

ARES CAPITAL CORP
Form 10-Q
May 08, 2012
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

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(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)

245 Park Avenue, 44th Floor, New York, NY 10167

(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

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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, 2012
Common stock, \$0.001 par value	221,874,996

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(in thousands, except per share data)

	March 31, 2012 (unaudited)	As of	December 31, 2011
ASSETS			
Investments at fair value			
Non-controlled/non-affiliate investments	\$ 3,064,016	\$	3,060,084
Non-controlled affiliate company investments	309,401		267,324
Controlled affiliate company investments	1,831,114		1,767,098
Total investments at fair value (amortized cost of \$5,182,508 and \$5,108,663, respectively)	5,204,531		5,094,506
Cash and cash equivalents	216,412		120,782
Receivable for open trades	45		550
Interest receivable	101,197		99,078
Other assets	86,953		72,521
Total assets	\$ 5,609,138	\$	5,387,437
LIABILITIES			
Debt	\$ 2,018,866	\$	2,073,602
Management and incentive fees payable	95,329		92,496
Accounts payable and other liabilities	39,035		47,691
Interest and facility fees payable	22,647		26,383
Total liabilities	2,175,877		2,240,172
Commitments and contingencies (Note 6)			
STOCKHOLDERS EQUITY			
Common stock, par value \$.001 per share, 400,000 common shares authorized, 221,875 and 205,130 common shares issued and outstanding, respectively	222		205
Capital in excess of par value	3,652,760		3,390,354
Accumulated overdistributed net investment income	(15,385)		(10,449)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt, other assets and acquisitions	(226,359)		(218,688)
Net unrealized gain (loss) on investments	22,023		(14,157)
Total stockholders equity	3,433,261		3,147,265
Total liabilities and stockholders equity	\$ 5,609,138	\$	5,387,437
NET ASSETS PER SHARE	\$ 15.47	\$	15.34

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS****(in thousands, except per share data)**

	For the three months ended	
	March 31, 2012	March 31, 2011
	(unaudited)	(unaudited)
INVESTMENT INCOME:		
From non-controlled/non-affiliate company investments:		
Interest income	\$ 72,168	\$ 61,860
Capital structuring service fees	7,877	5,365
Dividend income	3,802	1,515
Management fees	328	154
Other income	2,748	1,236
Total investment income from non-controlled/non-affiliate company investments	86,923	70,130
From non-controlled affiliate company investments:		
Interest income	4,592	10,132
Dividend income	316	2,376
Management fees	63	188
Other income	25	576
Total investment income from non-controlled affiliate company investments	4,996	13,272
From controlled affiliate company investments:		
Interest income	56,125	38,621
Capital structuring service fees	9,783	5,593
Dividend income	5,101	4,900
Management fees	4,541	3,107
Other income	269	68
Total investment income from controlled affiliate company investments	75,819	52,289
Total investment income	167,738	135,691
EXPENSES:		
Interest and credit facility fees	32,776	30,175
Incentive management fees	26,386	30,941
Base management fees	19,986	16,730
Professional fees	3,686	2,632
Administrative fees	2,320	2,425
Other general and administrative	2,801	2,918
Total expenses	87,955	85,821
NET INVESTMENT INCOME BEFORE INCOME TAXES	79,783	49,870
Income tax expense, including excise tax	2,745	2,047
NET INVESTMENT INCOME	77,038	47,823
REALIZED AND UNREALIZED NET GAINS (LOSSES) ON INVESTMENTS:		
Net realized gains (losses):		
Non-controlled/non-affiliate company investments	462	72,412
Non-controlled affiliate company investments	3	(3,596)

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Controlled affiliate company investments	(8,136)	(6,247)
Net realized gains (losses)	(7,671)	62,569
Net unrealized gains (losses):		
Non-controlled/non-affiliate company investments	6,017	(13,054)
Non-controlled affiliate company investments	10,093	6,547
Controlled affiliate company investments	20,070	28,741
Net unrealized gains	36,180	22,234
Net realized and unrealized gains on investments	28,509	84,803
REALIZED LOSS ON EXTINGUISHMENT OF DEBT		(8,860)
NET INCREASE IN STOCKHOLDERS EQUITY RESULTING FROM OPERATIONS	\$ 105,547	\$ 123,766
BASIC AND DILUTED EARNINGS PER COMMON SHARE (see Note 9)	\$ 0.49	\$ 0.61
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (see Note 9)	217,044	204,419

See accompanying notes to consolidated financial statements.

