MICHAEL J AROUGHETI

Michael J Arougheti
Director
Date: March 5, 2021

By: /s/ STEVE BARTLETT

Steve Bartlett
Director
Date: March 5, 2021

By: /s/ ANN TORRE BATES

Ann Torre Bates
Director
Date: March 5, 2021

By: /s/ DANIEL KELLY, JR.

Daniel Kelly, Jr.
Director
Date: March 5, 2021

By: /s/ STEVEN B. MCKEEVER
Steven B. McKeever
Director
Date: March 5, 2021

By: /s/ MICHAEL PARKS
Michael Parks
Director
Date: March 5, 2021

By: /s/ ROBERT L. ROSEN
Robert L. Rosen
Director
Date: March 5, 2021

By: /s/ BENNETT ROSENTHAL
Bennett Rosenthal
Director
Date: March 5, 2021

By: /s/ ERIC B. SIEGEL
Eric B. Siegel
Director
Date: March 5, 2021

Consent of Independent Auditors

The Board of Directors
Ares Capital Corporation

We consent to the incorporation by reference in the registration statement on Form N-2 of Ares Capital Corporation of our report dated March 5, 2021, with respect to the consolidated balance sheets of Senior Direct Lending Program, LLC, including the consolidated schedules of investments, as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in members' capital, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes, which report appears in the annual report on Form 10-K/A of Ares Capital Corporation dated March 5, 2021.

/s/ KPMG LLP

Los Angeles, California

March 5, 2021

**Certification of Chief Executive Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, R. Kipp deVeer, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Ares Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2021

/s/ R. KIPP DEVEER

R. Kipp deVeer
Chief Executive Officer (principal executive officer)

**Certification of Chief Financial Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Penni F. Roll, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Ares Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2021

/s/ PENNI F. ROLL

Penni F. Roll
Chief Financial Officer (principal financial officer)

**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350**

In connection with the Annual Report on Form 10-K/A of Ares Capital Corporation (the “Company”) for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), R. Kipp deVeer, as Chief Executive Officer of the Company, and Penni F. Roll, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2021

/s/ R. KIPP DEVEER

R. Kipp deVeer
Chief Executive Officer (principal executive officer)

Date: March 5, 2021

/s/ PENNI F. ROLL

Penni F. Roll
Chief Financial Officer (principal financial officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ares Capital Corporation and will be retained by Ares Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

SENIOR DIRECT LENDING PROGRAM, LLC
(dba Senior Direct Lending Program)

Consolidated Financial Statements

For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

To the Members
Senior Direct Lending Program, LLC:

We have audited the accompanying consolidated financial statements of Senior Direct Lending Program, LLC, which comprise the consolidated balance sheets, including the consolidated schedules of investments, as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in members' capital, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Senior Direct Lending Program, LLC as of December 31, 2020 and 2019, and the results of its operations, changes in its members' capital and its cash flows for each of the years in the three-year period ended December 31, 2020, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 5, 2021

Senior Direct Lending Program, LLC
Consolidated Balance Sheets

(in millions)

	As of December 31,	
	2020	2019
ASSETS		
Investments at fair value (amortized cost of \$4,483 and \$3,892)	\$ 4,345	\$ 3,817
Restricted cash	157	60
Interest receivable	44	27
Receivable for open trades	193	4
Other assets	6	—
Total assets	<u>\$ 4,745</u>	<u>\$ 3,908</u>
LIABILITIES		
Senior notes	\$ 3,364	\$ 2,769
Intermediate funding notes	124	92
Accrued interest payable on notes	24	34
Accrued distribution payable on subordinated certificates	22	24
Accounts payable and other liabilities	6	5
Total liabilities	<u>3,540</u>	<u>2,924</u>
MEMBERS' CAPITAL		
Subordinated certificates	1,205	984
Members' interest	—	—
Total members' capital	<u>1,205</u>	<u>984</u>
Total liabilities and members' capital	<u>\$ 4,745</u>	<u>\$ 3,908</u>

See accompanying notes to consolidated financial statements.

Senior Direct Lending Program, LLC

Consolidated Schedule of Investments

As of December 31, 2020

(in millions, except percentages and as otherwise noted)

