

ARES CAPITAL CORP

Form 10-Q

November 05, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

x

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

o

**TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

For the transition period to

Commission File No. 000-50697

ARES CAPITAL CORPORATION

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

(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 Number)

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

(Address of principal executive office) (Zip Code)

(212) 750-7300

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 5, 2009
Common stock, \$0.001 par value	109,592,728

Table of Contents

ARES CAPITAL CORPORATION

INDEX

Part I. Financial Information

Item 1.	Financial Statements	
	<u>Consolidated Balance Sheet as of September 30, 2009 (unaudited) and December 31, 2008</u>	1
	<u>Consolidated Statement of Operations for the three and nine months ended September 30, 2009 (unaudited) and September 30, 2008 (unaudited)</u>	2
	<u>Consolidated Schedule of Investments as of September 30, 2009 (unaudited) and December 31, 2008</u>	3
	<u>Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2009 (unaudited)</u>	25
	<u>Consolidated Statement of Cash Flows for the nine months ended September 30, 2009 (unaudited) and September 30, 2008 (unaudited)</u>	26
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	27
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	56
<u>Item 4.</u>	<u>Controls and Procedures</u>	57
Part II. Other Information		
<u>Item 1.</u>	<u>Legal Proceedings</u>	57
<u>Item 1A.</u>	<u>Risk Factors</u>	57
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	58
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	58
<u>Item 5.</u>	<u>Other Information</u>	58
<u>Item 6.</u>	<u>Exhibits</u>	59

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

(dollar amounts in thousands, except per share data)

	September 30, 2009 (unaudited)	As of	December 31, 2008
ASSETS			
Investments at fair value (amortized cost of \$2,245,137 and \$2,267,593, respectively)			
Non-controlled/non-affiliate company investments	\$ 1,506,376	\$	1,477,492
Non-controlled affiliate company investments	295,787		329,326
Controlled affiliate company investments	165,561		166,159
Total investments at fair value	1,967,724		1,972,977
Cash and cash equivalents	61,469		89,383
Receivable for open trades			3
Interest receivable	21,159		17,547
Other assets	14,729		11,423
Total assets	\$ 2,065,081	\$	2,091,333
LIABILITIES			
Debt	\$ 767,871	\$	908,786
Management and incentive fees payable	56,527		32,989
Payable for open trades	489		
Accounts payable and accrued expenses	14,750		10,006
Interest and facility fees payable	2,717		3,869
Dividend payable	136		40,804
Total liabilities	842,490		996,454
Commitments and contingencies (Note 6)			
STOCKHOLDERS EQUITY			
Common stock, par value \$.001 per share, 200,000,000 common shares authorized, 109,592,728 and 97,152,820 common shares issued and outstanding, respectively	110		97
Capital in excess of par value	1,505,031		1,395,958
Accumulated undistributed net investment loss	(2,436)		(7,637)
Accumulated net realized loss on investments, foreign currency transactions and extinguishment of debt	(2,397)		(124)
Net unrealized loss on investments and foreign currency transactions	(277,717)		(293,415)
Total stockholders equity	1,222,591		1,094,879
Total liabilities and stockholders equity	\$ 2,065,081	\$	2,091,333
NET ASSETS PER SHARE	\$ 11.16	\$	11.27

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS**

(dollar amounts in thousands, except per share data)