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC (7)(9)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 207	\$ 104	
CIC Flex, LP (9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,452	3,648	
Covestia Capital Partners, LP (9)	Investment partnership	Limited partnership interest (46.67% interest)		6/17/2008	1,059	1,111	
Dynamic India Fund IV, LLC (9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	3,509	
Firstlight Financial Corporation (6)(9)	Investment company	Senior subordinated loan (\$71,720 par due 12/2016)	1.00% PIK	12/31/2006	71,462	74,342	
		Class A common stock (10,000 shares)		12/31/2006	10,000		
		Class B common stock (30,000 shares)		12/31/2006	30,000		
					111,462	74,342	
HCI Equity, LLC (7)(8)(9)	Investment company	Member interest (100.00% interest)		4/1/2010	808	736	
Imperial Capital Private Opportunities, LP (9)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	6,643	5,120	
Ivy Hill Middle Market Credit Fund, Ltd. (7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.47% (Libor + 6.00%/Q)	11/20/2007	40,000	38,000	
		Subordinated notes (\$16 par due 11/2018)	15.00%	11/20/2007	15,515	16,480	
					55,515	54,480	
Kodiak Funding, LP (9)	Investment partnership	Limited partnership interest (3.96% interest)		4/1/2010	859	823	
Novak Biddle Venture Partners III, L.P. (9)	Investment partnership	Limited partnership interest (2.46% interest)		4/1/2010	83	184	
Partnership Capital Growth Fund I, L.P. (9)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006	1,721	4,225	
Partnership Capital Growth Fund III, L.P. (9)	Investment partnership	Limited partnership interest (2.50% interest)		10/5/2011	1,342	1,266	

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Senior Secured Loan Fund LLC (7)(10)(17)	Co-investment vehicle	Subordinated certificates (\$1,110,966 par due 12/2020)	8.47% (Libor + 8.00%/Q)	10/30/2009	1,100,243	1,125,702	
VSC Investors LLC (9)	Investment company	Membership interest (1.95% interest)		1/24/2008	1,394	790	
					1,288,610	1,276,040	37.17%
Healthcare-Services							
BenefitMall Holdings Inc. and Centerstone Insurance and Financial Services (7)	Employee benefits broker services company	Senior subordinated loan (\$40,326 par due 6/2014)	18.00%	4/1/2010	40,326	40,326	
					4/1/2010	53,510	60,096
					4/1/2010	93,836	100,422
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	1,064	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (6)	Healthcare analysis services	Senior secured loan (\$7,227 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,227	6,938(2)(16)	
		Senior secured loan (\$7,623 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,623	7,318(3)(16)	
					6/15/2007	4,000	9,019
					6/15/2007		1,441
					18,850	24,716	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,403	

