

ARES CAPITAL CORP  
Form 10-Q  
August 05, 2010  
Table of Contents

**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 June 30, 2010**

**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**

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.

| <b>Class</b>                    | <b>Outstanding at August 5, 2010</b> |
|---------------------------------|--------------------------------------|
| Common stock, \$0.001 par value | 192,167,337                          |

---

Table of Contents

**ARES CAPITAL CORPORATION**

**INDEX**

**Part I. Financial Information**

Item 1. Financial Statements

Consolidated Balance Sheet as of June 30, 2010 (unaudited) and December 31, 2009 1

Consolidated Statement of Operations for the three and six months ended June 30, 2010 (unaudited) and June 30, 2009 (unaudited) 2

Consolidated Schedule of Investments as of June 30, 2010 (unaudited) and December 31, 2009 3

Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2010 (unaudited) 32

Consolidated Statement of Cash Flows for the three and six months ended June 30, 2010 (unaudited) and June 30, 2009 (unaudited) 33

Notes to Consolidated Financial Statements (unaudited) 34

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 54

Item 3. Quantitative and Qualitative Disclosures About Market Risk 71

Item 4. Controls and Procedures 72

**Part II. Other Information**

Item 1. Legal Proceedings 72

Item 1A. Risk Factors 73

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 73

Item 3. Defaults Upon Senior Securities 73

Item 4. (Removed and Reserved) 73

Item 5. Other Information 73

Item 6. Exhibits 74

---

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

(dollar amounts in thousands, except per share data)

|                                                                                                                                                                | June 30, 2010<br>(unaudited) | As of | December 31, 2009 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------|-------------------|
| <b>ASSETS</b>                                                                                                                                                  |                              |       |                   |
| Investments at fair value (amortized cost of \$3,875,476 and \$2,376,384, respectively)                                                                        |                              |       |                   |
| Non-controlled/non-affiliate company investments                                                                                                               | \$ 2,190,520                 | \$    | 1,568,423         |
| Non-controlled affiliate company investments                                                                                                                   | 592,438                      |       | 276,351           |
| Controlled affiliate company investments                                                                                                                       | 1,011,062                    |       | 327,040           |
| Total investments at fair value                                                                                                                                | 3,794,020                    |       | 2,171,814         |
| Cash and cash equivalents                                                                                                                                      | 138,778                      |       | 99,227            |
| Interest receivable                                                                                                                                            | 78,690                       |       | 28,019            |
| Other assets                                                                                                                                                   | 62,214                       |       | 14,455            |
| Total assets                                                                                                                                                   | \$ 4,073,702                 | \$    | 2,313,515         |
| <b>LIABILITIES</b>                                                                                                                                             |                              |       |                   |
| Debt                                                                                                                                                           | \$ 1,244,938                 | \$    | 969,465           |
| Management and incentive fees payable                                                                                                                          | 26,655                       |       | 66,495            |
| Accounts payable and accrued expenses                                                                                                                          | 71,882                       |       | 16,533            |
| Interest and facility fees payable                                                                                                                             | 18,899                       |       | 2,645             |
| Payable for open trades                                                                                                                                        |                              |       | 489               |
| Dividend payable                                                                                                                                               | 55                           |       |                   |
| Total liabilities                                                                                                                                              | 1,362,429                    |       | 1,055,627         |
| Commitments and contingencies (Note 6)                                                                                                                         |                              |       |                   |
| <b>STOCKHOLDERS EQUITY</b>                                                                                                                                     |                              |       |                   |
| Common stock, par value \$.001 per share, 300,000,000 common shares authorized, 192,167,337 and 109,944,674 common shares issued and outstanding, respectively | 192                          |       | 110               |
| Capital in excess of par value                                                                                                                                 | 2,650,799                    |       | 1,490,458         |
| Accumulated undistributed (overdistributed) net investment income                                                                                              | (29,218)                     |       | 3,143             |
| Accumulated net realized gain (loss) on investments, foreign currency transactions, extinguishment of debt and acquisitions                                    | 171,804                      |       | (31,115)          |
| Net unrealized loss on investments and foreign currency transactions                                                                                           | (82,304)                     |       | (204,708)         |
| Total stockholders equity                                                                                                                                      | 2,711,273                    |       | 1,257,888         |
| Total liabilities and stockholders equity                                                                                                                      | \$ 4,073,702                 | \$    | 2,313,515         |
| <b>NET ASSETS PER SHARE</b>                                                                                                                                    | \$ 14.11                     | \$    | 11.44             |

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 six months ended |               |
|--------------------------------------------------------------------------------------------|----------------------------|---------------|--------------------------|---------------|
|                                                                                            | June 30, 2010              | June 30, 2009 | June 30, 2010            | June 30, 2009 |
|                                                                                            | (unaudited)                | (unaudited)   | (unaudited)              | (unaudited)   |
| <b>INVESTMENT INCOME:</b>                                                                  |                            |               |                          |               |
| From non-controlled/non-affiliate company investments:                                     |                            |               |                          |               |
| Interest from investments                                                                  | \$ 64,891                  | \$ 45,307     | \$ 110,966               | \$ 89,138     |
| Capital structuring service fees                                                           | 5,786                      | 603           | 7,136                    | 1,653         |
| Management fees                                                                            | 2,347                      |               | 2,675                    |               |
| Dividend income                                                                            | 1,918                      | 617           | 1,918                    | 1,043         |
| Interest from cash & cash equivalents                                                      | 17                         | 57            | 28                       | 210           |
| Other income                                                                               | 1,759                      | 1,748         | 2,554                    | 2,697         |
| Total investment income from non-controlled/non-affiliate company investments              | 76,718                     | 48,332        | 125,277                  | 94,741        |
| From non-controlled affiliate company investments:                                         |                            |               |                          |               |
| Interest from investments                                                                  | 15,375                     | 6,528         | 19,995                   | 12,103        |
| Dividend income                                                                            | 88                         | 123           | 191                      | 137           |
| Management fees                                                                            | 150                        | 1,192         | 288                      | 1,317         |
| Other income                                                                               | 364                        | 78            | 422                      | 168           |
| Total investment income from non-controlled affiliate company investments                  | 15,977                     | 7,921         | 20,896                   | 13,725        |
| From controlled affiliate company investments:                                             |                            |               |                          |               |
| Interest from investments                                                                  | 23,796                     | 2,155         | 34,637                   | 5,093         |
| Capital structuring service fees                                                           | 1,906                      |               | 2,657                    | 194           |
| Dividend income                                                                            | 1,418                      |               | 1,796                    |               |
| Management fees                                                                            | 1,632                      | 695           | 2,653                    | 1,286         |
| Other income                                                                               | 143                        | 8             | 184                      | 88            |
| Total investment income from controlled affiliate company investments                      | 28,895                     | 2,858         | 41,927                   | 6,661         |
| Total investment income                                                                    | 121,590                    | 59,111        | 188,100                  | 115,127       |
| <b>EXPENSES:</b>                                                                           |                            |               |                          |               |
| Interest and credit facility fees                                                          | 23,110                     | 6,301         | 31,698                   | 12,882        |
| Base management fees                                                                       | 11,682                     | 7,496         | 20,138                   | 14,994        |
| Incentive management fees                                                                  | 14,973                     | 7,987         | 23,117                   | 15,537        |
| Professional fees                                                                          | 3,454                      | 2,308         | 5,958                    | 3,705         |
| Professional fees and other costs related to the acquisition of Allied Capital Corporation | 12,534                     |               | 16,323                   |               |
| Administrative                                                                             | 2,378                      | 1,092         | 3,609                    | 2,096         |
| Rent                                                                                       | 1,341                      | 577           | 2,094                    | 1,156         |
| Insurance                                                                                  | 535                        | 341           | 894                      | 675           |
| Depreciation                                                                               | 247                        | 165           | 410                      | 338           |
| Directors fees                                                                             | 144                        | 134           | 278                      | 236           |
| Other                                                                                      | 965                        | 684           | 1,811                    | 1,251         |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                      |                    |                   |                    |                   |
|------------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------|-------------------|
| Total expenses                                                                                       | 71,363             | 27,085            | 106,330            | 52,870            |
| <b>NET INVESTMENT INCOME BEFORE INCOME TAXES</b>                                                     |                    |                   |                    |                   |
| Income tax expense (benefit), including excise tax                                                   | 50,227             | 32,026            | 81,770             | 62,257            |
| <b>NET INVESTMENT INCOME</b>                                                                         | <b>49,541</b>      | <b>31,948</b>     | <b>81,246</b>      | <b>62,148</b>     |
| <b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS:</b>      |                    |                   |                    |                   |
| Net realized gains (losses):                                                                         |                    |                   |                    |                   |
| Non-controlled/non-affiliate company investments                                                     | 7,512              | (857)             | 9,773              | (2,162)           |
| Non-controlled affiliate company investments                                                         | 3,925              |                   | (3,734)            | (482)             |
| Controlled affiliate company investments                                                             | 870                |                   | 1,302              |                   |
| Foreign currency transactions                                                                        |                    | 116               | 85                 | 68                |
| <b>Net realized gains (losses)</b>                                                                   | <b>12,307</b>      | <b>(741)</b>      | <b>7,426</b>       | <b>(2,576)</b>    |
| Net unrealized gains (losses):                                                                       |                    |                   |                    |                   |
| Non-controlled/non-affiliate company investments                                                     | 65,107             | 11,333            | 96,081             | 1,888             |
| Non-controlled affiliate company investments                                                         | 7,243              | (9,929)           | 19,088             | (11,272)          |
| Controlled affiliate company investments                                                             | 463                | 2,175             | 7,387              | (6,926)           |
| Foreign currency transactions                                                                        |                    | (33)              | (152)              | (18)              |
| <b>Net unrealized gains (losses)</b>                                                                 | <b>72,813</b>      | <b>3,546</b>      | <b>122,404</b>     | <b>(16,328)</b>   |
| <b>Net realized and unrealized gains (losses) from investments and foreign currency transactions</b> | <b>85,120</b>      | <b>2,805</b>      | <b>129,830</b>     | <b>(18,904)</b>   |
| <b>GAIN ON THE ACQUISITION OF ALLIED CAPITAL CORPORATION</b>                                         | <b>195,876</b>     |                   | <b>195,876</b>     |                   |
| <b>REALIZED GAIN (LOSS) ON EXTINGUISHMENT OF DEBT</b>                                                | <b>(383)</b>       |                   | <b>(383)</b>       | <b>26,543</b>     |
| <b>NET INCREASE IN STOCKHOLDERS EQUITY RESULTING FROM OPERATIONS</b>                                 | <b>\$ 330,154</b>  | <b>\$ 34,753</b>  | <b>\$ 406,569</b>  | <b>\$ 69,787</b>  |
| <b>BASIC AND DILUTED EARNINGS PER COMMON SHARE (Note 4)</b>                                          | <b>\$ 1.73</b>     | <b>\$ 0.36</b>    | <b>\$ 2.57</b>     | <b>\$ 0.72</b>    |
| <b>WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (Note 4)</b>                | <b>191,045,239</b> | <b>97,152,820</b> | <b>157,978,337</b> | <b>97,152,820</b> |