Company	Investment	Interest (2)	Amortized Cost	Fair Value	Percentage of Members' Capital
Software & Services					
Pegasus Global Enterprise Holdings, LLC	First lien senior secured loan (\$345.4 par due 5/2025)	6.8 %	\$ 345.4	\$ 345.4	
EP Purchaser, LLC. and Entertainment Partners Canada ULC	First lien senior secured loan (\$344.7 par due 5/2026)	6.5 %	344.7	324.1 (1)	
n2y Holding, LLC	First lien senior secured loan (\$197.4 par due 11/2026)	6.8 %	197.4	197.4	
Infogix, Inc.	First lien senior secured loan (\$124.3 par due 4/2024)	7.0 %	124.3	124.3	
			<u>1,011.8</u>	<u>991.2</u>	82.3 %
Food & Staples Retailing					
BakeMark Holdings, Inc.	First lien senior secured loan (\$242.8 par due 8/2023)	6.3 %	242.8	242.8	
FS Squared Holding Corp.	First lien senior secured loan (\$238.8 par due 3/2025)	5.4 %	238.8	226.8	
KeyImpact Holdings, Inc.	First lien senior secured loan (\$73.6 par due 1/2022)	8.9 %	73.6	73.6	
			<u>555.2</u>	<u>543.2</u>	45.1 %
Capital Goods					
AEP Holdings, Inc.	First lien senior secured loan (\$253.5 par due 11/2025)	6.8 %	253.5	248.4	
NCWS Intermediate, Inc.	First lien senior secured loan (\$211.8 par due 12/2026)	7.5 %	211.8	209.6	
Penn Detroit Diesel Allison, LLC	First lien senior secured loan (\$71.7 par due 12/2023)	8.0 %	71.7	71.7	
			<u>537.0</u>	<u>529.7</u>	44.0 %
Healthcare Services					
SM Wellness Holdings, Inc.	First lien senior secured loan (\$271.0 par due 8/2024)	7.0 %	271.0	268.2	
Center for Autism and Related Disorders, LLC	First lien senior secured loan (\$123.0 par due 11/2024)	5.5 %	123.0	115.7	
ADCS Clinics Intermediate Holdings, LLC	First lien senior secured loan (\$77.0 par due 5/2022)	6.8 %	77.0	75.5	
			<u>471.0</u>	<u>459.4</u>	38.1 %

Senior Direct Lending Program, LLC

Consolidated Schedule of Investments

As of December 31, 2020

(in millions, except percentages and as otherwise noted)

Company	Investment	Interest (2)	Amortized Cost	Fair Value	Percentage of Members' Capital
Insurance					
THG Acquisition, LLC	First lien senior secured loan (\$288.5 par due 12/2026)	6.8 %	288.5	285.8	
Benecon Midco II LLC	First lien senior secured loan (\$175.0 par due 12/2026)	6.5 %	175.0	173.0	
			<u>463.5</u>	<u>458.8</u>	38.1 %
Commercial & Professional Services					
TDG Group Holding Company	First lien senior secured loan (\$243.8 par due 5/2024)	5.4 %	243.8	243.8	
Towne Holdings, Inc.	First lien senior secured loan (\$129.9 par due 5/2022)	9.8 %	129.9	110.4	
			<u>373.7</u>	<u>354.2</u>	29.4 %
Household & Personal Products					
Walnut Parent, Inc.	First lien senior secured loan (\$315.0 par due 11/2027)	6.5 %	315.0	310.3	
			<u>315.0</u>	<u>310.3</u>	25.7 %
Telecommunication Services					
Emergency Communications Network, LLC	First lien senior secured loan (\$219.1 par due 6/2023)	8.8 %	219.0	195.0	
			<u>219.0</u>	<u>195.0</u>	16.2 %
Food, Beverage & Tobacco					
Manna Pro Products, LLC	First lien senior secured loan (\$182.6 par due 12/2026)	7.0 %	182.6	180.8	
			<u>182.6</u>	<u>180.8</u>	15.0 %
Education					
Excelligence Learning Corporation	First lien senior secured loan (\$149.6 par due 4/2023)	8.0 %	149.4	121.2	
			<u>149.4</u>	<u>121.2</u>	10.1 %
Transportation					
Nordco Inc.	First lien senior secured loan (\$106.8 par due 12/2022)	9.5 %	106.8	103.6	
			<u>106.8</u>	<u>103.6</u>	8.6 %
Retailing and Distribution					
Chariot Acquisition, LLC	First lien senior secured loan (\$97.7 par due 9/2021)	7.3 %	97.7	97.7	
			<u>97.7</u>	<u>97.7</u>	8.1 %
			<u>\$ 4,482.7</u>	<u>\$ 4,345.1</u>	360.6 %

(1) As of December 31, 2020, other than the investments noted by this footnote, all portfolio investments in the Senior Direct Lending Program, LLC ("the SDLP") are domiciled in the United States.

(2) Represents the weighted average annual stated interest rate as of December 31, 2020. All interest rates are payable in cash, except for portions of the stated interest rates which are payment-in-kind for investments in Emergency Communications Network, LLC, Excelligence Learning Corporation, KeyImpact Holdings, Inc., Nordco Inc. and Towne Holdings, Inc.

See accompanying notes to consolidated financial statements.

Senior Direct Lending Program, LLC

Consolidated Schedule of Investments

As of December 31, 2019

(in millions, except percentages and as otherwise noted)

