

ARES CAPITAL CORP  
Form 10-Q  
May 08, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 March 31, 2008**

**OR**

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

**For the transition period to**

**Commission File No. 000-50697**

**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 Number)

**280 Park Avenue, 22<sup>nd</sup> Floor, Building East, New York, NY 10017**

(Address of principal executive office) (Zip Code)

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(212) 750-7300

(Registrant's telephone number, including area code)

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N/A

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

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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 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  Non-accelerated filer  Accelerated filer  Smaller reporting company   
(Do not check if a 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

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 May 8, 2008
Common stock, \$0.001 par value	97,152,820

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ARES CAPITAL CORPORATION

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands, except per share data)

	March 31, 2008 (unaudited)	As of December 31, 2007
<b>ASSETS</b>		
Investments at fair value (amortized cost of \$1,973,112 and \$1,795,621, respectively)		
Non-controlled/non-affiliate investments	\$ 1,275,286	\$ 1,167,200
Non-controlled affiliate company investments	456,718	430,371
Controlled affiliate company investments	202,298	176,631
Total investments at fair value	1,934,302	1,774,202
Cash and cash equivalents	25,054	21,142
Receivable for open trades	975	1,343
Interest receivable	27,247	23,730
Other assets	8,784	8,988
Total assets	\$ 1,996,362	\$ 1,829,405
<b>LIABILITIES</b>		
Debt	\$ 865,643	\$ 681,528
Payable for open trades	971	
Accounts payable and accrued expenses	5,905	5,516
Management and incentive fees payable	13,580	13,041
Interest and facility fees payable	4,152	4,769
Total liabilities	\$ 890,251	\$ 704,854
Commitments and contingencies (Note 6)		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$.001 per share, 200,000,000 and 100,000,000 common shares authorized, respectively, 72,924,790 and 72,684,090 common shares issued and outstanding, respectively	73	73
Capital in excess of par value	1,139,521	1,136,599
Accumulated undistributed net investment income	4,120	7,005
Accumulated net realized gain on sale of investments		1,471
Net unrealized loss on investments and foreign currencies	(37,603)	(20,597)
Total stockholders' equity	1,106,111	1,124,551
Total liabilities and stockholders' equity	\$ 1,996,362	\$ 1,829,405
<b>NET ASSETS PER SHARE</b>	\$ 15.17	\$ 15.47

See accompanying notes to consolidated financial statements.

## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS

(dollar amounts in thousands, except per share data)

	For the Three Months Ended March 31, 2008 (unaudited)	For the Three Months Ended March 31, 2007 (unaudited)
<b>INVESTMENT INCOME:</b>		
From non-controlled/non-affiliate company investments:		
Interest from investments	\$ 34,919	\$ 29,976
Capital structuring service fees	2,725	4,285
Interest from cash & cash equivalents	548	821
Dividend income	496	375
Other income	825	152
Total investment income from non-controlled/non-affiliate company investments	39,513	35,609
From non-controlled affiliate company investments:		
Interest from investments	8,546	3,487
Capital structuring service fees	1,095	38
Dividend income	48	
Other income	241	228
Total investment income from non-controlled affiliate company investments	9,930	3,753
From controlled affiliate company investments:		
Interest from investments	2,422	353
Capital structuring service fees	100	
Other income	242	
Total investment income from controlled affiliate company investments	2,764	353
Total investment income	52,207	39,715
<b>EXPENSES:</b>		
Interest and credit facility fees	9,923	8,549
Base management fees	7,087	5,089
Incentive management fees	6,493	4,755
Professional fees	1,218	966
Insurance	277	265
Administrative	535	210
Depreciation	102	101
Directors fees	74	65
Other	847	761
Total expenses	26,556	20,761
NET INVESTMENT INCOME BEFORE INCOME TAXES	25,651	18,954
Income tax expense (benefit), including excise tax	(322)	10
NET INVESTMENT INCOME	25,973	18,944
<b>REALIZED AND UNREALIZED NET GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCIES:</b>		