	For the three months ended		For the nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME:				
From non-controlled/non-affiliate company investments:				
Interest from investments	\$ 49,728	\$ 45,425	\$ 138,866	\$ 118,112
Capital structuring service fees		3,029	1,653	14,175
Interest from cash & cash equivalents	35	325	245	1,314
Dividend income	525	375	1,568	1,246
Management fees	29		29	
Other income	1,501	599	4,198	2,007
Total investment income from non-controlled/non-affiliate company investments	51,818	49,753	146,559	136,854
From non-controlled affiliate company investments:				
Interest from investments	4,916	7,924	17,019	24,668
Capital structuring service fees		281		1,376
Dividend income	148	256	285	522
Management fees	63	188	1,380	564
Other income	140	136	308	379
Total investment income from non-controlled affiliate company investments	5,267	8,785	18,992	27,509
From controlled affiliate company investments:				
Interest from investments	2,255	2,946	7,348	9,126
Capital structuring service fees			194	3,000
Dividend income	1,511	133	1,511	133
Management fees		437	1,286	1,068
Other income	30	13	118	48
Total investment income from controlled affiliate company investments	3,796	3,529	10,457	13,375
Total investment income	60,881	62,067	176,008	177,738
EXPENSES:				
Interest and credit facility fees	5,721	9,535	18,603	26,613
Base management fees	7,508	7,963	22,502	22,729
Incentive management fees	8,227	8,205	23,764	23,713
Professional fees	2,044	1,499	5,749	4,370
Professional fees related to the acquisition of Allied Capital Corporation	1,989		1,989	
Insurance	313	301	988	927
Administrative	809	802	2,905	1,702
Depreciation	167	134	505	338

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Directors fees	134	57	370	197
Other	609	869	3,016	2,597
Total expenses	27,521	29,365	80,391	83,186
NET INVESTMENT INCOME BEFORE INCOME TAXES				
	33,360	32,702	95,617	94,552
Income tax expense (benefit), including excise tax	454	(118)	563	(302)
NET INVESTMENT INCOME	32,906	32,820	95,054	94,854
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS:				
Net realized gains (losses):				
Non-controlled/non-affiliate company investments	12,049	2,018	9,887	2,235
Non-controlled affiliate company investments		2,600	(482)	2,601
Controlled affiliate company investments	(13,705)		(13,705)	
Foreign currency transactions		(38)	68	(40)
Net realized gains (losses)	(1,656)	4,580	(4,232)	4,796
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	(552)	(52,689)	1,336	(81,283)
Non-controlled affiliate company investments	14,916	(21,354)	3,644	(45,212)
Controlled affiliate company investments	17,699	(4,750)	10,773	(2,117)
Foreign currency transactions	(37)		(55)	7
Net unrealized gains (losses)	32,026	(78,793)	15,698	(128,605)
Net realized and unrealized gains (losses) from investments and foreign currency transactions	30,370	(74,213)	11,466	(123,809)
REALIZED GAIN ON EXTINGUISHMENT OF DEBT			26,543	
NET INCREASE (DECREASE) IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	\$ 63,276	\$ (41,393)	\$ 133,063	\$ (28,955)
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE (see Note 4)	\$ 0.62	\$ (0.43)	\$ 1.34	\$ (0.33)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (see Note 4)	102,831,909	97,152,820	99,066,652	87,152,501

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS**

As of September 30, 2009 (unaudited)

(dollar amounts in thousands, except per unit data)