Company	Investment	Interest (2)	Amortized Cost	Fair Value	Percentage of Members' Capital
Software & Services					
EP Purchaser, LLC. and Entertainment Partners Canada ULC	First lien senior secured loan (\$348.1 par due 5/2026)	7.7 %	\$ 348.1	\$ 348.1 (1)	
Infogix, Inc.	First lien senior secured loan (\$125.5 par due 4/2024)	8.4 %	125.5	125.5	
ISS Compressors Industries, Inc.	First lien senior secured loan (\$80.2 par due 6/2020)	8.9 %	80.2	79.4	
n2y Holding, LLC	First lien senior secured loan (\$131.3 par due 11/2026)	7.9 %	131.3	129.9	
Pegasus Global Enterprise Holdings, LLC	First lien senior secured loan (\$270.1 par due 5/2025)	7.7 %	270.1	267.5	
			<u>955.2</u>	<u>950.4</u>	96.6 %
Healthcare Services					
42 North Dental, LLC	First lien senior secured loan (\$152.3 par due 5/2022)	7.9 %	152.3	152.3	
ADCS Clinics Intermediate Holdings, LLC	First lien senior secured loan (\$77.8 par due 5/2022)	7.7 %	77.8	77.0	
Center for Autism and Related Disorders, LLC	First lien senior secured loan (\$117.8 par due 11/2024)	5.9 %	117.8	117.8	
D4C Dental Brands, Inc.	First lien senior secured loan (\$179.9 par due 12/2022)	8.2 %	179.9	179.9	
SM Wellness Holdings, Inc.	First lien senior secured loan (\$226.6 par due 8/2024)	7.4 %	226.6	226.6	
			<u>754.4</u>	<u>753.6</u>	76.6 %
Food & Staples Retailing					
BakeMark Holdings, Inc.	First lien senior secured loan (\$245.3 par due 8/2023)	7.2 %	245.3	245.3	
FS Squared Holding Corp.	First lien senior secured loan (\$181.7 par due 3/2025)	7.2 %	181.7	181.7	
KeyImpact Holdings, Inc.	First lien senior secured loan (\$74.0 par due 11/2021)	8.0 %	74.0	74.0	
			<u>501.0</u>	<u>501.0</u>	50.9 %

Senior Direct Lending Program, LLC

Consolidated Schedule of Investments

As of December 31, 2019

(in millions, except percentages and as otherwise noted)

Company	Investment	Interest (2)	Amortized Cost	Fair Value	Percentage of Members' Capital
Commercial & Professional Services					
TDG Group Holding Company	First lien senior secured loan (\$246.3 par due 5/2024)	7.4 %	246.3	246.3	
Towne Holdings, Inc.	First lien senior secured loan (\$130.0 par due 5/2022)	7.2 %	130.0	128.7	
			<u>376.3</u>	<u>375.0</u>	38.1 %
Household & Personal Products					
Woodstream Group, Inc.	First lien senior secured loan (\$280.8 par due 5/2022)	8.2 %	280.8	280.8	
			<u>280.8</u>	<u>280.8</u>	28.5 %
Capital Goods					
AEP Holdings, Inc.	First lien senior secured loan (\$158.3 par due 8/2021)	7.9 %	158.3	150.4	
Penn Detroit Diesel Allison, LLC	First lien senior secured loan (\$77.6 par due 12/2021)	8.2 %	77.6	77.6	
			<u>235.9</u>	<u>228.0</u>	23.2 %
Insurance					
THG Acquisition, LLC	First lien senior secured loan (\$214.8 par due 12/2026)	7.7 %	214.8	212.6	
			<u>214.8</u>	<u>212.6</u>	21.6 %
Telecommunication Services					
Emergency Communications Network, LLC	First lien senior secured loan (\$219.2 par due 6/2023)	8.2 %	219.0	190.7	
			<u>219.0</u>	<u>190.7</u>	19.4 %
Education					
Excelligence Learning Corporation	First lien senior secured loan (\$145.0 par due 4/2023)	7.9 %	144.7	118.9	
			<u>144.7</u>	<u>118.9</u>	12.1 %
Transportation					
Nordco Inc.	First lien senior secured loan (\$110.1 par due 8/2020)	8.4 %	110.1	106.8	
			<u>110.1</u>	<u>106.8</u>	10.9 %
Retailing					
Chariot Acquisition, LLC	First lien senior secured loan (\$99.7 par due 9/2021)	8.4 %	99.7	98.7	
			<u>99.7</u>	<u>98.7</u>	10.0 %
			<u>\$ 3,891.9</u>	<u>\$ 3,816.5</u>	387.9 %

(1) As of December 31, 2019, other than the investments noted by this footnote, all portfolio investments in the SDLP are domiciled in the United States.

(2) Represents the weighted average annual stated interest rate as of December 31, 2019. All interest is payable in cash.

See accompanying notes to consolidated financial statements.

Senior Direct Lending Program, LLC
Consolidated Statements of Operations

(in millions)

	For the Years Ended December 31,		
	2020	2019	2018
INVESTMENT INCOME			
Interest income from investments	\$ 291	\$ 288	\$ 228
Other income	11	3	4
Total investment income	302	291	232
EXPENSES			
Interest expense	113	137	116
Servicing fees	10	9	7
Other general and administrative	3	2	3
Total expenses	126	148	126
NET INVESTMENT INCOME BEFORE INCOME TAX EXPENSE	176	143	106
Income tax expense	3	3	2
NET INVESTMENT INCOME	173	140	104
NET REALIZED AND UNREALIZED LOSSES ON INVESTMENTS			
Net unrealized losses on investments	(64)	(36)	(21)
Net realized and unrealized losses on investments	(64)	(36)	(21)
NET INCREASE IN MEMBERS' CAPITAL RESULTING FROM OPERATIONS	\$ 109	\$ 104	\$ 83

See accompanying notes to consolidated financial statements.

