

ARES CAPITAL CORP  
Form 10-Q  
November 08, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2006

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

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**ARES CAPITAL CORPORATION**

(Exact name of Registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**33-1089684**  
(I.R.S. Employer  
Identification Number)

**280 Park Avenue, 22nd Floor, New York, NY 10017**

(Address of principal executive office) (Zip Code)

**(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 November 8, 2006
Common stock, \$0.001 par value	49,091,195



ARES CAPITAL CORPORATION

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**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	As of September 30, 2006 (unaudited)	December 31, 2005
<b>ASSETS</b>		
Investments at fair value (amortized cost of \$1,044,109,177 and \$581,351,865, respectively):		
Non-control/Non-affiliate investments	\$ 859,503,669	\$ 515,184,991
Affiliate investments	173,483,619	70,783,384
Total investments at fair value	1,032,987,288	585,968,375
Cash and cash equivalents	67,610,129	16,613,334
Receivable for open trades	1,676,990	1,581,752
Interest receivable	10,931,480	5,828,098
Other assets	9,350,178	3,653,585
Total assets	\$ 1,122,556,065	\$ 613,645,144
<b>LIABILITIES</b>		
Debt	\$ 366,000,000	\$ 18,000,000
Reimbursed underwriting costs payable to the Investment Adviser		2,475,000
Dividend payable		12,889,225
Payable for open trades		5,500,000
Accounts payable and accrued expenses	2,234,296	1,222,678
Management and incentive fees payable	10,981,600	3,478,034
Interest and facility fees payable	4,071,299	313,930
Interest payable to the Investment Adviser		154,078
Total liabilities	383,287,195	44,032,945
Commitments and contingencies (Note 6)		
<b>STOCKHOLDERS EQUITY</b>		
Common stock, par value \$.001 per share, 100,000,000 common shares authorized, 49,091,195 and 37,909,484 common shares issued and outstanding, respectively	49,092	37,910
Capital in excess of par value	727,920,560	559,192,554
Accumulated net realized gain on sale of investments	22,421,107	5,765,225
Net unrealized (depreciation) appreciation on investments	(11,121,889 )	4,616,510
Total stockholders equity	739,268,870	569,612,199
Total liabilities and stockholders equity	\$ 1,122,556,065	\$ 613,645,144
<b>NET ASSETS PER SHARE</b>	\$ 15.06	\$ 15.03

See accompanying notes to consolidated financial statements.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of September 30, 2006 (unaudited)

Company {1}	Industry	Investment	Interest {15}	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 (\$3,049,180 par due 12/2010)	9.57% (Libor+ 4.00%/S)	12/14/05	\$ 3,049,180	\$ 3,049,180	\$ 1.00{3 }	
		Senior secured loan (\$196,721 par due 12/2010)	10.75% (Base Rate + 2.50%/D)	12/14/05	196,721	196,721	1.00{3 }	
		Senior secured loan (\$5,836,066 par due 12/2011)	10.07% (Libor + 4.50%/S)	12/14/05	5,836,066	5,836,066	1.00{3 }	
		Senior secured loan (\$36,066 par due 12/2011)	11.25% (Base Rate + 3.00%/D)	12/14/05	36,066	36,066	1.00{3 }	
		Senior secured loan (\$393,741 par due 12/2011)	12.57% (Libor + 7.00%/Q)	12/14/05	393,741	393,741	1.00	
		Senior secured loan (\$261,997 par due 12/2011)	12.57 (Libor + 7.00%/Q)	12/14/05	261,997	261,997	1.00{3 }	
		Senior secured loan (\$3,937,406 par due 12/2011)	14.25% (Base Rate + 6.00%/D)	12/14/05	3,937,406	3,937,406	1.00	
		Senior secured loan (\$2,619,971 par due 12/2011)	14.25% (Base Rate + 6.00%/D)	12/14/05	2,619,971	2,619,971	1.00{3 }	
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (\$19,000,000 par due 11/2013)	11.37% (Libor + 6.00%/Q)	12/1/05	19,000,000	19,000,000	1.00	
		Junior secured loan (\$12,000,000 par due 11/2013)	11.37% (Libor + 6.00%/Q)	12/1/05	12,000,000	12,000,000	1.00{3 }	
DSI Renal, Inc.	Dialysis provider	Senior subordinated note (\$60,637,680 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	60,637,680	60,637,680	1.00{4 }	
		Senior subordinated note (\$5,025,000 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	5,025,000	5,025,000	1.00{4}{3 }	
		Senior secured loan (\$3,200,000 par due 3/2013)	8.50% (Libor + 3.00%/Q)	4/4/06	3,200,000	3,200,000	1.00	
		Senior secured loan (\$960,000 par due 3/2013)	8.44% (Libor + 3.00%/Q)	4/4/06	960,000	960,000	1.00	
		Senior secured loan (\$1,600,000 par due 3/2013)	8.38% (Libor + 3.00%/M)	4/4/06	1,600,000	1,600,000	1.00	
				4/4/06	1,440,000	1,440,000	1.00	