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Net realized gains (losses):			
Non-controlled/non-affiliate company investments		207	269
Non-controlled affiliate company investments			
Controlled affiliate company investments			90
Foreign currency transactions		(8)	
Net realized gains		199	359
Net unrealized gains (losses):			
Non-controlled/non-affiliate company investments		(18,604)	(2,092)
Non-controlled affiliate company investments		(10,742)	5,300
Controlled affiliate company investments		12,333	1,078
Foreign currency transactions		7	
Net unrealized gains (losses)		(17,006)	4,286
Net realized and unrealized gains (losses) from investments and foreign currencies			
		(16,807)	4,645
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS			
	\$	9,166	\$ 23,589
BASIC EARNINGS PER COMMON SHARE (see Note 4)			
	\$	0.13	\$ 0.44
DILUTED EARNINGS PER COMMON SHARE (see Note 4)			
	\$	0.12	\$ 0.44
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING - BASIC (see Note 4)			
		72,684,090	53,178,927
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING - DILUTED (see Note 4)			
		74,547,785	53,178,927

See accompanying notes to consolidated financial statements.

## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of March 31, 2008 (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
<b>Healthcare Services</b>								
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (\$1,967 par due 12/2010)	5.86% (Libor+ 3.25%/Q)	12/14/05	\$ 1,967	\$ 1,967	\$ 1.00	(3)
		Senior secured loan (\$164 par due 12/2011)	8.50% (Base Rate + 3.25%/D)	12/14/05	164	164	\$ 1.00	(3)
		Senior secured loan (\$33 par due 12/2010)	7.00% (Base Rate + 1.75%/D)	12/14/05	33	33	\$ 1.00	(3)
		Senior secured loan (\$5,738 par due 12/2011)	5.86% (Libor+ 3.25%/Q)	12/14/05	5,738	5,738	\$ 1.00	(3)
		Senior secured loan (\$46 par due 12/2011)	7.00% (Base Rate + 1.75%/D)	12/14/05	46	46	\$ 1.00	(3)
		Senior secured loan (\$262 par due 12/2011)	5.86% (Libor+ 3.25%/Q)	12/14/05	262	262	\$ 1.00	(3)
		Senior secured loan (\$2,620 par due 12/2011)	7.98% (Libor + 3.25% /Q)	12/14/05	2,620	2,620	\$ 1.00	(3)
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (\$65,000 par due 2/2016)	13.00%	2/29/08	65,000	65,000	\$ 1.00	
		Junior secured loan (\$30,000 par due 2/2016)	13.00%	2/29/08	30,000	30,000	\$ 1.00	(2)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC (6)	Healthcare analysis services	Senior secured revolving loan (\$810 par due 3/2012)	7.98% (Libor + 5.00%/Q)	6/15/07	810	810	\$ 1.00	
		Senior secured revolving loan (\$810 par due 3/2012)	9.65% (Libor + 5.00%/S)	6/15/07	810	810	\$ 1.00	
		Senior secured revolving loan (\$810 par due 3/2012)	8.08% (Libor + 5.00%/Q)	6/15/07	810	810	\$ 1.00	
		Senior secured loan (\$13,833 par due 3/2012)	9.65% (Libor + 5.00%/S)	6/15/07	13,800	13,142	\$ 0.95	

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Senior secured loan (\$4,000 par due 3/2012)	9.65% (Libor + 5.00%/S)	6/15/07	4,000	3,800	\$	0.95(3)
Senior secured loan (\$6,787 par due 3/2012)	7.98% (Libor + 5.00%/Q)	6/15/07	6,771	6,448	\$	0.95
Senior secured loan (\$1,963 par due 3/2012)	7.98% (Libor + 5.00%/Q)	6/15/07	1,963	1,864	\$	0.95(3)
Senior secured loan (\$10,375 par due 3/2012)	8.08% (Libor + 5.00%/Q)	6/15/07	10,325	9,856	\$	0.95
Senior secured loan (\$3,000 par due 3/2012)	8.08% (Libor + 5.00%/Q)	6/15/07	3,000	2,850	\$	0.95(3)
Senior secured loan (\$10,245 par due 3/2012)	7.78% (Libor + 5.00%/A)	6/15/07	10,245	9,733	\$	0.95
Senior secured loan (\$2,963 par due 3/2012)	7.78% (Libor + 5.00%/A)	6/15/07	2,963	2,814	\$	0.95(3)
Preferred stock (6,000 shares)		6/15/07	6,000	6,000	\$	1,000.00(5)
Common stock (9,679 shares)		6/15/07	4,000	4,000	\$	413.27(5)
Common stock (1,546 shares)		6/15/07			\$	(5)