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As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured loan (\$20,711 par due 3/2018)	9.75% (Libor + 8.75%/Q)	9/15/2010	20,711	20,711(16)	
		Senior secured loan (\$44,001 par due 3/2018)	9.75% (Libor + 8.75%/Q)	9/15/2010	44,001	44,001(2)(16)	
		Senior secured loan (\$56,798 par due 3/2018)	9.75% (Libor + 8.75%/Q)	3/16/2012	56,798	56,798(16)	
		Senior secured loan (\$15,999 par due 3/2018)	9.75% (Libor + 8.75%/Q)	3/16/2012	15,999	15,999(2)(16)	
					137,509	137,509	
MW Dental Holding Corp.	Dental services	Senior secured revolving loan (\$1,700 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	1,700	1,700(16)	
		Senior secured loan (\$4,000 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	4,000	4,000(16)	
		Senior secured loan (\$5,371 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	5,371	5,371(16)	
		Senior secured loan (\$49,625 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	49,625	49,625(2)(16)	
		Senior secured loan (\$9,975 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	9,975	9,975(4)(16)	
		Senior secured loan (\$2,680 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	2,680	2,680(3)(16)	
					73,351	73,351	
Napa Management Services Corporation	Anesthesia management services provider	Senior secured loan (\$10,822 par due 4/2016)	7.50% (Libor + 6.00%/Q)	4/15/2011	10,504	10,822(16)	
		Senior secured loan (\$29,250 par due 4/2016)	7.50% (Libor + 6.00%/Q)	4/15/2011	29,250	29,250(2)(16)	
		Senior secured loan (\$7,702 par due 4/2016)	7.50% (Libor + 6.00%/Q)	4/15/2011	7,702	7,702(3)(16)	
		Common units (5,000 units)		4/15/2011	5,000	5,700	
					52,456	53,474	

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NS Merger Sub. Inc. and NS Holdings, Inc.	Healthcare technology provider	Senior subordinated loan (\$579 par due 6/2017)	13.50%	6/21/2010	579	579
		Senior subordinated loan (\$50,000 par due 6/2017)	13.50%	6/21/2010	50,000	50,000(2)
		Common stock (2,500,000 shares)		6/21/2010	2,500	3,530
					53,079	54,109
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	1,361
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Series A preferred stock (1,594,457 shares)		7/30/2008	11,156	9,962
		Common stock (16,106 shares)		7/30/2008	100	
					11,256	9,962
PG Mergersub, Inc. and PGA Holdings, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior secured loan (\$9,085 par due 11/2015)	6.75% (Libor + 5.00%/Q)	11/3/2010	9,063	9,085(3)(16)
		Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,958	4,000
		Preferred stock (333 shares)		3/12/2008	125	16
		Common stock (16,667 shares)		3/12/2008	167	789
					13,313	13,890

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As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
PRA Holdings, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.48% (Libor + 4.00%/Q)	12/14/2007	11,057	11,103(4)	
		Senior secured loan (\$12,000 par due 12/2014)	4.48% (Libor + 4.00%/Q)	12/14/2007	11,707	11,760(3)	
					22,764	22,863	
RCHP, Inc.	Operator of general acute care hospitals	Junior secured loan (\$15,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	15,000	15,000(16)	
		Junior secured loan (\$50,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	50,000	50,000(2)(16)	
					65,000	65,000	
Reed Group, Ltd.	Medical disability management services provider	Senior secured revolving loan (\$1,448 par due 12/2013)		4/1/2010	1,080	1,231(15)	
		Senior secured loan (\$12,457 par due 12/2013)		4/1/2010	9,285	10,588(15)	
		Senior secured loan (\$26,469 par due 12/2013)		4/1/2010	16,658	2,036(15)	
		Equity interests		4/1/2010	203		
					27,226	13,855	
Soteria Imaging Services, LLC (6)	Outpatient medical imaging provider	Junior secured loan (\$1,177 par due 11/2010)		4/1/2010	1,003	770(15)	
		Junior secured loan (\$1,681 par due 11/2010)		4/1/2010	1,461	1,099(15)	
		Preferred member units (1,823,179 units)		4/1/2010			
					2,464	1,869	
Sunquest Information Systems, Inc.	Laboratory software solutions provider	Junior secured loan (\$67,000 par due 6/2017)	9.75% (Libor + 8.50%/Q)	12/16/2010	67,000	67,000(16)	
		Junior secured loan (\$58,000 par due 6/2017)	9.75% (Libor + 8.50%/Q)	12/16/2010	58,000	58,000(2)(16)	
					125,000	125,000	