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		Senior secured loan (\$1,440,000 par due 3/2013)	10.75% (Base Rate + 2.50%/D)					
OnCURE Medical Corp.	Radiation oncology care provider	Senior subordinated note (\$23,230,012 par due 8/2012)	11.00% cash, 1.50% PIK	8/16/06	23,230,012	23,230,012	1.00	{4 }
		Senior secured loan (\$3,489,063 par due 8/2011)	8.94% (Libor + 3.50%/S)	8/23/06	3,489,063	3,489,063	1.00	
		Senior secured loan (\$10,938 par due 8/2011)	8.94% (Libor + 3.50%/Q)	8/23/06	10,938	10,938	1.00	
		Common stock (857,143 shares)		8/16/06	3,000,000	3,000,000	3.50	{5 }
PHNS, Inc.	Information technology and business process outsourcing	Senior subordinated loan (\$16,000,000 par due 11/2011)	13.50% cash, 2.50% PIK	10/29/04	15,804,452	16,320,000	1.02	{4 }
Triad Laboratory Alliance, LLC	Laboratory services	Senior subordinated note (\$14,762,865 par due 12/2012)	12.00% cash, 1.75% PIK	12/21/05	14,762,865	14,762,865	1.00	{4 }
		Senior secured loan (\$6,947,500 par due 12/2011)	8.62% (Libor + 3.25%/Q)	12/21/05	6,947,500	6,947,500	1.00	
		Senior secured loan (\$2,977,500 par due 12/2011)	8.62% (Libor + 3.25%/Q)	12/21/05	2,977,500	2,977,500	1.00	{3 }
					190,416,158	190,931,706	25.83	%
<b>Printing, Publishing and Broadcasting</b>								
Canon Communications LLC	Print publications services	Junior secured loan (\$7,525,000 par due 11/2011)	12.37% (Libor + 6.75%/S)	5/25/05	7,525,000	7,525,000	1.00	
		Junior secured loan (\$4,250,000 par due 11/2011)	12.37% (Libor + 6.75%/S)	5/25/05	4,250,000	4,250,000	1.00	{2 }
		Junior secured loan (\$12,000,000 par due 11/2011)	12.37% (Libor + 6.75%/S)	5/25/05	12,000,000	12,000,000	1.00	{3 }
Daily Candy, Inc. {11}	Internet publication provider	Senior secured loan (\$19,200,000 par due 5/2009)	10.62% (Libor + 5.00%/S)	5/25/06	19,494,406	19,200,000	0.98	
		Senior secured loan (\$4,800,000 par due 5/2009)	10.62% (Libor + 5.00%/S)	5/25/06	4,873,601	4,800,000	0.98	{3 }
		Senior secured loan (\$700,000 par due 5/2009)	10.37% (Libor + 5.00%/Q)	5/25/06	700,000	700,000	1.00	
		Senior secured loan (\$175,000 par due 5/2009)	10.37% (Libor + 5.00%/Q)	5/25/06	175,000	175,000	1.00	{3 }
		Common stock (1,250,000 shares)		5/25/06	2,375,000	2,375,000	1.90	{5 }
		Warrants to purchase (1,381,578 shares)		5/25/06	2,624,998	2,624,998	1.90	{5 }
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,338,451 par due 3/2012)	10.75% (Base Rate + 2.50%/D)	3/2/06	1,338,451	1,338,451	1.00	
				3/2/06	11,047,826	11,047,826	1.00	{3 }