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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
DSI Renal, Inc.	Dialysis provider	Senior subordinated note (\$54,202 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	54,247	54,202 \$	1.00(4)	
		Senior subordinated note (\$11,634 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	11,634	11,634 \$	1.00(4) (3)	
		Senior secured revolving loan (\$1,344 par due 3/2013)	8.25% (Base Rate + 3.00%/D)	4/4/06	1,344	1,210 \$	0.90	
		Senior secured revolving loan (\$1,600 par due 3/2013)	9.13% (Libor + 3.00%/M)	4/4/06	1,600	1,440 \$	0.90	
		Senior secured revolving loan (\$1,920 par due 3/2013)	6.13% (Libor + 3.00%/B)	4/4/06	1,920	1,728 \$	0.90	
		Senior secured revolving loan (\$1,152 par due 3/2013)	6.11% (Libor + 3.00%/Q)	4/4/06	1,152	1,037 \$	0.90	
		Senior secured revolving loan (\$1,600 par due 3/2013)	6.13% (Libor + 3.00%/B)	4/4/06	1,600	1,440 \$	0.90	
GG Merger Sub I, Inc.	Drug testing services	Senior secured loan (\$23,330 par due 12/2014)	8.83% (Libor + 4.00%/B)	12/14/07	22,320	22,397 \$	0.96	
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Junior secured loan (\$20,000 par due 1/2014)	9.35% (Libor + 6.25%/Q)	1/31/07	20,000	13,000 \$	0.65	
		Junior secured loan (\$12,000 par due 1/2014)	9.35% (Libor + 6.25%/Q)	1/31/07	12,000	7,800 \$	0.65(3)	
		Common stock (50,000 shares)		1/31/07	5,000		(5)	
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (\$5,000 par due 5/2012)	9.40% (Libor + 6.25%/Q)	5/3/07	5,000	4,750 \$	0.95	
OnCURE Medical Corp.	Radiation oncology care provider	Senior subordinated note (\$26,155 par due 8/2013)	11.00% Cash, 1.50% PIK	8/18/06	26,155	26,155 \$	1.00(4)	
		Senior secured loan (\$1,612 par due 8/2009)	6.63% (Libor + 3.50%/M)	8/18/06	1,612	1,612 \$	1.00	
		Common stock (857,143 shares)		8/18/06	3,000	3,000 \$	3.50(5)	
PG MergerSub, Inc. and PG Holdco, LLC	Provider of patient surveys, management reports and national	Senior subordinated loan (\$5,000 par due 3/2016)	12.50%	3/12/08	4,900	4,900 \$	0.98	

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databases for the integrated healthcare delivery system		Preferred units (333 units)		3/12/08	333	333 \$	1,000.00(5)
		Class A common units (16,667 units)		3/12/08	167	167 \$	10.00(5)
Triad Laboratory Alliance, LLC	Laboratory services	Senior subordinated note (\$15,154 par due 12/2012)	12.00% cash, 1.75% PIK	12/21/05	15,154	15,154 \$	1.00(4)
		Senior secured loan (\$2,932 par due 12/2011)	5.95% (Libor + 3.25%/Q)	12/21/05	2,932	2,639 \$	0.90(3)
					363,397	343,365	31.04%