Senior Direct Lending Program, LLC
Consolidated Statements of Changes in Members' Capital

(in millions)

	Subordinated Certificates	Members' Interest	Total
Members' Capital at December 31, 2017	\$ 554	\$ —	\$ 554
Increase in Members' Capital From Operations			
Net increase in members' capital resulting from operations	83	—	83
Net increase in members' capital from operations	83	—	83
Increase in Members' Capital from Capital Transactions			
Proceeds from subordinated certificates	521	—	521
Principal paydowns on subordinated certificates	(333)	—	(333)
Distributions to subordinated certificates	(104)	—	(104)
Net increase in members' capital from capital transactions	84	—	84
Net increase in members' capital	167	—	167
Members' Capital at December 31, 2018	<u>\$ 721</u>	<u>\$ —</u>	<u>\$ 721</u>
Increase in Members' Capital from Operations			
Net increase in members' capital resulting from operations	\$ 104	\$ —	\$ 104
Net increase in members' capital from operations	104	—	104
Increase in Members' Capital from Capital Transactions			
Proceeds from subordinated certificates	465	—	465
Principal paydowns on subordinated certificates	(171)	—	(171)
Distributions to subordinated certificates	(135)	—	(135)
Net increase in members' capital from capital transactions	159	—	159
Net increase in members' capital	263	—	263
Members' Capital at December 31, 2019	<u>\$ 984</u>	<u>\$ —</u>	<u>\$ 984</u>
Increase in Members' Capital from Operations			
Net increase in members' capital resulting from operations	\$ 109	\$ —	\$ 109
Net increase in members' capital from operations	109	—	109
Increase in Members' Capital from Capital Transactions			
Proceeds from subordinated certificates	351	—	351
Principal paydowns on subordinated certificates	(107)	—	(107)
Distributions to subordinated certificates	(132)	—	(132)
Net increase in members' capital from capital transactions	112	—	112
Net increase in members' capital	221	—	221
Members' Capital at December 31, 2020	<u>\$ 1,205</u>	<u>\$ —</u>	<u>\$ 1,205</u>

See accompanying notes to consolidated financial statements.

Senior Direct Lending Program, LLC
Consolidated Statement of Cash Flows

(in millions)

	For the Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net increase in members' capital resulting from operations	\$ 109	\$ 104	\$ 83
Adjustments to reconcile net increase in member's capital resulting from operations to net cash used in operating activities:			
Net unrealized losses on investments	64	36	21
Payment-in-kind interest	(19)	—	—
Collections of payment-in-kind interest	4	—	—
Purchases of investments	(1,486)	(1,354)	(1,253)
Proceeds from sales and repayments of investments	719	545	480
Changes in operating assets and liabilities:			
Interest receivable	(17)	(2)	(8)
Other assets	(6)	—	—
Accrued interest payable on notes	(10)	2	11
Accounts payable and other liabilities	1	1	1
Net cash used in operating activities	(641)	(668)	(665)
Cash flows from financing activities:			
Proceeds from senior notes	874	1,015	1,710
Principal paydowns of senior notes	(278)	(435)	(1,145)
Proceeds from intermediate funding notes	44	32	162
Principal paydowns of intermediate funding notes	(12)	(110)	(130)
Proceeds from subordinated certificates	351	465	521
Principal paydowns of subordinated certificates	(107)	(171)	(333)
Distributions to subordinated certificates	(134)	(130)	(97)
Net cash provided by financing activities	738	666	688
CHANGE IN RESTRICTED CASH	97	(2)	23
RESTRICTED CASH, BEGINNING OF PERIOD	60	62	39
RESTRICTED CASH, END OF PERIOD	\$ 157	\$ 60	\$ 62
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Change in accrued distributions payable to subordinated certificates	\$ (2)	\$ 5	\$ 7
Interest paid during the period	\$ 123	\$ 135	\$ 104

See accompanying notes to consolidated financial statements.

Senior Direct Lending Program, LLC

Notes to Consolidated Financial Statements

As of December 31, 2020

(in millions, except percentages and as otherwise noted)

1. Organization

The Senior Direct Lending Program, LLC d/b/a the “Senior Direct Lending Program” (the “SDLP”), a Delaware limited liability company, was organized on December 18, 2015 and commenced initial operations on July 27, 2016. The SDLP makes its investments through its wholly owned subsidiaries, SDLP SPV LLC (“SPV I”) and SDLP SPV II LLC (“SPV II” and collectively, the “SPVs”). The SDLP was formed to make certain first lien senior secured loans, including “unitranche” loans, which are loans that combine both senior and subordinated debt, generally in a first lien position, primarily to U.S. middle-market companies. The SDLP operates pursuant to the SDLP’s Second Amended and Restated Limited Liability Company Agreement dated as of July 26, 2016 (as amended from time to time, the “Agreement”). Additionally, specific operating terms and conditions such as servicing fees, administrative fees and disbursement of monies from payment accounts are specified in the SDLP’s Indenture dated as of January 31, 2018 (as amended from time to time, the “Indenture”).

Ares Capital Corporation (“ARCC”) and Varagon SDLP, LLC (the “Varagon Member”) are the members (the “Members”) of the SDLP, and Ares Capital Management LLC (“ACM”) and Varagon Capital Partners, L.P. (“Varagon”, and together with ACM, the “Managers”) are the managers of the SDLP.

Per the Agreement, the SDLP’s investment period will generally terminate upon the earliest of (i) December 31, 2036 (ii) the SDLP’s Investment Committee (as defined below) determines that the investment period be terminated, or (iii) the Members mutually agree to terminate the investment period.