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		Senior secured loan (\$11,047,826 par due 3/2012)	8.87% (Libor + 3.50%/Q)						
		Senior secured loan (\$182,609 par due 3/2012)	10.75% (Base Rate + 2.50%/D)	3/2/06	182,609	182,609	1.00	{3 }	
		Senior secured loan (\$2,319,367 par due 3/2012)	12.32% (Libor + 7.00%/S)	3/2/06	2,319,368	2,319,368	1.00		
		Senior secured loan (\$419,763 par due 8/2012)	12.32% (Libor + 7.00%/S)	3/2/06	419,763	419,763	1.00	{3 }	
		Senior secured loan (\$1,932,806 par due 8/2012)	12.49% (Libor + 7.00%/Q)	3/2/06	1,932,806	1,932,806	1.00		
		Senior secured loan (\$349,802 par due 8/2012)	12.49% (Libor + 7.00%/Q)	3/2/06	349,802	349,802	1.00	{3 }	
		Preferred stock (9,344 shares)		3/2/06	2,000,000	2,000,000	214.04	{5 }	
The Teaching Company, LLC and	Education publications provider	Senior secured revolving loan (\$1,000,000 par due 9/2011)	12.25% (Base Rate + 4.00%/D)	9/28/06	1,000,000	1,000,000	1.00		
The Teaching Company Holdings, Inc.		Senior secured loan (\$6,250,000 par due 9/2012)	12.25% (Base Rate + 4.00%/D)	9/28/06	6,250,000	6,250,000	1.00		
		Senior secured loan (\$28,000,000 par due 9/2012)	10.50%{16}	9/28/06	28,000,000	28,000,000	1.00		
		Senior secured loan (\$12,000,000 par due 9/2012)	10.50%{16}	9/28/06	12,000,000	12,000,000	1.00	{3 }	
		Preferred stock (29,969 shares)		9/28/06	2,996,921	2,996,921	100.00	{5 }	
		Common stock (3,079 shares)		9/28/06	3,079	3,079	1.00	{5 }	
					123,858,630	123,490,623	16.70	%	
<b>Manufacturing</b>									
Arrow Group Industries, Inc.	Residential and outdoor shed manufacturer	Senior secured loan (\$6,000,000 par due 4/2010)	10.37% (Libor + 5.00%/Q)	3/28/05	6,038,785	6,000,000	1.00	{3 }	
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$10,473,684 par due 5/2011)	9.58% (Libor + 4.25%/M)	5/16/06	10,473,684	10,473,684	1.00		
		Senior secured loan (\$5,263,158 par due 5/2011)	11.33% (Libor + 6.00%/M)	5/16/06	5,263,158	5,263,158	1.00		
		Senior secured loan (\$4,210,526 par due 5/2011)	13.00%	5/16/06	4,210,526	4,210,526	1.00		
Qualitor, Inc.	Automotive aftermarket components supplier	Senior secured loan (\$1,965,000 par due 12/2011)	9.62% (Libor + 4.25%/Q)	12/29/04	1,965,000	1,965,000	1.00	{3 }	
		Junior secured loan (\$5,000,000 par due 6/2012)	12.62% (Libor + 7.25%/Q)	12/29/04	5,000,000	5,000,000	1.00	{3 }	
Professional Paint, Inc.	Paint manufacturer	Junior secured loan (\$16,500,000 par due 5/2013)	11.38% (Libor + 5.75%/S)	5/25/06	16,500,000	16,500,000	1.00		

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Reflexite Corporation {10}	Developer and manufacturer of high visibility reflective products	Senior subordinated loan (\$10,537,043 par due 12/2011)	11.00% cash, 3.00% PIK	12/30/04	10,537,043	10,537,043	1.00{2}{4 }
		Common Stock (1,729,627 shares)		3/28/06	25,682,891	25,682,891	14.85{5 }
Universal Trailer Corporation {6}	Livestock and specialty trailer manufacturer	Common stock (50,000 shares)		10/8/04	6,424,645	4,154,665	83.09{5 }
		Warrants to purchase 22,208 shares		10/8/04	1,505,776	1,845,336	83.09{5 }
Varel Holdings, Inc.	Drill bit manufacturer	Senior secured loan (\$8,578,759 par due 12/2010)	9.49% (Libor + 4.00%/Q)	5/18/05	8,578,759	8,578,759	1.00{3 }
		Senior secured loan (\$3,333,333 par due 12/2011)	13.33% (Libor + 8.00%/M)	5/18/05	3,333,333	3,333,333	1.00{3 }
		Senior secured revolving loan (\$500,000 par due 10/2010)	10.50% (Base Rate + 2.25%/D)	5/18/05	500,000	500,000	1.00

See accompanying notes to consolidated financial statements.