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Education Campus Management Corp. and Campus Management Acquisition Corp. (6)	Education software developer	Senior secured loan (\$45,000 par due 8/2013)	11.00%	2/8/08	45,000	45,000 \$	1.00	
		Convertible preferred stock (415,508 shares)	8.00% PIK	2/8/08	7,543	7,543 \$	18.15(4)	
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$7 par due 11/2012)	6.77% (Libor + 3.75%/Q)	11/30/06	7	7 \$	1.00	
		Senior secured loan (\$272 par due 11/2012)	6.77% (Libor + 3.75%/Q)	11/30/06	272	272 \$	1.00(3)	
		Junior secured loan (\$8,333 par due 11/2013)	12.11% (Libor + 7.00%/Q)	11/30/06	8,333	8,333 \$	1.00(3)	
Equinox EIC Partners, LLC and MUA Management Company, Ltd. (7) (8)	Medical school operator	Senior secured revolving loan (\$1,000 par due 12/2012)	10.00% (Libor + 6.00%/Q)	4/3/07	1,000	1,000 \$	1.00	
		Senior secured revolving loan (\$6,838 par due 12/2012)	10.25% (Base Rate + 5.00%/D)	4/3/07	6,838	6,838 \$	1.00	
		Senior secured revolving loan (\$4,700 par due 12/2012)	10.25% (Base Rate + 5.00%/D)	4/3/07	4,700	4,700 \$	1.00	
		Senior secured revolving loan (\$1,400 par due 12/2012)	10.25% (Base Rate + 5.00%/D)	4/3/07	1,400	1,400 \$	1.00	
		Senior secured loan (\$4,862 par due 12/2012)	8.61% (Libor + 6.00%/Q)	4/3/07	4,862	4,862 \$	1.00	
		Senior secured loan (\$14,113 par due 12/2012)	8.54% (Libor + 6.00%/Q)	9/21/07	14,113	14,113 \$	1.00	
		Senior secured loan (\$7,425 par due 12/2012)	10.00% (Libor + 6.00%/Q)	4/3/07	7,425	7,425 \$	1.00(3)	
		Common membership interest (26.27% interest)			9/21/07	15,000	20,000	(5)
Instituto de Banca y Comercio, Inc. (8)	Private school operator	Senior secured loan (\$7,500 par due 3/2014)	9.25% (Libor + 4.00%/D)	3/15/07	7,500	7,500 \$	1.00	
		Senior secured loan (\$12,346 par due 3/2014)	8.24% (Libor + 5.00%/Q)	3/15/07	12,346	12,346 \$	1.00	
		Senior secured loan (\$11,910 par due 3/2014)	8.24% (Libor + 5.00%/Q)	3/15/07	11,910	11,910 \$	1.00(3)	

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Lakeland Finance, LLC	Private school operator	Senior secured note (\$18,000 par due 12/2012)	11.50%	12/13/05	18,000	18,000 \$	1.00
		Senior secured note (\$15,000 par due 12/2012)	11.50%	12/13/05	15,000	15,000 \$	1.00(2)
					181,249	186,249	16.84%

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Financial</b>								
Abingdon Investments Limited (6) (8) (9)	Investment company	Ordinary shares (948,500 shares)		12/15/06	9,033	6,137 \$	6.47(5)	
Firstlight Financial Corporation (6) (9)	Investment company	Senior subordinated loan (\$66,577 par due 12/2016)	10.00% PIK	12/31/06	66,577	66,577 \$	1.00(4)	
		Common stock (10,000 shares)		12/31/06	10,000	7,500 \$	750.00(5)	
		Common stock (30,000 shares)		12/31/06	30,000	22,500 \$	750.00(5)	
Ivy Hill Middle Market Credit Fund, Ltd. (7) (8) (9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	9.08% (Libor + 6.00%/Q)	11/20/07	40,000	40,000 \$	1.00	
		Subordinated notes (\$16,000 par due 11/2018)		11/20/07	16,000	16,000 \$	1.00(5)	
Imperial Capital Group, LLC (6) (9)	Investment banking services	Common units (7,710 units)		5/10/07	14,997	14,997 \$	1,945.16(5)	
		Common units (2,526 units)		5/10/07	3	3 \$	1.00(5)	
		Common units (315 units)		5/10/07				(5)
Partnership Capital Growth Fund I, L.P. (9)	Investment partnership	Limited partnership interest (25% interest)		6/16/06	2,260	2,260	(5)	
VSC Investors LLC (9)	Investment company	Membership interest (4.63% interest)		1/24/08	31	31	(5)	
					188,901	176,005		15.91%
<b>Retail</b>								
Apogee Retail, LLC	For-profit thrift retailer	Senior secured revolving loan (\$780 par due 3/2012)	7.75% (Libor + 5.25%/S)	3/27/07	780	780 \$	1.00	
		Senior secured loan (\$9,326 par due 3/2012)	7.75% (Libor + 5.25%/S)	3/27/07	9,326	9,326 \$	1.00	
		Senior secured loan (\$19,750 par due 3/2012)	7.75% (Libor + 5.25%/S)	3/27/07	19,750	19,750 \$	1.00(2)	
		Senior secured loan (\$11,850 par due 3/2012)	7.75% (Libor + 5.25%/S)	3/27/07	11,850	11,850 \$	1.00(3)	
		Senior secured loan (\$24 par due 3/2012)	7.85% (Libor + 5.25%/Q)	3/27/07	24	24 \$	1.00	
		Senior secured loan (\$50 par due 3/2012)	7.85% (Libor + 5.25%/Q)	3/27/07	50	50 \$	1.00(2)	
						3/27/07	30	30 \$