The SDLP is capitalized in the form of subordinated certificates and membership interests (collectively referred to as members’ capital), as well as senior notes and intermediate funding notes (“IFNs”). The SDLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP consisting of representatives of ARCC and the Varagon Member (the “Investment Committee”) (with approval from a representative of each required). The SDLP also has designated an independent third party to serve as a tie-breaker, which would be engaged by the SDLP in the event that the Investment Committee could not reach agreement on certain decisions.

These notes to the consolidated financial statements contain references to and summary descriptions of various provisions of the Agreement and the Indenture. Summary descriptions and brief references are by their nature imprecise and incomplete. Any description of any provision of the Agreement and the Indenture contained herein is qualified in its entirety by reference to the Agreement and the Indenture.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”), and include the accounts of the SDLP and its consolidated subsidiaries, the SPVs. The SDLP has been designated as an investment company following the accounting and reporting guidance in Accounting Standards Codification (“ASC”) 946, *Financial Services-Investment Companies*. The consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Senior Direct Lending Program, LLC

Notes to Consolidated Financial Statements

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(in millions, except percentages and as otherwise noted)

Investments

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

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, the SDLP looks at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Investments that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the SDLP.

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

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

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

See Note 3 for more information on the SDLP's valuation process.

Restricted Cash

Restricted cash relates to cash held by a trustee on behalf of the SDLP and may include funds from time to time deposited with financial institutions and short-term, liquid investments in a money market account. The Indenture generally restricts this cash to be used to make interest and principal payments on the senior notes, IFNs and subordinated certificates, invest in debt and equity securities and pay other costs of the SDLP. Restricted cash is carried at cost which approximates fair value.

Interest Income Recognition

Interest income is recorded on an accrual basis and includes the accretion of discounts, amortization of premiums and payment-in-kind ("PIK") interest. Discounts from and premiums to par value on investments purchased are accreted/amortized into interest income over the life of the respective security using the effective yield method. To the extent loans contain PIK

Senior Direct Lending Program, LLC

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provisions, PIK interest, computed at the contractual rate specified in each applicable agreement, is accrued and recorded as interest income and added to the principal balance of the loan. PIK interest income added to the principal balance is generally

collected upon repayment of the outstanding principal. The amortized cost of investments represents the original cost adjusted for any accretion of discounts, amortization of premiums and PIK interest.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon the SDLP's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest are paid or there is no longer any reasonable doubt that such principal or interest will be collected in full and, in the judgment of the SDLP, are likely to remain current. The SDLP may make exceptions to this policy if the loan has sufficient collateral value (i.e., typically measured as enterprise value of the portfolio company) or is in the process of collection.

Other Income

Other income includes amendment fees that are fixed based on contractual terms and are generally non-recurring and non-refundable and are recognized as revenue when earned upon closing of the related transaction. Other income also includes fees for commitments. Such fees are fixed based on contractual terms and are recognized as income as services are rendered.

Income Taxes

The SDLP is treated as a partnership for U.S. federal income tax purposes and each member is individually responsible for reporting their share of income or loss, to the extent required by federal and state income tax laws and regulations, based upon their respective share of the SDLP's income or loss and expenses as reported for income tax purposes.

New York City ("NYC") imposes an Unincorporated Business Tax ("UBT") on unincorporated entities that carry on a trade or business in NYC. The term "unincorporated entity" is defined to include an entity classified as a partnership for U.S. federal income tax purposes. Because the SDLP's activities constitute a trade or business in NYC, the SDLP is subject to the UBT. For the years ended December 31, 2020, 2019 and 2018, the SDLP recorded a tax expense of \$3, \$3 and \$2, respectively.

The Managers have reviewed all open tax years for major jurisdictions and has determined the SDLP has no tax liability for any unrecognized tax benefits ("UTB") nor did it recognize any interest and penalties related to UTB for the year ended December 31, 2020.

For tax years beginning on or after January 1, 2018, the SDLP is subject to the partnership audit rules enacted as part of the Bipartisan Budget Act of 2015 (the "Centralized Partnership Audit Regime"). Under the Centralized Partnership Audit Regime, audits by the Internal Revenue Service ("IRS") are conducted at the SDLP's level. If the IRS were to determine that there should be an adjustment, the SDLP would by default be liable for an "imputed underpayment," including interest and penalties if applicable, in the tax year of review. The members of the SDLP in the year of review may differ from those in the tax year under audit. Alternatively, the SDLP may shift such liability to the members of the SDLP for the tax year under audit by making a "push-out" election. The SDLP's federal and state income tax returns for the tax years for which the applicable statute of limitations has not expired are subject to examination by the IRS or applicable state department of revenue.

Servicing and Administrative Fees

Pursuant to the Indenture, Varagon earns a senior servicing fee based on the average daily aggregate outstanding amount of the senior notes and IFNs. Additionally, the SDLP pays ARCC an administrative fee in exchange for the overhead costs in performing certain administrative functions for the SDLP. Such fees are paid to Varagon and ARCC as part of the SDLP's quarterly distributions. For the years ended December 31, 2020, 2019 and 2018, the SDLP incurred servicing fees of \$10, \$9 and \$7, respectively, and administrative fees of \$1.5, \$1.5 and \$1.5, respectively.