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Company {1}	Industry	Investment	Interest {15}	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Preferred stock (33,884 shares)		5/18/05	1,109,363	1,109,363	32.74{5 }	
		Common stock (30,451 shares)		5/18/05	3,045	1,011,569	33.22{5 }	
					107,126,008	106,165,327		14.36 %
<b>Services - Other</b>								
Diversified Collection Services, Inc.	Collections services	Senior secured loan (\$5,242,026 par due 2/2011)	9.57% (Libor + 4.25%/M)	2/2/05	5,242,026	5,242,026	1.00{3 }	
		Senior secured loan (\$1,742,026 par due 8/2011)	11.37% (Libor + 6.00%/M)	2/2/05	1,742,026	1,742,026	1.00{2 }	
		Senior secured loan (\$6,757,974 par due 8/2011)	11.37% (Libor + 6.00%/M)	2/2/05	6,757,974	6,757,974	1.00{3 }	
		Preferred stock (14,927 shares)		5/18/06	169,123	169,123	11.33{5 }	
		Common stock (114,004 shares)		2/2/05	295,270	295,270	2.59{5 }	
Event Rentals, Inc.	Party rental services	Senior secured loan (\$2,277,902 par due 11/2011)	10.77% (Libor+ 5.25%/S)	11/17/05	2,277,902	2,277,902	1.00{3 }	
		Senior secured loan (\$5,005,581 par due 11/2011)	10.69% (Libor + 5.25%/S)	11/17/05	5,005,581	5,005,581	1.00{3 }	
		Senior secured loan (\$1,244,489 par due 11/2011)	10.74% (Libor + 5.25%/S)	11/17/05	1,244,489	1,244,489	1.00	
		Senior secured loan (\$2,466,518 par due 11/2011)	10.74% (Libor + 5.25%/S)	11/17/05	2,466,518	2,466,518	1.00{3 }	
		Senior secured loan (\$15,354 par due 11/2011)	12.50% (Base Rate + 4.25%/D)	11/17/05	15,354	15,354	1.00	
		Senior secured loan (\$5,952 par due 11/2011)	12.50% (Base Rate + 4.25%/D)	11/17/05	5,952	5,952	1.00{3 }	
		Senior secured loan (\$5,742,560 par due 11/2011)	10.77% (Libor + 5.25%/S)	11/17/05	5,742,560	5,742,560	1.00	
		Senior secured loan (\$2,226,190 par due 11/2011)	10.77% (Libor + 5.25%/S)	11/17/05	2,226,190	2,226,190	1.00{3 }	
GCA Services Group, Inc.	Custodial services	Senior subordinated loan (\$33,486,024 par due 1/2010)	12.00% cash, 3.00% PIK	7/25/05	33,486,024	33,486,024	1.00{4 }	
NPA Acquisition, LLC	Powersport vehicle auction operator	Senior secured loan (\$5,000,000 par due 8/2012)	8.64% (Libor + 3.25%/Q)	8/23/06	5,000,000	5,000,000	1.00	
		Junior secured loan (\$14,000,000 par due 2/2013)	12.12% (Libor + 6.75%/Q)	8/23/06	14,000,000	14,000,000	1.00	
		Common stock (1,709 shares)		8/23/06	1,000,000	1,000,000	585.14{5 }	
					86,676,989	86,676,989		11.72 %
<b>Retail</b>								
Savers, Inc and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note (\$28,077,778 par due 8/2014)	10.00% cash, 2.00% PIK	8/8/06	28,077,778	28,077,778	1.00{4 }	