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U.S. Renal Care, Inc.	Dialysis provider	Senior secured loan (\$7,425 par due 12/2016)	5.50% (Libor + 4.00%/M)	6/9/2011	7,388	7,425(16)	
		Senior subordinated loan (\$50,824 par due 6/2018)	11.25% Cash, 2.00% PIK	5/24/2010	50,824	50,824(2)	
					58,212	58,249	
Vantage Oncology, Inc.	Radiation oncology care provider	Common stock (62,157 shares)		2/3/2011	4,670	4,132	
					764,100	762,229	22.20%
Education							
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	Senior secured revolving loan (\$100 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	100	100(16)	
		Senior secured loan (\$21,415 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	21,415	21,415(16)	
		Senior secured loan (\$55,437 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	55,437	55,437(2)(16)	
					76,952	76,952	
Campus Management Corp. and Campus Management Acquisition Corp. (6)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	12,560	
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior secured loan (\$17,143 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	17,143	17,143(16)	

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Junior secured loan (\$32,161 par due 12/2015)	15.57% (Libor + 11.57% Cash, 4.00% PIK /Q)	12/10/2010	32,161	30,553	
		Junior secured loan (\$9,680 par due 12/2015)	15.50% (Libor + 11.50% Cash, 4.00% PIK /Q)	12/10/2010	9,680	9,196	
		Warrants to purchase up to 578,427 shares		12/10/2010			
					58,984	56,892	
eInstruction Corporation	Developer, manufacturer and retailer of educational products	Junior secured loan (\$17,000 par due 7/2014)		4/1/2010	15,396	7,532(15)	
		Senior subordinated loan (\$28,396 par due 1/2015)		4/1/2010	24,151	(15)	
		Common stock (2,406 shares)		4/1/2010	926		
					40,473	7,532	
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation (6)	Developer, manufacturer and retailer of educational products	Preferred stock (99,492 shares)		8/1/2011	10,149	8,213	
		Common stock (50,800 shares)		8/1/2011	51		
					10,200	8,213	
Infilaw Holding, LLC	Operator of for-profit law schools	Senior secured loan (\$29,850 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	29,850	29,850(2)(16)	
		Series A preferred units (131,000 units)	10.75% (Base Rate + 7.50%/Q)	8/25/2011	131,000	131,000(16)	
					160,850	160,850	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Series B preferred stock (1,750,000 shares)		8/5/2010	5,000	6,386	
		Series C preferred stock (2,512,586 shares)		6/7/2010	689	323	
		Common stock (20 shares)		6/7/2010			

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					5,689	6,709
JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured revolving loan (\$2,175 par due 12/2014)	12.75% (Base Rate + 9.50%/Q)	12/31/2009	2,175	2,175(16)
		Senior secured loan (\$19,810 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	19,810	19,810(16)
		Senior secured loan (\$9,594 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	9,594	9,594(3)(16)
					31,579	31,579
Lakeland Tours, LLC	Educational travel provider	Senior secured loan (\$13,201 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	13,161	13,201(16)
		Senior secured loan (\$9,470 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	9,441	9,470(2)(16)
		Senior secured loan (\$1,894 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	1,888	1,894(4)(16)
		Senior secured loan (\$56,265 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	56,093	56,265(14)(16)
		Senior secured loan (\$40,362 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	40,238	40,362(2)(14)(16)
		Senior secured loan (\$8,072 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	8,047	8,072(4)(14)(16)
		Common stock (5,000 shares)		10/4/2011	5,000	4,637
					133,868	133,901