Senior Direct Lending Program, LLC

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Recent Accounting Pronouncement

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848)," which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The expedients and exceptions provided by the amendments do not apply to contract modifications and hedging relationships entered into or evaluated after December 31, 2022, except for hedging transactions as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The SDLP is currently evaluating the impact of adopting ASU 2020-04 on its consolidated financial statements.

3. Investments

As of December 31, 2020 and 2019, the SDLP's investments consisted of the following:

	As of December 31,			
	2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien senior secured loans (1)	\$ 4,483	\$ 4,345	\$ 3,892	\$ 3,817
Total	\$ 4,483	\$ 4,345	\$ 3,892	\$ 3,817

(1) First lien senior secured loans include certain loans that the SDLP classifies as "unitranche" loans. The total amortized cost and fair value of the loans that the SDLP classified as "unitranche" loans were \$3,551 and \$3,430, respectively, as of December 31, 2020, and \$3,643 and \$3,569, respectively, as of December 31, 2019.

Fair Value Measurements

The SDLP follows ASC 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10"), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the SDLP to assume that the portfolio investment is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the SDLP has considered its principal market as the market in which the SDLP exits its portfolio investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

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

Consistent with the SDLP's valuation policy, it evaluates the source of inputs, including any markets in which the SDLP's investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. The

Senior Direct Lending Program, LLC
Notes to Consolidated Financial Statements

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(in millions, except percentages and as otherwise noted)

SDLP's valuation policy considers the fact that because there is not a readily available market value for most of the investments in the SDLP's portfolio, the fair value of the investments must typically be determined using unobservable inputs.

The SDLP's portfolio investments are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value ("EV") of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company's EBITDA (generally defined as net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. The SDLP may also employ other valuation multiples to determine EV, such as revenues. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the SDLP considers the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the SDLP are substantially illiquid with no active transaction market, the SDLP depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

The following tables summarize the significant unobservable inputs the SDLP used to value all of the investments categorized within Level 3 as of December 31, 2020 and 2019. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the SDLP's determination of fair values.

As of December 31, 2020					
Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input		Weighted Average
			Input	Estimated Range	
First lien senior secured loans	\$ 4,345	Yield Analysis	Market Yield	5.49% - 18.93%	8.22%
Total	<u>\$ 4,345</u>				

As of December 31, 2019					
Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input		Weighted Average
			Input	Estimated Range	
First lien senior secured loans	\$ 3,817	Yield Analysis	Market Yield	5.91% - 15.87%	8.62%
Total	<u>\$ 3,817</u>				

Changes in market yields may change the fair value of certain of the SDLP's investments. Generally, an increase in market yields may result in a decrease in the fair value of certain of the SDLP's investments. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the SDLP's investments may fluctuate from period to period. Additionally, the fair value of the SDLP's investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the SDLP may ultimately realize. Further, such investments are generally subject to legal and

Senior Direct Lending Program, LLC

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(in millions, except percentages and as otherwise noted)

other restrictions on resale or otherwise are less liquid than publicly traded securities. If the SDLP was required to liquidate a portfolio investment in a forced or liquidation sale, it could realize significantly less than the value at which the SDLP has recorded it.

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

The following table presents fair value measurements of investments, restricted cash and unfunded delayed draw loan commitments as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Investments	\$ —	\$ —	\$ 4,345	\$ 4,345
Restricted cash	\$ 157	\$ —	\$ —	\$ 157
Unfunded delayed draw loan commitments (1)	\$ —	\$ —	\$ (1)	\$ (1)

(1) The fair value of unfunded delayed draw loan commitments is included in "accounts payable and other liabilities" in the accompanying consolidated balance sheet.

The following table presents fair value measurements of investments, restricted cash and unfunded delayed draw loan commitments as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments	\$ —	\$ —	\$ 3,817	\$ 3,817
Restricted cash	\$ 60	\$ —	\$ —	\$ 60
Unfunded delayed draw loan commitments (1)	\$ —	\$ —	\$ (2)	\$ (2)

(1) The fair value of unfunded delayed draw loan commitments is included in "accounts payable and other liabilities" in the accompanying consolidated balance sheet.

The following table presents changes in investments in which significant unobservable inputs (Level 3) were used in determining fair value for the year ended December 31, 2020:

	As of and For the Year Ended December 31, 2020
Balance as of December 31, 2019	\$ 3,817
Net unrealized losses	(64)
Purchases	1,486
Repayments	(913)
Payment-in-kind interest	19
Net transfers out of Level 3	—
Balance as of December 31, 2020	\$ 4,345

Senior Direct Lending Program, LLC

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(in millions, except percentages and as otherwise noted)

The following table presents changes in investments in which significant unobservable inputs (Level 3) were used in determining fair value for the year ended December 31, 2019:

	As of and For the Year Ended December 31, 2019	
Balance as of December 31, 2018	\$	3,043
Net unrealized losses		(36)
Purchases		1,354
Repayments		(544)
Net transfers out of Level 3		—
Balance as of December 31, 2019	\$	<u>3,817</u>

4. Senior Notes and IFNs

As of December 31, 2020, clients of Varagon, have made capital available to the SDLP in the form of senior notes and IFNs of \$4.2 billion and \$350 million, respectively. This capital will only be committed to the SDLP upon approval of transactions by the investment committee of the SDLP. As of December 31, 2020 and 2019, there were \$3,364 and \$2,769 of senior notes outstanding, respectively. As of December 31, 2020 and 2019, there were \$124 and \$92 of IFNs outstanding, respectively. The interest rates charged on the senior notes and IFNs are based on three month LIBOR plus an applicable spread.