See accompanying notes to consolidated financial statements.

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

As of June 30, 2010 (unaudited)

(dollar amounts in thousands, except per unit data)

| Company(1)                                        | Industry                          | Investment                                        | Interest(5)(10)         | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|---------------------------------------------------|-----------------------------------|---------------------------------------------------|-------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Financial</b>                                  |                                   |                                                   |                         |                  |                |            |                     |                          |
| AGILE Fund I, LLC                                 | Investment company                | Member interest (0.05% interest)                  |                         | 4/1/2010         | \$ 264         | \$ 264     |                     | (16)                     |
| AllBridge Financial, LLC                          | Real estate finance company       | Equity interest                                   |                         | 4/1/2010         | 11,370         | 12,088     | \$                  | 0.30(16)                 |
| BB&T Capital Partners/Windsor Mezzanine Fund, LLC | Investment company                | Member interest (9.90% interest)                  |                         | 4/1/2010         | 13,372         | 14,785     |                     | (16)                     |
| Callidus Capital Corporation                      | Asset manager and finance company | Senior subordinated loan (\$4,594 par due 8/2013) |                         | 4/1/2010         | 4,120          | 5,088      | \$                  | 1.11(13)(16)             |
|                                                   |                                   | Common stock (100 shares)                         |                         | 4/1/2010         |                | \$         |                     |                          |
| Callidus Debt Partners CDO Fund I, Ltd.           | Investment company                | Class C notes (\$22,438 par due 12/2013)          | 2.13%                   | 4/1/2010         | 1,568          | 1,777      | \$                  | 0.08(16)                 |
|                                                   |                                   | Class D notes (\$9,400 par due 12/2013)           |                         | 4/1/2010         |                | \$         |                     | (13)(16)                 |
| Callidus Debt Partners CLO Fund III, Ltd.         | Investment company                | Preferred stock (23,600,000 shares)               | 13.72%                  | 4/1/2010         | 4,985          | 8,151      | \$                  | 0.37(16)                 |
| Callidus Debt Partners CLO Fund IV, Ltd.          | Investment company                | Class D notes (\$3,000 par due 4/2020)            | 5.08% (Libor + 4.55%/Q) | 4/1/2010         | 1,755          | 1,739      | \$                  | 0.58(16)                 |
|                                                   |                                   | Subordinated notes (\$21,668 par due 4/2020)      | 1.80%                   | 4/1/2010         | 7,591          | 9,935      | \$                  | 0.46(16)                 |
| Callidus Debt Partners CLO Fund V, Ltd.           | Investment company                | Subordinated notes (\$13,062 par due 11/2020)     | 11.10%                  | 4/1/2010         | 8,422          | 10,091     | \$                  | 0.77(16)                 |
| Callidus Debt Partners CLO Fund VI, Ltd.          | Investment company                | Class D notes (\$9,635 par due 10/2021)           | 6.53% (Libor + 6.00%/Q) | 4/1/2010         | 4,484          | 4,243      | \$                  | 0.44(16)                 |
|                                                   |                                   | Subordinated notes (\$33,659 par due 10/2021)     | 4.30%                   | 4/1/2010         | 9,276          | 14,227     | \$                  | 0.42(16)                 |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                           |                                                  |                                                          |                             |            |        |           |          |
|-------------------------------------------|--------------------------------------------------|----------------------------------------------------------|-----------------------------|------------|--------|-----------|----------|
| Callidus Debt Partners CLO Fund VII, Ltd. | Investment company                               | Subordinated notes (\$26,067 par due 1/2021)             | 18.16%                      | 4/1/2010   | 10,517 | 14,516 \$ | 0.56(16) |
| Callidus MAPS CLO Fund I LLC              | Investment company                               | Class E notes (\$17,000 par due 12/2017)                 | 5.80% (Libor + 5.53%/Q)     | 4/1/2010   | 11,289 | 11,274 \$ | 0.66(16) |
|                                           |                                                  | Subordinated notes (\$17,000 par due 12/2017)            | 14.84%                      | 4/1/2010   | 14,500 | 19,031 \$ | 0.47(16) |
| Callidus MAPS CLO Fund II, Ltd.           | Investment company                               | Class D notes (\$7,700 par due 7/2022)                   | 4.78% (Libor + 4.25%/Q)     | 4/1/2010   | 3,280  | 4,035 \$  | 0.52(16) |
|                                           |                                                  | Subordinated notes (\$18,542 par due 7/2022)             | 8.40%                       | 4/1/2010   | 8,608  | 12,298 \$ | 0.66(16) |
| Carador PLC(6)(8)(9)                      | Investment company                               | Ordinary shares (7,110,525 shares)                       |                             | 12/15/2006 | 9,033  | 3,982 \$  | 0.56(16) |
| Catterton Partners VI, L.P.               | Investment partnership                           | Limited partnership interest (0.05% interest)            |                             | 4/1/2010   | 1,589  | 1,716     | (16)     |
| CIC Flex, LP(9)                           | Investment partnership                           | Limited partnership units (0.94 unit)                    |                             | 9/7/2007   | 47     |           |          |
| Ciena Capital LLC                         | Real estate secured small business lender        | Senior secured revolving loan (\$319,031 par due 3/2011) |                             | 4/1/2010   | 78,971 | 77,183 \$ | 0.24(13) |
|                                           |                                                  | Senior secured loan (\$4,969 par due 3/2011)             |                             | 4/1/2010   | 5,041  | 4,969 \$  | 1.00(13) |
|                                           |                                                  | Class B equity interest                                  |                             | 4/1/2010   |        |           |          |
|                                           |                                                  | Class B equity interest                                  |                             | 4/1/2010   |        |           |          |
|                                           |                                                  | Class C equity interest                                  |                             | 4/1/2010   |        |           |          |
| Commercial Credit Group, Inc.             | Commercial equipment finance and leasing company | Senior subordinated loan (\$6,000 par due 6/2015)        | 15.00%                      | 4/1/2010   | 5,988  | 6,000 \$  | 1.00     |
|                                           |                                                  | Senior subordinated loan (\$4,000 par due 6/2015)        | 15.00%                      | 4/1/2010   | 3,992  | 4,000 \$  | 1.00     |
|                                           |                                                  | Senior subordinated loan (\$9,500 par due 6/2015)        | 15.00%                      | 4/1/2010   | 9,521  | 9,500 \$  | 1.00     |
| Compass Group Diversified Holdings, LLC   | Middle market business manager                   | Senior secured revolving loan (\$882 par due 12/2012)    | 3.04% (Libor + 2.50%/Q)     | 4/1/2010   | 882    | 882 \$    | 1.00(16) |
|                                           |                                                  | Senior secured revolving loan (\$37 par due 12/2012)     | 3.04% (Libor + 2.50%/Q)     | 4/1/2010   | 37     | 37 \$     | 1.00(16) |
|                                           |                                                  | Senior secured revolving loan (\$51 par due 12/2012)     | 4.75% (Base Rate + 1.50%/M) | 4/1/2010   | 51     | 51 \$     | 1.00(16) |
| Cortec Group Fund IV, L.P.                | Investment partnership                           | Limited partnership interest (2.53% interest)            |                             | 4/1/2010   | 3,407  | 3,363     | (16)     |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                  |                                                  |                                                |           |       |          |          |
|----------------------------------|--------------------------------------------------|------------------------------------------------|-----------|-------|----------|----------|
| Covestia Capital Partners, LP(9) | Investment partnership                           | Limited partnership interest (47.00% interest) | 6/17/2008 | 1,059 | 1,021    | (16)     |
| Direct Capital Corporation       | Commercial equipment finance and leasing company | Senior secured loan (\$8,175 par due 1/2014)   | 4/1/2010  | 8,919 | 9,097 \$ | 1.09(13) |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                               | Industry                           | Investment                                          | Interest(5)(10)         | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|------------------------------------------|------------------------------------|-----------------------------------------------------|-------------------------|------------------|----------------|------------|---------------------|--------------------------|
|                                          |                                    | Senior subordinated loan (\$36,632 par due 3/2013)  |                         | 4/1/2010         | 1,190          | 1,017      | \$                  | 0.03(13)                 |
|                                          |                                    | Subordinated loan (\$19,039 par due 3/2013)         |                         | 4/1/2010         |                |            | \$                  | (13)                     |
|                                          |                                    | Common stock (2,317,020 shares)                     |                         | 4/1/2010         |                |            | \$                  |                          |
| Dryden XVIII Leveraged Loan 2007 Limited | Investment company                 | Class B notes (\$8,637 par due 10/2019)             | 5.03% (Libor + 4.50%/Q) | 4/1/2010         | 3,627          | 3,579      | \$                  | 0.41(16)                 |
|                                          |                                    | Subordinated notes (\$38,686 par due 10/2019)       | 10.20%                  | 4/1/2010         | 12,364         | 14,623     | \$                  | 0.38(16)                 |
| Dynamic India Fund IV                    | Investment company                 | Equity Interest                                     |                         | 4/1/2010         | 4,822          | 4,822      |                     | (16)                     |
| eCentury Capital Partners, L.P.          | Investment partnership             | Limited partnership interest (25.00% interest)      |                         | 4/1/2010         |                |            |                     |                          |
| Fidus Mezzanine Capital, L.P.            | Investment partnership             | Limited partnership interest (30.50% interest)      |                         | 4/1/2010         | 9,206          | 10,518     |                     |                          |
| Financial Pacific Company                | Commercial finance leasing company | Senior subordinated loan (\$20,255 par due 2/2012)  | 15.00% Cash, 2.00% PIK  | 4/1/2010         | 11,264         | 11,681     | \$                  | 0.60(4)(16)              |
|                                          |                                    | Senior subordinated loan (\$20,252 par due 2/2012)  | 15.00% Cash, 2.00% PIK  | 4/1/2010         | 11,263         | 11,679     | \$                  | 0.60(4)(16)              |
|                                          |                                    | Senior subordinated loan (\$18,640 par due 2/2012)  | 15.00% Cash, 2.00% PIK  | 4/1/2010         | 10,373         | 10,750     | \$                  | 0.60(4)(16)              |
|                                          |                                    | Subordinated loan (\$10,025 par due 8/2012)         | 18.00% Cash, 2.00% PIK  | 4/1/2010         |                |            | \$                  | (4)                      |
|                                          |                                    | Preferred stock (8,583 shares)                      |                         | 4/1/2010         |                |            | \$                  |                          |
|                                          |                                    | Preferred stock (424 shares)                        |                         | 4/1/2010         |                |            | \$                  |                          |
|                                          |                                    | Preferred stock (450 shares)                        |                         | 4/1/2010         |                |            | \$                  |                          |