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		Senior secured loan (\$30 par due 3/2012)	7.85% (Libor + 5.25%/Q)					
Hudson Group, Inc. and Advent - Hudson, LLC	Retail newstand operator	Junior secured loan (\$35,006 par due 3/2015)	11.50% Cash, 1.50% PIK	3/28/08	35,006	35,006 \$		1.00(4)
		Membership units (6,057,983 units)		3/28/08	3,000	3,000 \$		0.50(5)
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note (\$28,078 par due 8/2014)	10.00% cash, 2.00% PIK	8/8/06	28,078	28,078 \$		1.00(2) (4)
		Common stock (1,170,182 shares)		8/8/06	4,500	4,500 \$		3.85(5)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$4,728 par due 9/2012)	7.61% (Libor + 4.75%/M)	9/28/06	4,728	4,728 \$	1.00(3)	
		Senior secured loan (\$14,000 par due 9/2012)	8.86% (Libor + 6.00%/M)	9/28/06	14,000	14,000 \$	1.00(2)	
		Senior secured loan (\$14,000 par due 9/2012)	8.86% (Libor + 6.00%/M)	9/28/06	14,000	14,000 \$	1.00	
		Senior secured loan (\$7,200 par due 9/2012)	8.86% (Libor + 6.00%/M)	9/28/06	7,200	7,200 \$	1.00(3)	
		Preferred stock (80 shares)		9/28/06	1,800	1,800 \$	22,500.00(5)	
		Common stock (800 shares)		9/28/06	200	200 \$	250.00(5)	
					154,322	154,322		13.95%
<b>Printing, Publishing &amp; Media</b>								
Canon Communications LLC	Print publications services	Junior secured loan (\$7,525,000 par due 11/2011)	9.45% (Libor + 6.75%/M)	5/25/05	7,525	7,525 \$	1.00	
		Junior secured loan (\$4,250 par due 11/2011)	9.45% (Libor + 6.75%/M)	5/25/05	4,250	4,250 \$	1.00(2)	
		Junior secured loan (\$12,000 par due 11/2011)	9.45% (Libor + 6.75%/M)	5/25/05	12,000	12,000 \$	1.00(3)	
Courtside Acquisition Corp.	Community newspaper publisher	Senior subordinated loan (\$33,490 par due 6/2014)	15.00% PIK	6/29/07	33,490	30,143 \$	0.90(4)	
Daily Candy, Inc. (6)	Internet publication provider	Senior secured loan (\$497 par due 5/2009)	9.72% (Libor + 5.00%/S)	5/25/06	587	497 \$	1.00	
		Senior secured loan (\$11,629 par due 5/2009)	9.72% (Libor + 5.00%/S)	5/25/06	13,733	11,629 \$	1.00(3)	
		Senior secured loan (\$5 par due 5/2009)	9.72% (Libor + 5.00%/S)	5/25/06	5	5 \$	1.00	
		Senior secured loan (\$106 par due 5/2009)	9.72% (Libor + 5.00%/S)	5/25/06	125	106 \$	1.00(3)	
		Common stock (1,250,000 shares)		5/25/06	2,375	4,085 \$	3.27(5)	
		Warrants to purchase 1,381,578 shares		5/25/06	2,625	4,515 \$	3.27(5)	
LVC Holdings LLC (7)	Commercial printer	Membership interest (56.53% interest)		10/12/07	6,600	6,600	(5)	
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,138 par due 3/2012)	7.75% (Base Rate + 2.50%/D)	3/2/06	1,138	1,138 \$	1.00	
		Senior secured revolving loan (\$2,054 par due	6.61% (Libor + 3.50%/M)	3/2/06	2,054	2,054 \$	1.00	