The senior notes and IFNs are collateralized by substantially all the assets of the SDLP. Under the terms of the senior notes and the IFNs, the SDLP is required to comply with certain financial and nonfinancial covenants, primarily related to interest and collateral coverage. As of December 31, 2020 and 2019, the SDLP was in compliance in all material respects with all of the covenants of the senior notes and the IFNs.

5. Subordinated Certificates

As of December 31, 2020, ARCC and the Varagon Member have made capital available to the SDLP in the form of subordinated certificates of \$1,444 and \$206, respectively. This capital will only be committed to the SDLP upon approval of transactions by the investment committee of the SDLP. As of December 31, 2020, ARCC and the Varagon Member had funded \$1,123 and \$160, respectively, in aggregate principal amount, to the SDLP. As of December 31, 2019, ARCC and the Varagon Member had funded \$910 and \$130, respectively, in aggregate principal amount, to the SDLP. The subordinated certificates carried a stated interest rate of LIBOR plus an applicable margin, and also entitled the holders thereof to receive a portion of the excess cash flow from the portfolio, after expenses.

6. Commitments and Contingencies

As of December 31, 2020 and 2019, the SDLP had the following investment commitments to fund various senior secured delayed draw loans to portfolio companies:

	As of December 31,	
	2020	2019
Total undrawn delayed draw loan commitments	\$ 152	\$ 404

The SDLP's commitment to fund delayed draw loans is triggered upon the satisfaction of certain pre-negotiated terms and conditions. Generally, the most significant and uncertain term requires the borrower to satisfy a specific use of proceeds covenant. The use of proceeds covenant typically requires the borrower to use the additional loans for the specific purpose of a

Senior Direct Lending Program, LLC

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permitted acquisition or permitted investment, for example. In addition to the use of proceeds covenant, the borrower is generally required to satisfy additional negotiated covenants (including specified leverage levels).

7. Allocations and Distributions of Income and Losses

The SDLP makes distributions quarterly. Generally, cash received by the SDLP from investments is categorized as either principal proceeds or interest proceeds. Interest proceeds are generally used to pay expenses of the SDLP as well as contractual interest accrued on the senior notes, IFNs and subordinated certificates. Any amounts remaining after expenses and contractual amounts are paid are generally distributed to the holders of the subordinated certificates. Principal collections are generally distributed to the holders of the senior notes, IFNs and subordinated certificates to reduce the respective principal amounts outstanding, however it may be distributed to pay expenses or other contractual amounts due if interest proceeds are not sufficient to pay these amounts. The Indenture sets forth certain payment waterfalls for the application of interest proceeds and principal proceeds. In certain circumstances, such waterfalls may result in a different application of interest proceeds and principal proceeds than is described in this note, including, among other things, the application of such proceeds to pay down the outstanding principal amount of the senior notes and IFNs ahead of the subordinated certificates. Net income and losses generally are allocated pro rata to the Members based on their ownership percentage of the membership interests. Other allocations may be made to comply with certain tax and other regulatory requirements.

8. Related-Party Transactions

Affiliates of the Varagon Member, ARCC or either of the Managers may have an interest in other securities or debt issued by the portfolio companies in which the SDLP has invested, and those securities or debt could be senior, pari passu, or junior to the investments held by the SDLP. See Note 2 for a description of other related party transactions.

9. Financial Highlights

The following represents the financial highlights for the members of the SDLP for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Net investment income ratio to average members' capital ⁽¹⁾	15.86 %	16.44 %	16.28 %
Interest expense ratio to average members' capital ⁽¹⁾	10.31 %	16.03 %	18.19 %
Other expenses ratio to average members' capital ⁽¹⁾	1.41 %	1.66 %	1.89 %
Total expense ratio to average members' capital ⁽¹⁾	11.72 %	17.69 %	20.08 %
Internal rate of return since inception ⁽²⁾			
End of period	11.39 %	11.24 %	10.89 %

(1) The ratios net investment income, interest expense and other expenses to the average members' capital represent the net investment income, interest expense and other expenses, as reported in the consolidated statement of operations, to the average members' capital for the years ended December 31, 2020, 2019 and 2018.

(2) The internal rate of return since inception was calculated based on the actual dates of the cash flows (contributions and distributions) and the ending members' capital for the years ended December 31, 2020, 2019 and 2018.

10. Market and Other Risk Factors

Due to the nature of the SDLP's strategy, the SDLP and its investment portfolio are subject to market, credit and other risk factors, including, but not limited to, the following:

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(in millions, except percentages and as otherwise noted)

Market Risk

Significant changes or volatility in the capital markets may cause the fair value of investments to fluctuate significantly over the life of the investments, which may have a negative effect on the valuations of SDLP's investments. Investments may decline in value due to factors affecting the securities markets generally or particular industries. The value of an investment may decline due to general market conditions which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, impacts from global exogenous events (such as the COVID-19 pandemic discussed below) or adverse investor sentiment generally. Investments may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. These factors are outside of the SDLP's control and may impact the level of volatility of investment values, as well as the liquidity of investments. While most of the SDLP's investments are illiquid and not intended to be traded, applicable accounting standards require the SDLP to assume as part of the valuation process that the SDLP's investments are sold in a principal market to market participants (even if the SDLP plans on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of investment activity and the potential for liquidity events involving the SDLP's investments.