|                                          |                                    | Common stock (12,711 shares)                        |                         | 4/1/2010         |                |            | \$                  |                          |
| Firstlight Financial Corporation(6)(9)   | Investment company                 | Senior subordinated loan (\$73,440 par due 12/2016) | 1.00% PIK               | 12/31/2006       | 73,313         | 48,295     | \$                  | 0.66(4)(16)              |
|                                          |                                    | Common stock (10,000 shares)                        |                         | 12/31/2006       | 10,000         |            | \$                  |                          |
|                                          |                                    | Common stock (30,000 shares)                        |                         | 12/31/2006       | 30,000         |            | \$                  |                          |
| HCI Equity, LLC                          | Investment company                 | Member interest (1.00% interest)                    |                         | 4/1/2010         | 808            | 913        |                     | (16)                     |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                               |                             |                                                              |                         |            |         |         |    |              |
|-------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------|-------------------------|------------|---------|---------|----|--------------|
| Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP(9) | Investment banking services | Common units (2,526 units)                                   |                         | 5/10/2007  | 3       | 4,561   | \$ | 1,805.62(16) |
|                                                                               |                             | Common units (315 units)                                     |                         | 5/10/2007  |         | 569     | \$ | 1,806.35(16) |
|                                                                               |                             | Common units (7,710 units)                                   |                         | 5/10/2007  | 14,997  | 13,921  | \$ | 1,805.58(16) |
|                                                                               |                             | Limited partnership interest (80% interest)                  |                         | 5/10/2007  | 6,794   | 6,216   |    | (16)         |
| Ivy Hill Asset Management, L.P. (7)                                           | Investment manager          | Member interest                                              |                         | 6/15/2009  | 85,424  | 105,044 |    | (16)         |
| Ivy Hill Middle Market Credit Fund, Ltd.(7)(8)(9)                             | Investment company          | Subordinated notes (\$15,351 par due 11/2018)                | 15.50%                  | 11/20/2007 | 15,351  | 14,737  | \$ | 0.96(16)     |
|                                                                               |                             | Class B deferrable interest notes (\$40,000 par due 11/2018) | 6.25% (Libor + 6.00%/Q) | 11/20/2007 | 40,000  | 37,600  | \$ | 0.94(16)     |
| Knightsbridge CLO 2007-1 Ltd. (7)                                             | Investment company          | Class E interest notes (\$20,350 par due 1/2022)             | 9.53% (Libor + 9.00%/Q) | 3/24/2010  | 14,852  | 11,347  | \$ | 0.56(16)     |
| Knightsbridge CLO 2008-1 Ltd. (7)                                             | Investment company          | Class C interest notes (\$14,400 par due 6/2018)             | 8.03% (Libor + 7.50%/Q) | 3/24/2010  | 14,400  | 14,400  | \$ | 1.00(16)     |
|                                                                               |                             | Class D interest notes (\$9,000 par due 6/2018)              | 9.03% (Libor + 8.50%/Q) | 3/24/2010  | 9,000   | 9,000   | \$ | 1.00(16)     |
|                                                                               |                             | Class E interest notes (\$14,850 par due 6/2018)             | 5.53% (Libor + 5.00%/Q) | 3/24/2010  | 13,596  | 9,954   | \$ | 0.67(16)     |
| Kodiak Fund LP                                                                | Investment partnership      | Limited partnership interest (4.00% interest)                |                         | 4/1/2010   | 941     | 962     |    |              |
| Novak Biddle Venture Partners III, L.P.                                       | Investment partnership      | Limited partnership interest (2.46% interest)                |                         | 4/1/2010   | 697     | 685     |    |              |
| Pangaea CLO 2007-1 Ltd.                                                       | Investment company          | Class D notes (\$15,000 par due 1/2021)                      | 5.28% (Libor + 4.75%/Q) | 4/1/2010   | 8,889   | 7,722   | \$ | 0.51(16)     |
| Partnership Capital Growth Fund I, LP(9)                                      | Investment partnership      | Limited partnership interest (25% interest)                  |                         | 6/16/2006  | 2,390   | 2,053   |    | (16)         |
| Senior Secured Loan Fund LLC (7)                                              | Investment partnership      | Subordinated certificates (\$201,257 par due 12/2015)        | 15.94%                  | 10/30/2009 | 190,535 | 202,800 | \$ | 1.01(16)     |
| Slate Equity LLC                                                              | Investment company          | Member interest (0.40% interest)                             |                         | 4/1/2010   | 7       | 7       |    | (16)         |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                          | Industry                                     | Investment                                              | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value     | Fair Value Per Unit | Percentage of Net Assets |
|-------------------------------------|----------------------------------------------|---------------------------------------------------------|-----------------------------|------------------|----------------|----------------|---------------------|--------------------------|
| SPP Mezzanine Funding II, L.P.      | Investment partnership                       | Limited partnership interest (42.73% interest)          |                             | 4/1/2010         | 5,904          | 5,649          | (16)                |                          |
| Trivergance Capital Partners, LP(9) | Investment partnership                       | Limited partnership interest (100% interest)            |                             | 6/5/2008         | 2,625          |                |                     |                          |
| VSC Investors LLC(9)                | Investment company                           | Membership interest (4.63% interest)                    |                             | 1/24/2008        | 805            | 652            | (16)                |                          |
| Webster Capital II, L.P.            | Investment partnership                       | Limited partnership interest (3.33% interest)           |                             | 4/1/2010         | 687            | 690            | (16)                |                          |
|                                     |                                              |                                                         |                             |                  | <b>850,065</b> | <b>831,789</b> |                     | <b>30.67%</b>            |
| <b>Business Services</b>            |                                              |                                                         |                             |                  |                |                |                     |                          |
| 10th Street, LLC                    | Real estate holding company                  | Senior subordinated loan (\$22,781 par due 11/2014)     | 8.93% Cash, 4.07% PIK       | 4/1/2010         | 22,781         | 22,781 \$      | 1.00(4)(16)         |                          |
|                                     |                                              | Member interest (10.00% interest)                       |                             | 4/1/2010         | 594            | 596            |                     |                          |
|                                     |                                              | Option (25,000 shares)                                  |                             | 4/1/2010         | 25             | 35 \$          | 1.40                |                          |
| Avborne, Inc.                       | Aviation services                            | Common stock (27,500 shares)                            |                             | 4/1/2010         | 39             | 39 \$          | 1.42(16)            |                          |
| Aviation Properties Corporation     | Aviation services                            | Common stock (100 shares)                               |                             | 4/1/2010         |                | \$             |                     |                          |
| BenefitMall Holdings, Inc.          | Insurance general agency to small businesses | Senior subordinated loan (\$40,326 par due 6/2014)      | 18.00%                      | 4/1/2010         | 40,326         | 40,326 \$      | 1.00                |                          |
|                                     |                                              | Common stock (39,274,290 shares)                        |                             | 4/1/2010         | 53,510         | 57,647 \$      | 1.47(16)            |                          |
|                                     |                                              | Warrants                                                |                             | 4/1/2010         |                | \$             |                     |                          |
| Booz Allen Hamilton, Inc.           | Strategy and technology consulting services  | Senior subordinated loan (\$250 par due 7/2016)         | 13.00%                      | 7/31/2008        | 221            | 250 \$         | 1.00(16)            |                          |
|                                     |                                              | Senior subordinated loan (\$12,400 par due 7/2016)      | 13.00%                      | 7/31/2008        | 12,311         | 12,400 \$      | 1.00(2)(16)         |                          |
|                                     |                                              | Senior secured loan (\$737 par due 7/2015)              | 7.50% (Libor + 4.50%/Q)     | 7/31/2008        | 728            | 737 \$         | 1.00(3)(14)         |                          |
| CitiPostal Inc.                     | Document storage and management services     | Senior secured revolving loan (\$691 par due 12/2013)   | 6.50% (Libor + 4.50%/M)     | 4/1/2010         | 691            | 691 \$         | 1.00(14)(16)        |                          |
|                                     |                                              | Senior secured revolving loan (\$1,250 par due 12/2013) | 6.75% (Base Rate + 3.50%/Q) | 4/1/2010         | 1,250          | 1,250 \$       | 1.00(16)            |                          |
|                                     |                                              | Senior secured loan (\$487 par due 12/2013)             | 11.00% Cash, 2.00% PIK      | 4/1/2010         | 487            | 487 \$         | 1.00(4)(16)         |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                         |                                        |                                                                 |                             |           |        |        |    |              |
|-----------------------------------------|----------------------------------------|-----------------------------------------------------------------|-----------------------------|-----------|--------|--------|----|--------------|
|                                         |                                        | Senior secured loan (\$49,838 par due 12/2013)                  | 11.00% Cash, 2.00% PIK      | 4/1/2010  | 49,838 | 49,838 | \$ | 1.00(2)(4)   |
|                                         |                                        | Senior subordinated loan (\$11,566 par due 12/2015)             | 16.00% PIK                  | 4/1/2010  | 11,566 | 11,566 | \$ | 1.00(4)(16)  |
|                                         |                                        | Common stock (37,024 shares)                                    |                             | 4/1/2010  |        |        | \$ |              |
| Cook Inlet Alternative Risk, LLC        | Risk management services               | Senior secured loan (\$40,000 par due 4/2013)                   |                             | 4/1/2010  | 25,124 | 25,114 | \$ | 0.63(13)(16) |
|                                         |                                        | Senior secured loan (\$47,600 par due 4/2013)                   |                             | 4/1/2010  | 29,876 | 29,886 | \$ | 0.63(13)(16) |
|                                         |                                        | Member interest (3.17% interest)                                |                             | 4/1/2010  |        |        |    |              |
| Coverall North America, Inc.            | Commercial janitorial service provider | Senior secured loan (\$15,763 par due 7/2011)                   | 12.00%                      | 4/1/2010  | 15,763 | 15,763 | \$ | 1.00(2)      |
|                                         |                                        | Senior secured loan (\$15,864 par due 7/2011)                   | 12.00%                      | 4/1/2010  | 15,864 | 15,864 | \$ | 1.00(2)      |