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
R3 Education, Inc. and EIC Acquisitions Corp. (8)	Medical school operator	Senior secured loan (\$1,882 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	1,882	4,522(3)(16)	
		Senior secured loan (\$2,437 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	2,437	5,857(3)(16)	
		Senior secured loan (\$6,719 par due 4/2013)	13.00% PIK	12/8/2009	4,568	16,146	
		Preferred stock (8,800 shares)		7/30/2008	2,200	1,760	
		Common membership interest (26.27% interest)		9/21/2007	15,800	23,936	
		Warrants to purchase up to 27,890 shares		12/8/2009			
					26,887	52,221	
					556,002	547,409	15.94%
Restaurants and Food Services							
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$1,968 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	1,968	1,968(16)	
		Senior secured loan (\$7,205 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	7,205	7,205(16)	
		Senior secured loan (\$11,238 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	11,241	11,238(2)(16)	
		Senior secured loan (\$9,370 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	9,370	9,370(3)(16)	
		Promissory note (\$14,897,360 par due 11/2016)		11/27/2006	14,886	15,339	
		Warrants to purchase up to 0.61 shares		6/1/2006			
					44,670	45,120	
Hojeij Branded Foods, Inc.	Airport restaurant operator	Senior secured revolving loan (\$1,200 par due 2/2017)	10.25% (Base Rate + 7.00%/Q)	2/15/2012	1,200	1,164(16)	
		Senior secured loan (\$15,000 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	15,000	14,550(16)	
				2/15/2012		669	

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		Warrants to purchase up to 324 shares of Class A common stock				
		Warrants to purchase up to 7.5% of membership interest		2/15/2012		
					16,200	16,383
Orion Foods, LLC (fka Hot Stuff Foods, LLC) (7)	Convenience food service retailer	Senior secured revolving loan (\$7,300 par due 9/2014)	10.75% (Base Rate + 7.50%/M)	4/1/2010	7,300	7,300(16)
		Senior secured loan (\$33,807 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	33,807	33,807(2)(16)
		Junior secured loan (\$37,552 par due 9/2014)	14.00%	4/1/2010	26,397	27,443
		Preferred units (10,000 units)		10/28/2010		
		Class A common units (25,001 units)		4/1/2010		
		Class B common units (1,122,452 units)		4/1/2010		
					67,504	68,550
OTG Management, Inc.	Airport restaurant operator	Senior secured revolving loan (\$1,875 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	1,875	1,875(16)
		Senior secured revolving loan (\$937 par due 8/2016)	9.25% (Base Rate + 6.00%/M)	8/9/2011	937	937(16)

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured loan (\$18,687 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	18,687	18,687(16)	
		Junior secured loan (\$2,143 par due 8/2016)	14.50% (Libor + 13.00%/Q)	8/9/2011	2,143	2,143(16)	
		Junior secured loan (\$29,285 par due 8/2016)	14.50% (Libor + 13.00%/M)	8/9/2011	29,285	29,285(16)	
		Common units (3,000,000 units)		1/5/2011	3,000	2,702	
		Warrants to purchase up to 189,857 shares of common stock		6/19/2008	100	4,704	
					56,027	60,333	
PMI Holdings, Inc.	Restaurant owner and operator	Senior secured revolving loan (\$2,000 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	2,000	2,000(16)	
		Senior secured loan (\$8,614 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	8,614	8,614(4)(16)	
		Senior secured loan (\$212 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	212	212(4)(16)	
		Senior secured loan (\$8,614 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	8,614	8,614(3)(16)	
		Senior secured loan (\$212 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	212	212(3)(16)	
					19,652	19,652	
Restaurant Holding Company, LLC	Fast food restaurant operator	Senior secured loan (\$63,000 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/15/2012	61,767	62,370(16)	
		Senior secured loan (\$12,000 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/15/2012	11,761	11,880(2)(16)	
					73,528	74,250	
S.B. Restaurant Company	Restaurant owner and operator	Senior secured loan (\$34,549 par due 7/2012)	13.00% (Libor + 9.00% Cash, 2.00% PIK /Q)	4/1/2010	32,711	34,549(16)	
		Preferred stock (46,690 shares)		4/1/2010		117	
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010			

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					32,711	34,666	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Junior secured loan (\$50,250 par due 5/2015)	11.00%	5/23/2008	49,341	50,250	
		Junior secured loan (\$50,000 par due 5/2015)	11.00%	5/23/2008	49,627	50,000(2)	
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	7,500	6,752	
					106,468	107,002	
					416,760	425,956	12.41%
Financial Services							
AllBridge Financial, LLC							
(7)							