Credit Risk

The SDLP invests in first lien senior secured loans, including "unitranche" loans, which are loans that combine both senior and subordinated debt, generally in a first lien position, primarily to U.S. middle-market companies. While the debt the SDLP invests in is often secured, such security does not guarantee that the SDLP 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 the SDLP to recover all or a portion of the outstanding amount of the loan should the SDLP be forced to enforce its remedies. The SDLP places its cash with financial institutions and, at times, cash held in the checking, money market and repurchase accounts may be in excess of the Federal Deposit Insurance Corporation insured limit.

Market and Credit Risk Related to the COVID-19 Pandemic

The outbreak of a highly contagious form of a novel coronavirus ("COVID-19") in early 2020, for which the World Health Organization declared a global pandemic and the United States has declared a national emergency, led to significant and continued volatility in the public and private markets during 2020. Many states, including those in which the SDLP's portfolio companies operate, have issued orders requiring the closure of, or certain restrictions on the operation of, non-essential businesses and/or requiring residents to stay at home. The COVID-19 pandemic and restrictive measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, or the re-introduction of business shutdowns, cancellations of events and restrictions on travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability both globally and in the United States. Such effects will likely continue for the duration of the pandemic, which is uncertain, and for some period thereafter. While several countries, as well as certain states, counties and cities in the United States, began to relax the early public restrictions with a view to partially or fully reopening their economies, many cities, both globally and in the United States, have since experienced a surge in the reported number of cases, hospitalizations and deaths related to the COVID-19 pandemic. This recent increase in cases has led to the re-introduction of restrictions and business shutdowns in certain states, counties and cities in the United States and globally and could continue to lead to the re-introduction of such restrictions elsewhere. Additionally, in December 2020, the U.S. Food and Drug Administration authorized the distribution and administration of certain COVID-19 vaccinations. However, it remains unclear how quickly the vaccines will be distributed nationwide and globally or when "herd immunity" will be achieved and the restrictions that were imposed to slow the spread of the virus will be lifted entirely. The delay in distributing the vaccines could lead people to continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time. Even after the COVID-19 pandemic subsides, the U.S. economy and most other major global economies may continue to experience a recession, and the SDLP, as well as its portfolio companies, could be materially adversely affected by a prolonged recession in the U.S. and other major markets.

The COVID-19 pandemic has adversely impacted the fair value of certain of SDLP's investments, including those reported as of December 31, 2020, and the values reported may differ materially from the values that the SDLP may ultimately realize with

Senior Direct Lending Program, LLC

Notes to Consolidated Financial Statements

As of December 31, 2020

(in millions, except percentages and as otherwise noted)

respect to its investments. The valuation of SDLP's investments may not show the complete or the continuing impact of the COVID-19 pandemic and the resulting restrictive measures taken in response thereto. As a result, the SDLP may continue to see a negative impact to the fair value of its investments.

Interest Rate Risk

General interest rate fluctuations may have a substantial negative impact on the SDLP's investments and investment opportunities and, accordingly, may have a material adverse effect on the SDLP's investment objective and its net investment income. To the extent the SDLP borrows money to make investments, the SDLP's net investment income is dependent upon the difference between the rate at which the SDLP borrows funds and the rate at which the SDLP invests these funds. If market rates decrease the SDLP may earn less interest income from investments made during such lower rate environment. There can be no assurance that a significant change in market interest rates will not have a material adverse effect on the SDLP's net investment income.

LIBOR Rate Risk

National and international regulators and law enforcement agencies have conducted investigations into a number of rates or indices that are deemed to be "reference rates." Actions by such regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates. In particular, on July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates the London Interbank Offered Rate ("LIBOR"), announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. On November 30, 2020, ICE Benchmark Administration ("IBA"), the administrator of LIBOR, with the support of the United States Federal Reserve and the FCA, announced plans to consult on ceasing publication of USD LIBOR on December 31, 2021 for only the one week and two month USD LIBOR tenors, and on December 31, 2023 for all other USD LIBOR tenors. Such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It appears highly likely that LIBOR will be discontinued or modified by 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities (the "Secured Overnight Financing Rate," or "SOFR"). The future of LIBOR at this time is uncertain. Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based securities, including SDLP's portfolio of LIBOR indexed, floating rate debt securities, or the cost of SDLP's borrowings. In addition, changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities, including the value of the LIBOR indexed, floating rate debt securities in SDLP's portfolio, or the cost of SDLP's borrowings. Additionally, if LIBOR ceases to exist, the SDLP may need to renegotiate the credit agreements extending beyond 2021 with the SDLP's lenders and the SDLP's portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

11. Subsequent Events

The Managers have evaluated subsequent events through March 5, 2021 of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in the SDLP's consolidated financial statements as of and for the year ended December 31, 2020.