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Healthcare Services								
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (\$1,082 par due 12/2010)	8.5% (Libor + 6.00%/D)	12/14/2005	\$ 1,082	\$ 1,082	\$ 1.00(3)	(15)
		Senior secured loan (\$10,401 par due 12/2011)	8.5% (Libor + 6.00%/Q)	12/14/2005	10,401	10,401	\$ 1.00(3)	(15)
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (\$55,000 par due 2/2016)	13.00%	2/29/2008	55,000	53,350	\$ 0.97	
		Junior secured loan (\$30,000 par due 2/2016)	13.00%	2/29/2008	30,000	29,100	\$ 0.97(2)	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(6)	Healthcare analysis services	Preferred stock (7,427 shares)		6/15/2007	7,427	7,055	\$ 950.00(4)	
		Common stock (9,679 shares)		6/15/2007	4,000	8,134	\$ 840.38(5)	
		Common stock (1,546 shares)		6/15/2007			\$ (5)	
DSI Renal, Inc.	Dialysis provider	Senior secured revolving loan (\$122 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	122	103	\$ 0.85	
		Senior secured revolving loan (\$3,520 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	3,520	2,992	\$ 0.85	
		Senior secured revolving loan (\$1,120 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	1,120	952	\$ 0.85	
		Senior secured revolving loan (\$1,152 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	1,152	979	\$ 0.85	
		Senior secured revolving loan (\$1,600 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	1,600	1,360	\$ 0.85	
		Senior secured revolving loan (\$2 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	2	2	\$ 0.85	
				4/4/2006	18	15	\$ 0.85	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior secured revolving loan (\$18 par due 3/2013)	5.30% (Libor + 5.00%/M)					
		Senior secured revolving loan (\$24 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	24	21	\$	0.85
		Senior secured revolving loan (\$54 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	54	46	\$	0.85
		Senior secured revolving loan (\$17 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	17	14	\$	0.85
		Senior secured revolving loan (\$20 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	20	17	\$	0.85
		Senior secured revolving loan (\$294 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	210	250	\$	0.85
		Senior secured revolving loan (\$44 par due 3/2013)	5.30% (Libor + 5.00%/M)	4/4/2006	31	37	\$	0.85
		Senior secured loan (\$17,025 par due 4/2014)	5.30% (Libor + 5.00%/M)	4/4/2006	12,161	14,472	\$	0.85
		Senior subordinated note (\$63,992 par due 4/2014)	16.00% PIK	4/4/2006	63,439	49,263	\$	0.77(2)(4)
		Senior subordinated note (\$13,736 par due 4/2014)	16.00% PIK	4/4/2006	13,675	10,577	\$	0.77(3)(4)
GG Merger Sub I, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.30% (Libor + 4.00%/Q)	12/14/2007	10,839	9,744	\$	0.86
		Senior secured loan (\$12,000 par due 12/2014)	4.30% (Libor + 4.00%/Q)	12/14/2007	11,481	10,320	\$	0.86
HCP Acquisition Holdings, LLC(7)	Healthcare compliance advisory services	Class A units (10,062,095 units)		6/26/2008	10,062	7,194	\$	0.72(5)
Heartland Dental Care, Inc.	Dental services	Senior subordinated note (\$32,717 par due 8/2013)	11.00% Cash, 3.25% PIK	7/31/2008	32,717	32,717	\$	1.00(4)
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior subordinated note (\$4,623 par due 12/2012)	12.75% Cash, 2.00% PIK	2/9/2009	3,241	4,646	\$	1.00(4)
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Senior secured loan (\$997 par due 1/2014)		1/31/2007	512	489	\$	0.49(3)
		Junior secured loan (\$20,000 par due 1/2014)	6.50% (Libor + 6.25%/B)	1/31/2007	20,000	5,000	\$	0.25
		Junior secured loan (\$12,000 par due 1/2014)	6.50% (Libor + 6.25%/B)	1/31/2007	12,000	3,000	\$	0.25(3)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Common stock (50,000 shares)		1/31/2007	5,000			(5)
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (\$5,000 par due 5/2012)	6.49% (Libor + 6.25%/M)	5/3/2007	5,000	4,350	\$	0.87(3)
OnCURE Medical Corp.	Radiation oncology care provider	Senior secured loan (\$3,076 par due 8/2009)	3.75% (Libor + 3.50%/M)	8/18/2006	3,076	2,707	\$	0.88(3)
		Senior subordinated note (\$32,517 par due 8/2013)	11.00% Cash, 1.50% PIK	8/18/2006	32,542	29,288	\$	0.90(4)
		Common stock (857,143 shares)		8/18/2006	3,000	3,000	\$	3.50(5)
Passport Health Communications, Inc, Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Senior secured loan (\$12,725 par due 5/2014)	10.50% (Libor + 7.50%/M)	5/9/2008	12,725	12,470	\$	0.98(15)
		Senior secured loan (\$11,746 par due 5/2014)	10.50% (Libor + 7.50%/M)	5/9/2008	11,746	11,511	\$	0.98(3) (15)
		Series A preferred stock (1,594,457 shares)		7/30/2008	9,900	9,900	\$	6.21(5)
		Common stock (16,106 shares)		7/30/2008	100	100	\$	6.21(5)
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,935	3,920	\$	0.98
		Preferred stock (333 shares)		3/12/2008	333	334	\$	1,003.00(5)
		Common stock (16,667 shares)		3/12/2008	167	167	\$	10.00(5)
The Schumacher Group of Delaware, Inc.	Outsourced physician service provider	Senior subordinated loan (\$30,909 par due 7/2012)	11.13% Cash, 1.00% PIK	7/18/2008	30,909	30,909	\$	1.00(4)
		Senior subordinated loan (\$5,229 par due 7/2012)	11.13% Cash, 1.00% PIK	7/18/2008	5,229	5,229	\$	1.00(4)
Triad Laboratory Alliance, LLC	Laboratory services	Senior secured loan (\$4,282 par due 12/2011)	8.50% (Libor + 5.50%/Q)	12/21/2005	4,116	4,282	\$	1.00(3) (15)
		Senior subordinated note (\$15,534 par due 12/2012)	12.00% Cash, 1.75% PIK	12/21/2005	15,534	15,068	\$	0.97(4)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