|                                         |                                        | Senior subordinated loan (\$5,563 par due 7/2011)               | 15.00% Cash, 1.00% PIK      | 4/1/2010  | 5,563  | 5,563  | \$ | 1.00(4)(16)  |
|                                         |                                        | Common stock (763,333 shares)                                   |                             | 4/1/2010  | 2,999  | 4,380  | \$ | 5.74(16)     |
| Digital VideoStream, LLC                | Media post production company          | Senior secured loan (\$262 par due 2/2012)                      | 10.00% Cash, 1.00% PIK      | 4/1/2010  | 262    | 262    | \$ | 1.00(2)(4)   |
|                                         |                                        | Senior secured loan (\$7 par due 2/2012)                        | 10.00% Cash, 1.00% PIK      | 4/1/2010  | 7      | 7      | \$ | 0.94(2)(4)   |
|                                         |                                        | Senior secured loan (\$10,817 par due 2/2012)                   | 11.00% Cash, 1.00% PIK      | 4/1/2010  | 10,817 | 10,817 | \$ | 1.00(2)(4)   |
|                                         |                                        | Convertible subordinated loan (\$5,271 par due 2/2016)          | 10.00% PIK                  | 4/1/2010  | 5,706  | 5,271  | \$ | 1.00(4)(16)  |
| Diversified Mercury Communications, LLC | Business media consulting services     | Senior secured loan (\$2,141 par due 3/2013)                    | 8.00% (Base Rate + 4.50%/Q) | 4/1/2010  | 1,945  | 1,707  | \$ | 0.85(14)(16) |
| Gordian Acquisition Corporation         |                                        | Member interest (100% interest)                                 |                             | 4/1/2010  |        |        |    |              |
| Impact Innovations Group, LLC           | IT consulting and outsourcing services | Member interest (50.00% interest)                               |                             | 4/1/2010  |        |        |    |              |
| Investor Group Services, LLC(6)         | Financial services                     | Limited liability company membership interest (10.00% interest) |                             | 6/22/2006 |        | 500    |    |              |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                               | Industry                                        | Investment                                          | Interest(5)(10)         | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|----------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|-------------------------|------------------|----------------|------------|---------------------|--------------------------|
| Market Track Holdings, LLC                               | Business media consulting services company      | Senior subordinated loan (\$24,337 par due 6/2014)  | 11.50% Cash, 4.40% PIK  | 4/1/2010         | 24,337         | 24,337 \$  | 1.00(4)(16)         |                          |
| Multi-Ad Services, Inc.                                  | Marketing services and software provider        | Senior secured loan (\$1,878 par due 11/2011)       | 11.25%                  | 4/1/2010         | 1,878          | 1,878 \$   | 1.00(16)            |                          |
|                                                          |                                                 | Member interest (10.50% interest)                   |                         | 4/1/2010         |                |            |                     |                          |
|                                                          |                                                 | Preferred equity                                    |                         | 4/1/2010         | 788            | 1,286 \$   | 0.74(16)            |                          |
| MVL Group, Inc.                                          | Marketing research provider                     | Senior secured loan (\$25,260 par due 7/2012)       | 12.00%                  | 4/1/2010         | 25,260         | 25,260 \$  | 1.00(16)            |                          |
|                                                          |                                                 | Senior subordinated loan (\$36,894 par due 7/2012)  | 12.00% Cash, 2.50% PIK  | 4/1/2010         | 35,669         | 36,073 \$  | 0.98(4)(16)         |                          |
|                                                          |                                                 | Senior subordinated loan (\$144 par due 7/2012)     | 10.00%                  | 4/1/2010         |                |            | \$                  |                          |
|                                                          |                                                 | Common stock (554,091 shares)                       |                         | 4/1/2010         |                |            | \$                  |                          |
|                                                          |                                                 | Common stock (6,625 shares)                         |                         | 4/1/2010         |                |            | \$                  |                          |
| PC Helps Support, LLC                                    | Technology support provider                     | Senior secured loan (\$7,390 par due 12/2013)       | 3.60% (Libor + 3.25%/M) | 4/1/2010         | 7,390          | 7,316 \$   | 0.99(3)             |                          |
|                                                          |                                                 | Senior subordinated loan (\$24,150 par due 12/2013) | 12.76%                  | 4/1/2010         | 24,150         | 24,150 \$  | 1.00(16)            |                          |
| Penn Detroit Diesel Allison, LLC                         | Distributor of engines, transmissions and parts | Member interest (87.60% interest)                   |                         | 4/1/2010         | 20,069         | 17,200     | (16)                |                          |
| Pillar Holdings LLC and PHL Holding Co.(6)               | Mortgage services                               | Senior secured loan (\$1,875 par due 5/2014)        | 14.50%                  | 7/31/2008        | 1,875          | 1,875 \$   | 1.00(16)            |                          |
|                                                          |                                                 | Senior secured loan (\$5,500 par due 5/2014)        | 14.50%                  | 7/31/2008        | 5,500          | 5,500 \$   | 1.00(2)(16)         |                          |
|                                                          |                                                 | Senior secured loan (\$15,144 par due 11/2013)      | 5.93% (Libor + 5.50%/B) | 11/20/2007       | 15,144         | 15,144 \$  | 1.00(2)             |                          |
|                                                          |                                                 | Senior secured loan (\$9,452 par due 11/2013)       | 5.93% (Libor + 5.50%/B) | 11/20/2007       | 9,452          | 9,452 \$   | 1.00(3)             |                          |
|                                                          |                                                 | Common stock (84.78 shares)                         |                         | 11/20/2007       | 3,768          | 9,193 \$   | 108,433.59(16)      |                          |
| Primis Marketing Group, Inc. and Primis Holdings, LLC(6) | Database marketing services                     | Senior subordinated loan (\$10,222 par due 2/2013)  |                         | 8/24/2006        | 10,222         | 102 \$     | 0.01(13)(16)        |                          |
|                                                          |                                                 | Preferred units (4,000 units)                       |                         | 8/24/2006        | 3,600          | \$         |                     |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                                                                                             |                                                                 | Common units<br>(4,000,000 units)                   |                        | 8/24/2006  | 400            | \$             |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------|------------------------|------------|----------------|----------------|----------------|
| 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 loan (\$16,704 par due 2/2014)  | 11.50% Cash, 2.00% PIK | 2/8/2007   | 16,704         | 16,704 \$      | 1.00(4)(16)    |
|                                                                                                                                                                             |                                                                 | Senior subordinated loan (\$26,897 par due 2/2014)  | 11.50% Cash, 2.00% PIK | 2/8/2007   | 26,897         | 26,897 \$      | 1.00(2)(4)(16) |
|                                                                                                                                                                             |                                                                 | Preferred units (30,000 units)                      |                        | 4/11/2006  | 3,000          | 7,000 \$       | 5.83(16)       |
| Promo Works, LLC                                                                                                                                                            | Provider of in-store sampling programs                          | Senior secured loan (\$20,739 par due 12/2012)      | 12.00% Cash, 6.00% PIK | 4/1/2010   | 7,940          | 11,720 \$      | 0.57(4)(16)    |
| R2 Acquisition Corp.                                                                                                                                                        | Marketing services                                              | Common stock (250,000 shares)                       |                        | 5/29/2007  | 250            | 250 \$         | 1.00(16)       |
| Stag-Parkway, Inc.                                                                                                                                                          | Recreation vehicle parts distributor                            | Senior subordinated loan (\$19,044 par due 7/2012)  | 10.00%                 | 4/1/2010   | 19,044         | 19,044 \$      | 1.00           |
|                                                                                                                                                                             |                                                                 | Common stock (25,000 shares)                        |                        | 4/1/2010   | 17,767         | 22,254 \$      | 890.16(16)     |
| Summit Business Media, LLC                                                                                                                                                  | Business media consulting services                              | Junior secured loan (\$11,930 par due 7/2014)       |                        | 8/3/2007   | 10,276         | 596 \$         | 0.05(3)(13)    |
| Summit Energy Services, Inc.                                                                                                                                                | Provider of energy management and procurement services          | Common stock (30,356 shares)                        |                        | 4/1/2010   | 184            | 184 \$         | 6.06           |
|                                                                                                                                                                             |                                                                 | Common stock (385,626 shares)                       |                        | 4/1/2010   | 2,336          | 2,343 \$       | 6.08           |
| Tradesmen International, Inc.                                                                                                                                               | Construction labor support                                      | Senior subordinated loan (\$20,000 par due 12/2014) | 10.00%                 | 4/1/2010   | 14,048         | 17,405 \$      | 0.87(16)       |
|                                                                                                                                                                             |                                                                 | Warrants                                            |                        | 4/1/2010   |                | \$             |                |
| VSS-Tranzact Holdings, LLC(6)                                                                                                                                               | Management consulting services                                  | Common membership interest (8.51% interest)         |                        | 10/26/2007 | 10,204         | 6,483          |                |
| Trover Solutions, Inc.                                                                                                                                                      | Healthcare collections services                                 | Senior subordinated loan (\$52,829 par due 11/2012) | 10.50% Cash, 1.50% PIK | 4/1/2010   | 52,828         | 52,829 \$      | 1.00(4)(16)    |
| Venturehouse-Cibernet Investors, LLC                                                                                                                                        | Financial settlement services for intercarrier wireless roaming | Equity interest                                     |                        | 4/1/2010   |                |                |                |
|                                                                                                                                                                             |                                                                 |                                                     |                        |            | <b>679,273</b> | <b>676,252</b> | <b>24.93%</b>  |





Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                                           | Industry                                | Investment                                             | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|--------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------|-----------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Healthcare-Services</b>                                                           |                                         |                                                        |                             |                  |                |            |                     |                          |
| Air Medical Group Holdings LLC                                                       | Air ambulance services                  | Senior secured revolving loan (\$3,000 par due 3/2011) | 2.48% (Libor + 2.00%/Q)     | 4/1/2010         | 2,955          | 2,940      | \$ 0.98(16)         |                          |
|                                                                                      |                                         | Senior secured revolving loan (\$1,785 par due 3/2011) | 4.25% (Base Rate + 1.00%/Q) | 4/1/2010         | 1,758          | 1,749      | \$ 0.98(16)         |                          |
|                                                                                      |                                         | Preferred stock                                        |                             | 4/1/2010         | 15,107         | 19,076     | \$ 7.68(16)         |                          |
|                                                                                      |                                         | Preferred stock                                        |                             | 4/1/2010         | 3,098          | 3,912      | \$ 7.68(16)         |                          |
|                                                                                      |                                         | Common stock                                           |                             | 4/1/2010         |                |            | \$                  |                          |
| Axiom Healthcare Pharmacy, Inc.                                                      | Specialty pharmacy services             | Senior subordinated loan (\$3,224 par due 3/2015)      | 8.00% PIK                   | 4/1/2010         | 2,956          | 3,063      | \$ 0.95(4)          |                          |
| CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(6)     | Healthcare analysis services            | Preferred stock (7,427 shares)                         | 14.00% PIK                  | 6/15/2007        | 8,763          | 7,887      | \$ 1,061.91(4)(16)  |                          |
|                                                                                      |                                         | Common stock (9,679 shares)                            |                             | 6/15/2007        | 4,000          | 7,997      | \$ 826.22(16)       |                          |
|                                                                                      |                                         | Common stock (1,546 shares)                            |                             | 6/15/2007        |                | 1,227      | \$ 793.65(16)       |                          |
| DSI Renal, Inc.                                                                      | Dialysis provider                       | Senior secured loan (\$9,462 par due 3/2013)           | 9.00% (Libor + 7.00%/M)     | 4/4/2006         | 8,957          | 9,462      | \$ 1.00(14)(16)     |                          |
|                                                                                      |                                         | Senior subordinated loan (\$65,430 par due 4/2014)     | 6.00% Cash, 11.00% PIK      | 4/4/2006         | 64,942         | 64,769     | \$ 0.99(4)(16)      |                          |
|                                                                                      |                                         | Common units (19,726 units)                            |                             | 4/4/2006         | 19,684         | 22,554     | \$ 1,143.36(16)     |                          |
| GG Merger Sub I, Inc.                                                                | Drug testing services                   | Senior secured loan (\$11,330 par due 12/2014)         | 4.54% (Libor + 4.00%/Q)     | 12/14/2007       | 10,900         | 10,764     | \$ 0.95(2)          |                          |
|                                                                                      |                                         | Senior secured loan (\$12,000 par due 12/2014)         | 4.54% (Libor + 4.00%/Q)     | 12/14/2007       | 11,542         | 11,400     | \$ 0.95(3)          |                          |
| HCP Acquisition Holdings, LLC(7)                                                     | Healthcare compliance advisory services | Class A units (10,044,176 units)                       |                             | 6/26/2008        | 10,044         | 4,894      | \$ 0.49(16)         |                          |
| Heartland Dental Care, Inc.                                                          | Dental services                         | Senior subordinated loan (\$27,717 par due 7/2014)     | 14.25%                      | 7/31/2008        | 27,717         | 27,717     | \$ 1.00(16)         |                          |
| Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC | Healthcare professional provider        | Senior secured loan (\$4,335 par due 1/2012)           | 7.50% (Libor + 5.50%/M)     | 2/26/2010        | 4,292          | 4,335      | \$ 1.00(3)(14)(16)  |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                      |                                                                                                                      |                                                         |                                          |           |        |        |    |                 |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------------------|-----------|--------|--------|----|-----------------|
|                                                                                      |                                                                                                                      | Senior subordinated loan (\$54,000 par due 3/2015)      | 15.00% (Libor + 10.00% Cash, 3.00%PIK/Q) | 3/26/2010 | 54,000 | 54,000 | \$ | 1.00(4)(14)(6)  |
| MWD Acquisition Sub, Inc.                                                            | Dental services                                                                                                      | Junior secured loan (\$5,000 par due 5/2013)            | 6.60% (Libor + 6.25%/M)                  | 5/3/2007  | 5,000  | 4,700  | \$ | 0.94(3)         |
| MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.              | Healthcare equipment services                                                                                        | Junior secured loan (\$19,425 par due 1/2014)           |                                          | 1/31/2007 | 19,425 | 971    | \$ | 0.05(13)(16)    |
|                                                                                      |                                                                                                                      | Junior secured loan (\$11,655 par due 1/2014)           |                                          | 1/31/2007 | 11,655 | 583    | \$ | 0.05(3)(13)(16) |
|                                                                                      |                                                                                                                      | Common stock (50,000 shares)                            |                                          | 1/31/2007 | 5,000  |        | \$ |                 |
| NS Merger Sub, Inc. and NS Holdings, Inc.                                            | Healthcare technology provider                                                                                       | Senior subordinated loan (\$50,579 par due 6/2017)      | 13.50%                                   | 6/21/2010 | 50,579 | 50,579 | \$ | 1.00(16)        |
|                                                                                      |                                                                                                                      | Common stock (2,500,000 shares)                         |                                          | 6/21/2010 | 2,500  | 2,500  | \$ | 1.00(16)        |
| OnCURE Medical Corp.                                                                 | Radiation oncology care provider                                                                                     | Common stock (857,143 shares)                           |                                          | 8/18/2006 | 3,000  | 2,218  | \$ | 2.59(16)        |
| Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp. | Healthcare technology provider                                                                                       | Senior secured loan (\$11,487 par due 5/2014)           | 10.50% (Libor + 7.50%/B)                 | 5/9/2008  | 11,487 | 11,487 | \$ | 1.00(2)(14)     |
|                                                                                      |                                                                                                                      | Senior secured loan (\$10,604 par due 5/2014)           | 10.50% (Libor + 7.50%/B)                 | 5/9/2008  | 10,604 | 10,604 | \$ | 1.00(3)(14)     |
|                                                                                      |                                                                                                                      | Series A preferred stock (1,594,457 shares)             |                                          | 7/30/2008 | 9,900  | 9,900  | \$ | 6.21(16)        |
|                                                                                      |                                                                                                                      | Common stock (16,106 shares)                            |                                          | 7/30/2008 | 100    | 100    | \$ | 6.21(16)        |
| 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 | 3,943  | 4,000  | \$ | 1.00(16)        |
|                                                                                      |                                                                                                                      | Common stock (16,667 shares)                            |                                          | 3/12/2008 | 167    | 167    | \$ | 0.01(16)        |
|                                                                                      |                                                                                                                      | Preferred stock (333 shares)                            |                                          | 3/12/2008 | 333    | 333    | \$ | 999.01(16)      |
| Reed Group, Ltd.                                                                     | Medical disability management services provider and publisher                                                        | Senior secured revolving loan (\$1,088 par due 12/2013) |                                          | 4/1/2010  | 1,097  | 1,044  | \$ | 1.11(13)(16)    |
|                                                                                      |                                                                                                                      |                                                         |                                          | 4/1/2010  | 9,129  | 10,325 | \$ | 0.96(13)(16)    |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Senior secured loan  
(\$10,755 par due  
12/2013)