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		Common stock (1,170,182 shares)		8/8/06	4,500,000	4,500,000	3.85{5 }	
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured revolving loan (\$357,143 par due 9/2012)	12.00% (Base Rate + 3.75%/D){17}	9/28/06	357,143	357,143	1.00	
		Senior secured loan (\$4,800,000 par due 9/2012)	12.00% (Base Rate + 3.75%/D)	9/28/06	4,800,000	4,800,000	1.00{3 }	
		Senior secured loan (\$28,000,000 par due 9/2013)	13.25% (Base Rate + 5.00%/D)	9/28/06	28,000,000	28,000,000	1.00	
		Senior secured loan (\$7,200,000 par due 9/2013)	13.25% (Base Rate + 5.00%/D)	9/28/06	7,200,000	7,200,000	1.00{3 }	
		Preferred stock (80 shares)		9/28/06	1,800,000	1,800,000	22,500.00{5 }	
		Common stock (800 shares)		9/28/06	200,000	200,000	250.00{5 }	
					74,934,921	74,934,921	10.14	%
<b>Containers-Packaging</b>								
Captive Plastics, Inc.	Plastics container manufacturer	Junior secured loan (\$4,000,000 par due 2/2012)	12.76% (Libor + 7.25%/Q)	12/19/05	4,000,000	4,000,000	1.00	
		Junior secured loan (\$12,000,000 par due 2/2012)	12.76% (Libor + 7.25%/Q)	12/19/05	12,000,000	12,000,000	1.00{3 }	
Industrial Container Services, LLC {8}	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$96,250 par due 9/2011)	13.25% (Base Rate + 5.00%/D)	9/30/05	96,250	96,250	1.00	
		Senior secured loan (\$30,227 par due 9/2011)	13.25% (Base Rate + 5.00%/D)	9/30/05	30,227	30,227	1.00{3 }	
		Senior secured loan (\$11,939,547 par due 9/2011)	11.94% (Libor + 6.50%/S)	9/30/05	11,939,547	11,939,547	1.00{3 }	
		Senior secured loan (\$16,450,281 par due 9/2011)	11.94% (Libor + 6.50%/S)	6/21/06	16,450,281	16,450,281	1.00	
		Senior secured revolving loan (\$25,000 par due 9/2011)	11.89% (Libor + 6.50%/Q)	9/30/05	25,000	25,000	1.00	
		Senior secured revolving loan (\$9,950,000 par due 9/2011)	11.94% (Libor + 6.50%/S)	9/30/05	9,950,000	9,950,000	1.00	
		Senior secured revolving loan (\$4,130,435 par due 9/2011)	10.02% (Libor + 4.50%/Q)	9/30/05	4,130,435	4,130,435	1.00	
		Senior secured revolving loan (\$826,087 par due 9/2011)	9.82% (Libor + 4.50%/D)	9/30/05	826,087	826,087	1.00	
		Senior secured revolving loan (\$826,087 par due 9/2011)	9.83% (Libor + 4.50%/D)	9/30/05	826,087	826,087	1.00	
		Senior secured revolving loan (\$1,156,522 par due 9/2011)	11.25% (Base Rate + 3.00%/D)	9/30/05	1,156,522	1,156,522	1.00	
		Common stock (1,800,000 shares)		9/29/05	1,800,000	1,800,000	1.00{5 }	
LabelCorp Holdings, Inc.	Consumer product labels manufacturer	Senior subordinated notes (\$9,250,088 par due 9/2012)	12.00% cash, 3.00% PIK	3/16/06	9,250,088	9,250,088	1.00{4 }	
					72,480,524	72,480,524	9.80	%
<b>Consumer Products - Non-Durable</b>								