VOTC Acquisition Corp.	Radiation oncology care provider	Senior secured loan (\$17,329 par due 7/2012)	11.00% Cash, 2.00% PIK	6/30/2008	17,329	17,329	\$	1.00(4)
		Series E preferred shares (3,888,222 shares)		7/14/2008	8,748	3,800	\$	0.98(5)
					475,316	417,696		34.16%
Education								
Campus Management Corp. and Campus Management Acquisition Corp.(6)	Education software developer	Senior secured loan (\$3,280 par due 8/2013)	13.00 Cash, 3.00% PIK	2/8/2008	3,280	3,280	\$	1.00(16) (4)
		Senior secured loan (\$30,494 par due 8/2013)	13.00 Cash, 3.00% PIK	2/8/2008	30,494	30,494	\$	1.00(2) (16) (4)
		Senior secured loan (\$9,028 par due 8/2013)	10.00% Cash, 3.00% PIK	2/8/2008	9,028	9,028	\$	1.00(16) (4)
		Preferred stock (493,147 shares)	8.00% PIK	2/8/2008	8,952	12,800	\$	24.33(4)
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$162 par due 11/2012)	3.50% (Libor + 3.25%/M)	11/30/2006	162	154	\$	0.95(3)
		Junior secured loan (\$8,333 par due 11/2013)	7.25% (Libor + 7.00%/M)	11/30/2006	8,333	7,917	\$	0.95(3)
Instituto de Banca y Comercio, Inc. Leeds IV Advisors, Inc.(8)	Private school operator	Senior secured revolving loan (\$11,730 par due 3/2014)	6.50% (Libor + 4.00%/Q)	3/15/2007	1,232	1,232	\$	1.00(3) (15)
		Senior secured loan (\$11,730 par due 3/2014)	8.50% (Libor + 6.00%/Q)	3/15/2007	11,730	11,730	\$	1.00(3) (15)
		Senior subordinated loan (\$30,644 par due 6/2014)	13.00% Cash, 3.00% PIK	6/4/2008	30,644	30,644	\$	1.00(4)
		Preferred stock (165,811 shares)		6/4/2008	788	1,883	\$	11.35(5)
		Preferred stock (140,577 shares)		3/31/2009	668	1,596	\$	12.94(5)
		Common stock (214,286 shares)		6/4/2008	54	2,433	\$	11.35(5)
Lakeland Finance, LLC	Private school operator	Senior secured note (\$30,000 par due 12/2012)	11.50%	12/13/2005	30,000	30,000	\$	1.00
		Senior secured note (\$3,000 par due 12/2012)	11.50%	12/13/2005	3,000	3,000	\$	1.00(2)
R3 Education, Inc. (formerly known as Equinox EIC Partners, LLC and MUA Management Company)(6)(8)	Medical school operator	Senior secured revolving loan (\$1,186 par due 12/2012)	6.25% (Libor + 6.00%/M)	4/3/2007	1,186	1,162	\$	0.98
				9/21/2007	14,113	13,830	\$	0.98(2)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Senior secured loan (\$14,113 par due 12/2012)	6.25% (Libor + 6.00%/M)					
Senior secured loan (\$7,300 par due 12/2012)	6.25% (Libor + 6.00%/M)	4/3/2007	7,275	7,130	\$	0.98(3)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Common membership interest (26.27% interest)		9/21/2007	15,800	17,185	(5)	
		Preferred Stock (8,000 shares)			2,000	2,000	\$ 250.00(5)	
		Preferred stock (800 shares)			200	200	\$ 250.00(5)	
					178,974	189,294		15.48%
Beverage, Food and Tobacco								
3091779 Nova Scotia Inc.(8)	Baked goods manufacturer	Junior secured loan (Cdn \$14,241 par due 11/2012)	10.00% Cash, 4.00% PIK	11/2/2007	15,047	11,278	\$ 0.85(4) (12)	
		Senior secured revolving loan (Cdn \$7,338 par due 11/2012)	8.00%	11/2/2007	6,757	7,127	\$ 1.00(4) (12)	
		Warrants to purchase 57,545 shares					\$ (5)	
Apple & Eve, LLC and US Juice Partners, LLC(6)	Juice manufacturer	Senior secured loan (\$24,216 par due 10/2013)	14.50% (Libor + 11.50%/M)	10/5/2007	24,216	23,974	\$ 0.99(15)	
		Senior secured loan (\$11,870 par due 10/2013)	14.50% (Libor + 11.50%/M)	10/5/2007	11,870	11,752	\$ 0.99(15)	
		Senior units (50,000 units)			5,000	3,500	\$ 70.00	
Best Brands Corporation	Baked goods manufacturer	Senior secured loan (\$13,135 par due 12/2012)	7.51% (Libor + 7.25%M)	2/15/2008	10,966	13,135	\$ 1.00(4)	
		Senior secured loan (\$8,759 par due 6/2013)	7.51% (Libor + 7.25%M)	12/14/2006	7,462	8,759	\$ 1.00(4)	
		Junior secured loan (\$28,692 par due 6/2013)	12.00% Cash, 4.00% PIK	12/14/2006	28,053	28,692	\$ 1.00(2)(4)	
		Junior secured loan (\$8,611 par due 6/2013)	12.00% Cash, 4.00% PIK	12/14/2006	8,611	8,611	\$ 1.00(3)(4)	
		Junior secured loan (\$11,733 par due 6/2013)	12.00% Cash, 4.00% PIK	12/14/2006	11,733	11,733	\$ 1.00(3)(4)	
Bumble Bee Foods, LLC and BB Co-Invest LP	Canned seafood manufacturer	Senior subordinated loan (\$30,756 par due 11/2018)	16.25% (12.00% Cash, 4.25% Optional PIK)	11/18/2008	30,756	30,756	\$ 1.00(4)	
		Common stock (4,000 shares)		11/18/2008	4,000	5,700	\$ 1,425.00(5)	
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated note (\$5,874 par due 2/2013)	13.00% PIK	2/6/2008	5,874	5,874	\$ 1.00(2)(4)	
				9/1/2006	2,500	1,725	\$ 275.65(5)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Preferred stock
(6,258 shares)