|                                                           |          |        |        |    |              |
|-----------------------------------------------------------|----------|--------|--------|----|--------------|
| Senior subordinated<br>loan (\$19,625 par<br>due 12/2013) | 4/1/2010 | 15,918 | 14,915 | \$ | 0.76(13)(16) |
|-----------------------------------------------------------|----------|--------|--------|----|--------------|

|                 |          |     |  |    |  |
|-----------------|----------|-----|--|----|--|
| Equity interest | 4/1/2010 | 203 |  | \$ |  |
|-----------------|----------|-----|--|----|--|

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                    | Industry                            | Investment                                              | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value     | Fair Value Per Unit | Percentage of Net Assets |
|-----------------------------------------------|-------------------------------------|---------------------------------------------------------|-----------------------------|------------------|----------------|----------------|---------------------|--------------------------|
| Regency Healthcare Group, LLC                 | Hospice provider                    | Preferred member interest (6.10% interest)              |                             | 4/1/2010         | 2,007          | 1,878 \$       | 1.44(16)            |                          |
| Soteria Imaging Services, LLC                 | Outpatient medical imaging provider | Junior secured loan (\$1,750 par due 11/2010)           | 14.50%                      | 4/1/2010         | 1,707          | 1,676 \$       | 0.96(16)            |                          |
|                                               |                                     | Junior secured loan (\$2,500 par due 11/2010)           | 12.50%                      | 4/1/2010         | 2,439          | 2,394 \$       | 0.96(16)            |                          |
|                                               |                                     | Preferred member interest (6.31% interest)              |                             | 4/1/2010         |                | \$             |                     |                          |
| U.S. Renal Care, Inc.                         |                                     | Senior subordinated loan (\$20,030 par due 5/2017)      | 11.25% Cash, 2.00% PIK      | 5/24/2010        | 20,030         | 20,030 \$      | 1.00(4)(16)         |                          |
| Univita Health, Inc.                          | Outsourced services provider        | Senior subordinated loan (\$20,776 par due 12/2014)     | 12.00% Cash, 3.00% PIK      | 12/22/2009       | 20,776         | 20,776 \$      | 1.00(4)(16)         |                          |
| VOTC Acquisition Corp.                        | Radiation oncology care provider    | Senior secured loan (\$7,503 par due 7/2012)            | 11.00% Cash, 2.00% PIK      | 6/30/2008        | 7,503          | 7,503 \$       | 1.00(4)(16)         |                          |
|                                               |                                     | Preferred stock (3,888,222 shares)                      |                             | 7/14/2008        | 8,749          | 7,511 \$       | 1.93                |                          |
|                                               |                                     |                                                         |                             |                  | <b>473,966</b> | <b>443,940</b> |                     | <b>16.37%</b>            |
| <b>Restaurants</b>                            |                                     |                                                         |                             |                  |                |                |                     |                          |
| ADF Capital, Inc. & ADF Restaurant Group, LLC | Restaurant owner and operator       | Senior secured revolving loan (\$2,010 par due 11/2012) | 6.50% (Libor + 3.50%/Q)     | 11/27/2006       | 2,010          | 2,010 \$       | 1.00(14)(16)        |                          |
|                                               |                                     | Senior secured revolving loan (\$233 par due 11/2012)   | 6.50% (Base Rate + 2.50%/Q) | 11/27/2006       | 233            | 233 \$         | 1.00(14)(16)        |                          |
|                                               |                                     | Senior secured loan (\$23,399 par due 11/2013)          | 12.50% (Libor + 6.50%/Q)    | 11/27/2006       | 23,405         | 23,399 \$      | 1.00(2)(14)         |                          |
|                                               |                                     | Senior secured loan (\$10,967 par due 11/2013)          | 12.50% (Libor + 6.50%/Q)    | 11/27/2006       | 10,967         | 10,967 \$      | 1.00(3)(14)         |                          |
|                                               |                                     | Promissory note (\$13,105 par due 11/2016)              | 12.00% PIK                  | 6/1/2006         | 13,093         | 13,093 \$      | 99.91(4)(16)        |                          |
|                                               |                                     | Warrants to purchase up to 0.61 shares                  |                             | 6/1/2006         |                | 665 \$         | 665,000.00(16)      |                          |
| Encanto Restaurants, Inc.(8)                  | Restaurant owner and operator       | Junior secured loan (\$20,997 par due 8/2013)           | 11.00%                      | 8/16/2006        | 20,997         | 19,947 \$      | 0.95(2)             |                          |
|                                               |                                     | Junior secured loan (\$3,999 par due 8/2013)            | 11.00%                      | 8/16/2006        | 3,999          | 3,799 \$       | 0.95(3)             |                          |
|                                               |                                     |                                                         |                             | 4/1/2010         | 6,144          | 6,119 \$       | 0.22(13)(16)        |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                      |                               |                                                           |                                                   |           |                |                |       |                 |           |
|------------------------------------------------------|-------------------------------|-----------------------------------------------------------|---------------------------------------------------|-----------|----------------|----------------|-------|-----------------|-----------|
| Hot Light Brands, Inc.                               | Real estate holding company   | Senior secured loan (\$28,662 par due 2/2011)             |                                                   |           |                |                |       |                 |           |
|                                                      |                               | Common stock (93,500 shares)                              |                                                   | 4/1/2010  |                |                | \$    |                 |           |
| Huddle House, Inc.                                   | Restaurant franchisor         | Senior subordinated loan (\$19,992 par due 12/2015)       | 12.00% Cash, 3.00% PIK                            | 4/1/2010  | 19,740         | 18,069         | \$    | 0.90(4)(16)     |           |
|                                                      |                               | Common stock (358,428 shares)                             |                                                   | 4/1/2010  |                |                | \$    |                 |           |
| OTG Management, Inc.                                 | Airport restaurant operator   | Junior secured loan (\$5,016 par due 6/2013)              | 16.00% (Libor + 13.00%/M), 14.00% Cash, 2.00% PIK | 6/19/2008 | 5,016          | 5,016          | \$    | 1.00(4)(14)(16) |           |
|                                                      |                               | Junior secured loan (\$41,178 par due 6/2013)             | 20.50% (Libor + 17.50%/M), 14.00% Cash, 6.50% PIK | 6/19/2008 | 41,213         | 41,178         | \$    | 1.00(4)(14)(16) |           |
|                                                      |                               | Warrants to purchase up to 100,857 shares of common stock |                                                   |           |                | 100            | 4,415 | \$              | 43.77(16) |
|                                                      |                               | Warrants to purchase up to 9 shares of common stock       |                                                   |           |                |                |       | \$              | (16)      |
| PMI Holdings, Inc.                                   | Restaurant owner and operator | Senior secured revolving loan (\$875 par due 5/2015)      | 10.00% (Libor + 8.00%/B)                          | 5/5/2010  | 875            | 875            | \$    | 1.00(14)(16)    |           |
|                                                      |                               | Senior secured loan (\$9,973 par due 5/2015)              | 10.00% (Libor + 800%/B)                           | 5/5/2010  | 9,973          | 9,973          | \$    | 1.00(2)(14)     |           |
|                                                      |                               | Senior secured loan (\$9,973 par due 5/2015)              | 10.00% (Libor + 800%/B)                           | 5/5/2010  | 9,973          | 9,973          | \$    | 1.00(3)(14)     |           |
|                                                      |                               | Senior secured loan (\$2 par due 5/2015)                  | 10.25% (Base Rate + 7.00%/M)                      | 5/5/2010  | 2              | 2              | \$    | 1.00(2)         |           |
|                                                      |                               | Senior secured loan (\$2 par due 5/2015)                  | 10.25% (Base Rate + 7.00%/M)                      | 5/5/2010  | 2              | 2              | \$    | 1.00(3)         |           |
| S.B. Restaurant Company                              | Restaurant owner and operator | Senior secured loan (\$38,327 par due 4/2011)             | 11.75%                                            | 4/1/2010  | 28,546         | 33,747         | \$    | 0.88(16)        |           |
|                                                      |                               | Preferred stock (46,690 shares)                           |                                                   | 4/1/2010  |                |                | \$    |                 |           |
|                                                      |                               | Warrants                                                  |                                                   | 4/1/2010  |                |                | \$    |                 |           |
| Vistar Corporation and Wellspring Distribution Corp. | Food service distributor      | Senior subordinated loan (\$31,625 par due 5/2015)        | 13.50%                                            | 5/23/2008 | 31,625         | 30,676         | \$    | 0.97(16)        |           |
|                                                      |                               | Senior subordinated loan (\$30,000 par due 5/2015)        | 13.50%                                            | 5/23/2008 | 30,000         | 29,100         | \$    | 0.97(2)(16)     |           |
|                                                      |                               | Class A non-voting common stock (1,366,120 shares)        |                                                   | 5/23/2008 | 7,500          | 4,500          | \$    | 3.29(16)        |           |