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3/2012)						
Senior secured loan (\$4,441 par due 3/2012)	6.20% (Libor + 3.50%/Q)	3/2/06	4,441	4,441 \$		1.00(3)
Senior secured loan (\$5,111 par due 3/2012)	6.60% (Libor + 3.50%/B)	3/2/06	5,111	5,111 \$		1.00(3)
Senior secured loan (\$406 par due 8/2012)	9.70% (Libor + 7.00%/M)	3/2/06	406	406 \$		1.00(3)
Senior secured loan (\$350 par due 8/2012)	10.09% (Libor + 7.00%/Q)	3/2/06	350	350 \$		1.00(3)



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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Preferred stock (9,344 shares)		3/2/06	2,000	1,000 \$	107.02(5)	
The Teaching Company, LLC and The Teaching Company Holdings, Inc. (11)	Education publications provider	Senior secured loan (\$28,000 par due 9/2012)	10.50%	9/29/06	28,000	28,000 \$	1.00	
		Preferred stock (29,969 shares)		9/29/06	2,997	3,996 \$	133.33(5)	
		Common stock (15,393 shares)		9/29/06	3	4 \$	0.27(5)	
					129,815	127,855		11.56%
<b>Business Services</b>								
Investor Group Services, LLC (16)	Financial services	Senior secured loan (\$200 par due 6/2011)	12.00%	6/22/06	200	200 \$	1.00(3)	
		Limited liability company membership interest (10.00% interest)		6/22/06		150 \$	1,500.00(5)	
Miller Heiman, Inc.	Sales consulting services	Senior secured loan (\$1,163 par due 6/2010)	6.27% (Libor + 3.25%/Q)	6/20/05	1,163	1,163 \$	1.00(3)	
		Senior secured loan (\$3,967 par due 6/2012)	6.45% (Libor + 3.75%/M)	6/20/05	3,967	3,967 \$	1.00(3)	
Pillar Holdings LLC and PHL Holding Co. (6)	Mortgage services	Senior secured revolving loan (\$1,312 par due 11/2013)	8.18% (Libor + 5.50%/M)	11/20/07	1,312	1,312 \$	1.00	
		Senior secured loan (\$24,129 par due 11/2013)	8.20% (Libor + 5.50%/Q)	11/20/07	24,129	24,129 \$	1.00	
		Senior secured loan (\$11,940 par due 11/2013)	8.20% (Libor + 5.50%/Q)	11/20/07	11,940	11,940 \$	1.00(3)	
		Common stock (72 shares)		11/20/07	3,000	3,000 \$	41,420.00(5)	
Primis Marketing Group, Inc. and Primis Holdings, LLC (6)	Database marketing services	Senior subordinated note (\$10,222 par due 2/2013)	11.00% Cash, 2.50% PIK	8/24/06	10,222	5,111 \$	0.50(4)	
		Preferred units (4,000 units)		8/24/06	3,600	\$	(5)	
		Common units (4,000,000 units)		8/24/06	400	\$	(5)	
Prommis Solutions, LLC, E-Default	Bankruptcy and foreclosure processing	Senior subordinated note (\$29,669 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/07	29,669	29,670 \$	1.00(2) (4)	

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Services, services  
 LLC,  
 Statewide Tax  
 and Title  
 Services,  
 LLC &  
 Statewide  
 Publishing  
 Services, LLC  
 (formerly  
 known as MR  
 Processing  
 Holding  
 Corp.)

		Senior subordinated note (\$21,664 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/07	21,664	21,666 \$	1.00(4)
		Preferred stock (30,000 shares)		4/11/06	3,000	4,500 \$	150.00(5)
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/07	250	250 \$	1.00(5)

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Company(1)	Industry	Investment	Interest(10)	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$10,000 par due 11/2013)	9.71% (Libor + 7.00%/M)	8/3/07	10,000	9,500 \$		0.95(3)
VSS-Tranzact Holdings, LLC (6)	Management consulting services	Common membership interest (8.51% interest)		10/26/07	10,000	10,000		(5)