					172,845	172,616		14.12%
Restaurants and Food Services								
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$1,408 par due 11/2013)	6.50% (Libor + 3.5%/Q)	11/27/2006	1,408	1,408 \$		1.00(15)
		Senior secured revolving loan (\$2,010 par due 11/2013)	6.50% (Libor + 3.5% /S)	11/27/2006	2,010	2,010 \$		1.00(4) (15)
		Senior secured loan (\$23,615 par due 11/2012)	12.50% (Libor + 6.50% Cash, 3.00% PIK/Q)	11/27/2006	23,622	23,615 \$		1.00(4) (15)
		Senior secured loan (\$11,069 par due 11/2012)	12.50% (Libor + 6.50% Cash, 3.00% PIK/Q)	11/27/2006	11,069	11,069 \$		1.00(2)(4)(15)
		Promissory note (\$13,105 par due 11/2016)	12.00% PIK	6/1/2006	13,093	13,795 \$		1.05(15)
		Warrants to purchase 0.61 shares		6/1/2006		4,370 \$		(5)
Encanto Restaurants, Inc.(8)	Restaurant owner and operator	Junior secured loan (\$21,368 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/2006	21,368	20,299 \$		0.95(2)(4)
		Junior secured loan (\$4,070 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/2006	4,070	3,867 \$		0.95(3)(4)
OTG Management, Inc.	Airport restaurant operator	Junior secured loan (\$15,884 par due 6/2013)	20.50% (Libor + 11.00% Cash, 6.50% PIK/M)	6/19/2008	15,884	15,884 \$		1.05(15)
		Warrants to purchase up to 88,991 shares of common stock				750 \$		8.43(5)
		Warrants to purchase up to 9 shares of common stock				\$		(5)
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Senior subordinated loan (\$43,625 par due 5/2015)	13.50%	5/23/2008	43,625	41,444 \$		0.95
		Senior subordinated loan (\$25,000 par due 5/2015)	13.50%	5/23/2008	25,000	23,750 \$		0.95(2)
		Senior subordinated loan (\$5,000 par due 5/2015)	13.50%	5/23/2008	5,000	4,750 \$		0.95(2)
		Class A non-voting common stock (1,366,120 shares)		5/23/2008	7,500	3,253 \$		2.38(5)
					173,649	170,264		13.93%