|                                                      |                               |                                                           |                                                   |           | <b>265,413</b> | <b>267,758</b> |       | <b>9.87%</b>    |           |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                         | Industry                                                     | Investment                                          | Interest(5)(10)          | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|--------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|--------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Education</b>                                                   |                                                              |                                                     |                          |                  |                |            |                     |                          |
| Campus Management Corp. and Campus Management Acquisition Corp.(6) | Education software developer                                 | Senior secured loan (\$3,306 par due 8/2013)        | 10.00% Cash, 3.00% PIK   | 2/8/2008         | 3,306          | 3,306 \$   | 1.00(4)(15)(16)     |                          |
|                                                                    |                                                              | Senior secured loan (\$30,731 par due 8/2013)       | 10.00% Cash, 3.00% PIK   | 2/8/2008         | 30,731         | 30,731 \$  | 1.00(2)(4)(15)(16)  |                          |
|                                                                    |                                                              | Senior secured loan (\$9,098 par due 8/2013)        | 10.00% Cash, 3.00% PIK   | 2/8/2008         | 9,098          | 9,098 \$   | 1.00(4)(15)(16)     |                          |
|                                                                    |                                                              | Preferred stock (493,147 shares)                    | 8.00% PIK                | 2/8/2008         | 9,949          | 18,005 \$  | 36.51(4)(16)        |                          |
| Community Education Centers, Inc.                                  | Offender re-entry and in-prison treatment services provider  | Senior subordinated loan (\$38,096 par due 11/2013) |                          | 4/1/2010         | 35,203         | 35,810 \$  | 0.94(13)(16)        |                          |
| eInstruction Corporation                                           | Provider of student response systems                         | Junior secured loan (\$17,000 par due 7/2014)       | 7.85% (Libor + 7.50%/M)  | 4/1/2010         | 14,563         | 14,960 \$  | 0.88(16)            |                          |
|                                                                    |                                                              | Senior subordinated loan (\$21,487 par due 1/2015)  | 16.00% PIK               | 4/1/2010         | 19,486         | 19,983 \$  | 0.93(4)(16)         |                          |
|                                                                    |                                                              | Common stock (2,406 shares)                         |                          | 4/1/2010         | 926            | 1,256 \$   | 522.03(16)          |                          |
| ELC Acquisition Corporation                                        | Developer, manufacturer and retailer of educational products | Senior secured loan (\$161 par due 11/2012)         | 3.60% (Libor + 3.25%/M)  | 11/30/2006       | 161            | 161 \$     | 1.00(3)             |                          |
|                                                                    |                                                              | Junior secured loan (\$8,333 par due 11/2013)       | 7.35% (Libor + 7.00%/M)  | 11/30/2006       | 8,333          | 8,333 \$   | 1.00(3)             |                          |
| Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(8)   | Private school operator                                      | Series C preferred stock (1,994,644 shares)         |                          | 6/7/2010         | 547            | 2,586 \$   | 1.30(16)            |                          |
|                                                                    |                                                              | Series C preferred stock (517,942 shares)           |                          | 6/7/2010         | 142            | 672 \$     | 1.30(16)            |                          |
|                                                                    |                                                              | Common stock (16 shares)                            |                          | 6/7/2010         |                | \$         | (16)                |                          |
|                                                                    |                                                              | Common stock (4 shares)                             |                          | 6/7/2010         |                | \$         | (16)                |                          |
| JTC Education Holdings, Inc.                                       | Postsecondary school operator                                | Senior secured loan (\$20,250 par due 12/2014)      | 12.50% (Libor + 9.50%/M) | 12/31/2009       | 20,250         | 20,250 \$  | 1.00(14)(16)        |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                                            |                                                  |                                                   |                             |            |                |                |                 |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|-----------------------------|------------|----------------|----------------|-----------------|
|                                                                                                                            |                                                  | Senior secured loan (\$11,000 par due 12/2014)    | 12.50% (Libor + 9.50%/M)    | 12/31/2009 | 11,000         | 11,000 \$      | 1.00(3)(14)(16) |
| R3 Education, Inc. (formerly known as Equinox EIC Partners, LLC and MUA Management Company) and EIC Acquisitions Corp. (8) | Medical school operator                          | Senior secured loan (\$7,275 par due 4/2013)      | 9.00% (Libor + 6.00%/M)     | 4/3/2007   | 7,275          | 10,802 \$      | 1.48(3)(14)     |
|                                                                                                                            |                                                  | Senior secured loan (\$10,113 par due 4/2013)     | 9.00% (Libor + 6.00%/Q)     | 9/21/2007  | 10,113         | 15,016 \$      | 1.48(14)(16)    |
|                                                                                                                            |                                                  | Senior secured loan (\$4,000 par due 4/2013)      | 9.00% (Libor + 6.00%/Q)     | 9/21/2007  | 4,000          | 5,939 \$       | 1.48(3)(14)(16) |
|                                                                                                                            |                                                  | Senior secured loan (\$5,371 par due 4/2013)      | 13.00% PIK                  | 12/8/2009  | 1,742          | 7,975 \$       | 1.48(4)(16)     |
|                                                                                                                            |                                                  | Preferred stock (8,800 shares)                    |                             | 7/30/2008  | 2,200          | 1,100 \$       | 125.00(16)      |
|                                                                                                                            |                                                  | Warrants to purchase up to 27,890 shares          |                             | 12/8/2009  |                | \$             |                 |
|                                                                                                                            |                                                  | Common membership interest (26.27% interest)      |                             | 9/21/2007  | 15,800         | 20,196         | (16)            |
|                                                                                                                            |                                                  |                                                   |                             |            | <b>204,825</b> | <b>237,179</b> | <b>8.74%</b>    |
| <b>Beverage, Food and Tobacco</b>                                                                                          |                                                  |                                                   |                             |            |                |                |                 |
| Apple & Eve, LLC and US Juice Partners, LLC(6)                                                                             | Juice manufacturer                               | Senior secured loan (\$14,242 par due 10/2013)    | 12.00% (Libor + 9.00%/M)    | 10/5/2007  | 14,242         | 14,242 \$      | 1.00(14)(16)    |
|                                                                                                                            |                                                  | Senior secured loan (\$14,985 par due 10/2013)    | 12.00% (Libor + 9.00%/M)    | 10/5/2007  | 14,985         | 14,985 \$      | 1.00(3)(14)(16) |
|                                                                                                                            |                                                  | Senior units (50,000 units)                       |                             | 10/5/2007  | 5,000          | 5,500 \$       | 110.00          |
| Border Foods, Inc.                                                                                                         | Mexican ingredient and food product manufacturer | Senior secured loan (\$4,250 par due 3/2012)      | 9.00% (Base Rate + 4.00%/M) | 4/1/2010   | 4,250          | 4,250 \$       | 1.00(3)(14)     |
|                                                                                                                            |                                                  | Senior secured loan (\$29,876 par due 3/2012)     | 13.50%                      | 4/1/2010   | 29,876         | 29,876 \$      | 1.00(16)        |
|                                                                                                                            |                                                  | Preferred stock (100,000 shares)                  |                             | 4/1/2010   | 21,346         | 21,808 \$      | 218.08(16)      |
|                                                                                                                            |                                                  | Common stock (148,838 shares)                     |                             | 4/1/2010   | 13,472         | 5,942 \$       | 39.92(16)       |
|                                                                                                                            |                                                  | Common stock (87,707 shares)                      |                             | 4/1/2010   |                | 3,502 \$       | 39.92(16)       |
|                                                                                                                            |                                                  | Common stock (23,922 shares)                      |                             | 4/1/2010   |                | 955 \$         | 39.92(16)       |
| Bumble Bee Foods, LLC and BB Co-Invest LP                                                                                  | Canned seafood manufacturer                      | Common stock (4,000 shares)                       |                             | 11/18/2008 | 4,000          | 8,480 \$       | 2,120.00(16)    |
| Charter Baking Company, Inc.                                                                                               | Baked goods manufacturer                         | Senior subordinated loan (\$6,272 par due 2/2013) | 13.00% PIK                  | 2/6/2008   | 6,272          | 6,272 \$       | 1.00(4)(16)     |
|                                                                                                                            |                                                  |                                                   |                             | 9/1/2006   | 2,500          | 1,725 \$       | 275.64(16)      |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Preferred stock  
(6,258 shares)