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Making Memories Wholesale, Inc. {7}	Scrapbooking branded products manufacturer	Senior secured loan (\$7,916,667 par due 3/2011)	9.875% (Libor + 4.50%/Q)	5/5/05	7,916,667	7,916,667	1.00{3 }
		Senior subordinated loan (\$10,152,435 par due 5/2012)	12.50% cash, 2.00% PIK	5/5/05	10,152,435	10,152,435	1.00{4 }
		Preferred stock (3,500 shares)		5/5/05	3,758,800	1,320,000	351.25{4 }
Shoes for Crews, LLC	Safety footwear and slip-related mats	Senior secured loan (\$1,370,173 par due 7/2010)	8.87% (Libor + 3.25%/S)	10/8/04	1,378,236	1,378,236	1.00{3 }
		Senior secured revolving loan (\$3,333,333 par due 7/2010)	10.25% (Base Rate + 2.00%/D)	6/16/06	3,333,333	3,333,333	1.00
Tumi Holdings, Inc.	Branded luggage designer, marketer and distributor	Senior secured loan (\$2,500,000 par due 12/2012)	8.11% (Libor + 2.75%/Q)	5/24/05	2,500,000	2,500,000	1.00{3 }
		Senior secured loan (\$5,000,000 par due 12/2013)	8.62% (Libor + 3.25%/Q)	3/14/05	5,000,000	5,000,000	1.00{3 }
		Senior subordinated loan (\$13,510,171 par due 12/2014)	16.37% (Libor + 6.00% cash, 5.00% PIK/Q)	3/14/05	13,510,171	13,510,171	1.00{2} {4 }
UCG Paper Crafts, Inc.	Scrapbooking materials manufacturer	Senior secured loan (\$1,990,000 par due 2/2013)	8.58% (Libor + 3.25%/M)	2/23/06	1,990,000	1,990,000	1.00{3 }
		Junior secured loan (\$2,960,063 par due 2/2013)	12.83% (Libor + 7.50%/M)	2/23/06	2,960,063	2,960,063	1.00
		Junior secured loan (\$9,974,937 par due 2/2013)	12.83% (Libor + 7.50%/M)	2/23/06	9,974,937	9,974,937	1.00{3 }
					62,474,642	60,035,842	8.12 %
<b>Education</b>							
Equinox SMU Partners LLC and SMU Acquisition Corp. {9} {13}	Medical school operator	Senior secured revolving loan (\$1,550,000 par due 12/2010)	13.25% (Base Rate + 5.00%/Q)	1/26/06	1,550,000	1,550,000	1.00
		Senior secured revolving loan (\$2,032,342 par due 12/2010)	11.06% (Libor + 6.00%/S)	1/26/06	2,032,342	2,032,342	1.00
		Senior secured loan (\$10,162,500 par due 12/2010)	11.39% (Libor + 6.00%/Q)	1/26/06	10,162,500	10,162,500	1.00{3 }
		Senior secured loan (\$1,500,000 par due 12/2010)	11.39% (Libor + 6.00%/Q)	1/26/06	1,500,000	1,500,000	1.00
		Senior secured loan (\$1,500,000 par due 12/2010)	11.39% (Libor + 6.00%/Q)	1/26/06	1,500,000	1,500,000	1.00{3 }
		Limited liability company membership interest (17.39% interest)		1/25/06	4,000,000	4,000,000	{5 }
Lakeland Finance, LLC	Private school operator	Senior secured note (\$33,000,000 par due 12/2012)	11.50%	12/13/05	33,000,000	33,000,000	1.00
					53,744,842	53,744,842	7.27 %
<b>Business Services</b>							
Investor Group Services, LLC	Financial services	Senior secured loan (\$1,500,000 par due	12.00%	6/22/06	1,500,000	1,500,000	1.00{3 }

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6/2011)						
Senior secured loan	11.04% (Libor +					
(\$500,000 par due 6/2011)	5.50%/S)	6/22/06	500,000	500,000	1.00	
Senior secured loan	12.75% (Base					
(\$150,000 par due 6/2011)	Rate + 4.50%/D)	6/22/06	150,000	150,000	1.00	

See accompanying notes to consolidated financial statements.

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Company {1}	Industry	Investment	Interest {15}	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
		Limited liability company membership interest (10.00% interest)		6/22/06			{5 }	
Miller Heiman, Inc.	Sales consulting services	Senior secured loan (\$3,173,113 par due 6/2010)	8.83% (Libor + 3.50%/M)	6/20/05	3,173,113	3,173,113	1.00{3 }	
		Senior secured loan (\$4,027,788 par due 6/2012)	9.37% (Libor + 4.00%/Q)	6/20/05	4,027,788	4,027,788	1.00{3 }	
MR Processing Holding Corp.	Bankruptcy and foreclosure processing services	Senior subordinated note (\$20,202,733 par due 2/2013)	12.00% Cash, 2.00% PIK	3/23/06	20,202,733	20,202,733	1.00{4 }	
		Senior secured loan (\$1,990,000 par due 2/2012)	9.02% (Libor + 3.50%/S)	3/28/06	1,990,000	1,990,000	1.00	
		Preferred stock (30,000 shares)		4/11/06	3,000,000	3,000,000	100.00{5 }	
Primis Marketing Group, Inc. and Primis Holdings, LLC {12}	Database marketing services	Senior secured loan (\$10,024,306 par due 2/2013)	11.00% Cash, 2.50% PIK	8/24/06	10,024,306	10,024,306	1.00{4 }	
		Preferred stock (4,000 shares)		8/24/06	3,600,000	3,600,000	9.00{5 }	