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Financial								
Carador PLC(6)(8)(9)	Investment company	Ordinary shares (7,110,525 shares)		12/15/2006	9,033	2,311 \$	0.38(5)	
CIC Flex, LP(9)	Investment partnership	Limited partnership units (0.69 unit)		9/7/2007	41	41 \$	59,420.29(5)	
Covestia Capital Partners, LP(9)	Investment partnership	Limited partnership interest (47% interest)		6/17/2008	1,059	1,059	(5)	
Firstlight Financial Corporation(6)(9)	Investment company	Senior subordinated loan (\$72,894 par due 12/2016)	1.00% PIK	12/31/2006	72,871	54,670 \$	0.75(4)	
		Common stock (10,000 shares)		12/31/2006	10,000	\$	(5)	
		Common stock (30,000 shares)		12/31/2006	30,000	\$	(5)	
Ivy Hill Asset Management, L.P.		Member interest			3,586	11,088		
Ivy Hill Middle Market Credit Fund, Ltd. (7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.72% (Libor + 6.00%/Q)	11/20/2007	40,000	36,800 \$	0.92	
		Subordinated notes (\$15,681 par due 11/2018)		11/20/2007	15,681	14,113 \$	0.90(5)	
Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP(6)(9)	Investment banking services	Limited partnership interest (80% interest)		5/10/2007	3,094	3,094	(5)	
		Common units (7,710 units)		5/10/2007	14,997	20,000 \$	2,594.03(5)	
		Common units (2,526 units)		5/10/2007	3	3 \$	1.00(5)	
		Common units (315 units)		5/10/2007		\$	(5)	
Partnership Capital Growth Fund I, LP(9)	Investment partnership	Limited partnership interest (25% interest)		6/16/2006	2,711	2,711	(5)	
Trivergance Capital Partners, LP(9)	Investment partnership	Limited partnership interest (100% interest)		6/5/2008	1,672	1,672	(5)	
VSC Investors LLC(9)	Investment company	Membership interest (4.63% interest)		1/24/2008	635	635	(5)	
					205,383	148,197		12.12%
Services Other								
American Residential Services, LLC	Plumbing, heating and air-conditioning services	Junior secured loan (\$20,403 par due 4/2015)	10.00% Cash, 2.00% PIK	4/17/2007	20,505	19,685 \$	0.96(2)(4)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Diversified Collection Services, Inc.	Collections services	Senior secured loan (\$10,529 par due 8/2011)	9.50% (Libor + 6.75%/M)	2/2/2005	8,849	10,529 \$	1.00(15)
		Senior secured loan (\$3,747 par due 8/2011)	9.50% (Libor + 6.75%/M)	2/2/2005	3,747	3,747 \$	1.00(3) (15)
		Senior secured loan (\$323 par due 8/2011)	9.50% (Libor + 6.75%/Q)	2/2/2005	272	323 \$	1.00(15)
		Senior secured loan (\$115 par due 8/2011)	9.50% (Libor + 6.75%/Q)	2/2/2005	115	115 \$	1.00(3) (15)
		Senior secured loan (\$1,931 par due 2/2011)	13.75% (Libor + 11.00%/M)	2/2/2005	1,931	1,931 \$	1.00(15)
		Senior secured loan (\$7,492 par due 8/2011)	13.75% (Libor + 11.00%/M)	2/2/2005	7,492	7,492 \$	1.00(15)
		Preferred stock (14,927 shares)		5/18/2006	169	264 \$	17.69(5)
		Common stock (114,004 shares)		2/2/2005	295	286 \$	2.51(5)
GCA Services Group, Inc.	Custodial services	Senior secured loan (\$20,865 par due 12/2011)	12.00%	12/15/2006	23,193	23,255 \$	1.00(2)
		Senior secured loan (\$5,000 par due 12/2011)	12.00%	12/15/2006	4,755	4,768 \$	1.00
		Senior secured loan (\$10,346 par due 12/2011)	12.00%	12/15/2006	9,840	9,866 \$	1.00(3)
Growing Family, Inc. and GFH Holdings, LLC	Photography services	Senior secured revolving loan (\$1,513 par due 8/2011)	10.50% (Libor + 3.00% Cash, 4.00% PIK/A)	3/16/2007	1,513	454 \$	0.30(4) (14) (15)
		Senior secured loan (\$11,188 par due 8/2011)	13.00% (Libor + 3.50% Cash, 6.00% PIK/Q)	3/16/2007	11,188	3,356 \$	0.30(4) (14) (15)
		Senior secured loan (\$372 par due 8/2011)	11.25% (Base Rate + 8.00%/A)	3/16/2007	372	111 \$	0.30(4) (14) (15)
		Senior secured loan (\$3,575 par due 8/2011)	15.50% (Libor + 6.00% Cash, 6.00% PIK/Q)	3/16/2007	3,575	1,073 \$	0.30(4) (14) (15)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$147 par due 8/2011)	15.50% (Libor + 6.00% Cash, 6.00% PIK/Q)	3/16/2007	147	44	\$ 0.30(4) (14) (15)	
		Common stock (552,430 shares)		3/16/2007	872	\$	(5)	
NPA Acquisition, LLC	Powersport vehicle auction operator	Junior secured loan (\$12,000 par due 2/2013)	6.99% (Libor + 6.75%/M)	8/23/2006	12,000	12,000	\$ 1.00(3)	
		Common units (1,709 shares)		8/23/2006	1,000	2,300	\$ 1,345.82(5)	
Web Services Company, LLC	Laundry service and equipment provider	Senior secured loan (\$4,950 par due 8/2014)	5.30% (Libor + 5.00%/Q)	6/15/2009	4,582	4,802	\$ 0.97(4)	
		Senior subordinated loan (\$18,103 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	18,103	17,198	\$ 0.95(4)	
		Senior subordinated loan (\$25,640 par due 8/2016)	11.50% Cash, 2.50% PIK	8/29/2008	25,640	24,358	\$ 0.95(2)(4)	
					160,155	147,957		12.10%
Business Services								
Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior secured loan (\$743 par due 7/2015)	7.50% (Libor + 4.50%/S)	7/31/2008	728	743	\$ 1.00(3) (15)	
		Senior subordinated loan (\$22,400 par due 7/2016)	11.00% Cash, 2.00% PIK	7/31/2008	22,196	22,400	\$ 1.00(2)(4) (15)	
		Senior subordinated loan (\$250 par due 7/2016)	11.00% Cash, 2.00% PIK	7/31/2008	220	250	\$ 1.00(2)(4)	
Investor Group Services, LLC(6)	Financial services	Limited liability company membership interest (10.00% interest)		6/22/2006		500	(5)	
Pillar Holdings LLC and PHL Holding Co. (6)	Mortgage services	Senior secured revolving loan (\$375 par due 11/2013)	5.80% (Libor + 5.50%/B)	11/20/2007	375	375	\$ 1.00	
		Senior secured revolving loan (\$938 par due 11/2013)	5.80% (Libor + 5.50%/B)	11/20/2007	938	938	\$ 1.00	
		Senior secured loan (\$1,875 par due 5/2014)	14.50%	7/31/2008	1,875	1,875	\$ 1.00	
		Senior secured loan (\$5,500 par due 5/2014)	14.50%	7/31/2008	5,500	5,500	\$ 1.00	
		Senior secured loan (\$16,902 par due 11/2013)	5.80% (Libor + 5.50%/B)	11/20/2007	16,902	16,902	\$ 1.00(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior secured loan (\$10,550 par due 11/2013)	5.80% (Libor + 5.50%/B)	11/20/2007	10,550	10,550 \$	1.00(3)
		Common stock (84.78 shares)		11/20/2007	3,768	7,234 \$	85,105.88(5)
Primis Marketing Group, Inc. and Primis Holdings, LLC(6)	Database marketing services	Senior subordinated note (\$10,222 par due 2/2013)	13.50% Cash, 2.00% PIK	8/24/2006	10,222	511 \$	0.05(4)(14)
		Preferred units (4,000 units)		8/24/2006	3,600		(5)
		Common units (4,000,000 units)		8/24/2006	400		(5)
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.)	Bankruptcy and foreclosure processing services	Senior subordinated note (\$26,394 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	26,394	25,866 \$	0.98(4)
		Senior subordinated note (\$26,498 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	26,498	25,968 \$	0.98(2)(4)
		Preferred stock (30,000 shares)		4/11/2006	3,000	6,221 \$	207.37(5)
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	250 \$	1.00(5)
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$10,669 par due 11/2013)	15.00% PIK	8/3/2007	10,276	1,600 \$	0.15(3) (4) (14)
VSS-Tranzact Holdings, LLC(6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,000	6,000	(5)
					153,692	133,683	10.93%
Retail							
Apogee Retail, LLC	For-profit thrift retailer	Senior secured loan (\$1,863 par due 3/2012)	5.49% (Libor + 5.25%/M)	3/27/2007	1,863	1,677 \$	0.90
		Senior secured loan (\$2,977 par due 3/2012)	5.49% (Libor + 5.25%/M)	3/27/2007	2,977	2,679 \$	0.90
		Senior secured loan (\$11,296 par due 11/2012)	12.00% Cash, 4.00% PIK	5/28/2008	11,296	11,296 \$	1.00(4)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Senior secured loan (\$26,738 par due 3/2012)	5.50% (Libor + 5.25%/M)	3/27/2007	26,738	24,065	\$ 0.90(2)	
		Senior secured loan (\$11,700 par due 3/2012)	5.50% (Libor + 5.25%/M)	3/27/2007	11,700	10,530	\$ 0.90(3)	
Dufry AG(8)	Retail newstand operator	Common stock (39,056 shares)		3/28/2008	3,000	2,200	\$ 56.33(5)	
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note (\$6,044 par due 8/2014)	10.00% Cash, 2.00% PIK	8/8/2006	6,044	5,923	\$ 0.98(4)	
		Senior subordinated note (\$22,236 par due 8/2014)	10.00% Cash, 2.00% PIK	8/8/2006	22,236	21,792	\$ 0.98(2)(4)	
		Common stock (1,170,182 shares)		8/8/2006	4,500	5,840	\$ 4.99(5)	
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$4,506 par due 9/2012)	5.5% Cash, 1.00% PIK Option	9/28/2006	4,506	3,154	\$ 0.70(3)	
		Senior secured loan (\$7,303 par due 9/2012)	5.5% Cash, 1.00% PIK Option	9/28/2006	7,303	5,112	\$ 0.70(3)	
		Senior secured loan (\$28,402 par due 9/2012)	5.5% Cash, 1.00% PIK Option	9/28/2006	28,402	19,882	\$ 0.70(2)	
		Preferred stock (800 shares)		9/28/2006	200	\$	(5)	
		Common stock (80 shares)		9/28/2006	1,800	\$	(5)	
		Warrants to purchase 858 shares of commons shares		3/19/2009		\$	(5)	
		Warrants to purchase 73 shares of Preferred shares		3/19/2009		\$	(5)	