|                           |                                             |                                                          |                             |          |       |          |          |
|---------------------------|---------------------------------------------|----------------------------------------------------------|-----------------------------|----------|-------|----------|----------|
| Distant Lands Trading Co. | Provider of premium coffee and coffee beans | Senior secured revolving loan (\$10,000 par due 11/2011) | 8.25% (Base Rate + 5.00%/Q) | 4/1/2010 | 9,829 | 9,500 \$ | 0.95(16) |
|---------------------------|---------------------------------------------|----------------------------------------------------------|-----------------------------|----------|-------|----------|----------|

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                | Industry                                             | Investment                                         | Interest(5)(10)         | Acquisition Date | Amortized Cost | Fair Value     | Fair Value Per Unit | Percentage of Net Assets |
|-----------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|-------------------------|------------------|----------------|----------------|---------------------|--------------------------|
|                                                           |                                                      | Senior secured loan (\$43,581 par due 11/2011)     | 13.00%                  | 4/1/2010         | 42,831         | 41,402 \$      | 0.95(16)            |                          |
|                                                           |                                                      | Common stock (1,294 shares)                        |                         | 4/1/2010         | 980            | 353 \$         | 272.80(16)          |                          |
|                                                           |                                                      | Common stock (2,157 shares)                        |                         | 4/1/2010         |                | 588 \$         | 272.60(16)          |                          |
| Hot Stuff Foods, LLC                                      | Food service to convenience stores                   | Senior secured loan (\$38,377 par due 2/2012)      | 3.85% (Libor + 3.50%/M) | 4/1/2010         | 38,377         | 38,377 \$      | 1.00(16)            |                          |
|                                                           |                                                      | Junior secured loan (\$31,320 par due 8/2012)      |                         | 4/1/2010         | 24,581         | 25,423 \$      | 0.81(13)(16)        |                          |
|                                                           |                                                      | Senior subordinated loan (\$31,532 par due 2/2013) |                         | 4/1/2010         |                | \$             | (13)                |                          |
|                                                           |                                                      | Subordinated loan (\$20,841 par due 2/2013)        |                         | 4/1/2010         |                | \$             | (13)                |                          |
|                                                           |                                                      | Common stock (25,001 shares)                       |                         | 4/1/2010         |                | \$             |                     |                          |
|                                                           |                                                      | Common stock (1,122,452 shares)                    |                         | 4/1/2010         |                | \$             |                     |                          |
|                                                           |                                                      |                                                    |                         |                  | <b>232,541</b> | <b>233,180</b> |                     | <b>8.60%</b>             |
| <b>Consumer Products-Durable</b>                          |                                                      |                                                    |                         |                  |                |                |                     |                          |
| Bushnell, Inc.                                            | Sports optics manufacturer                           | Senior subordinated loan (\$41,325 par due 2/2014) | 6.79% (Libor + 6.50%/Q) | 4/1/2010         | 29,493         | 28,928 \$      | 0.70(16)            |                          |
| Carlisle Wide Plank Floors, Inc.                          | Hardwood floor manufacturer                          | Senior secured loan (\$1,675 par due 6/2011)       | 12.00% Cash, 2.00% PIK  | 4/1/2010         | 1,538          | 1,508 \$       | 0.90(4)(16)         |                          |
|                                                           |                                                      | Member interest (3.80% interest)                   |                         | 4/1/2010         |                |                |                     |                          |
|                                                           |                                                      | Common stock (345,056 shares)                      |                         | 4/1/2010         |                |                |                     |                          |
| Direct Buy Holdings, Inc. and Direct Buy Investors, LP(6) | Membership-based buying club franchisor and operator | Senior secured loan (\$2,121 par due 11/2012)      | 7.75% (Libor + 6.00%/M) | 12/14/2007       | 2,064          | 2,015 \$       | 0.95(2)(14)         |                          |
|                                                           |                                                      | Senior subordinated loan (\$79,999 par due 5/2013) | 12.00% Cash, 4.00% PIK  | 4/1/2010         | 75,723         | 75,999 \$      | 0.95(4)(16)         |                          |
|                                                           |                                                      | Limited partnership interest                       |                         | 4/1/2010         | 3,112          | 3,054          | (16)                |                          |
|                                                           |                                                      | Partnership interests (19.31% interest)            |                         | 11/30/2007       | 10,000         | 4,000          | (16)                |                          |
| The Step2 Company, LLC                                    | Manufacturer of plastic childrens and home products  | Senior secured loan (\$94,359 par due 4/2012)      | 12.00% Cash, 1.00% PIK  | 4/1/2010         | 89,307         | 85,856 \$      | 0.91(4)(16)         |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|  |                           |  |  |          |                |                |    |              |
|--|---------------------------|--|--|----------|----------------|----------------|----|--------------|
|  | Common equity interest    |  |  | 4/1/2010 |                |                | \$ |              |
|  | Preferred equity interest |  |  | 4/1/2010 | 24             |                | \$ | (16)         |
|  |                           |  |  |          | <b>211,261</b> | <b>201,360</b> |    | <b>7.42%</b> |

**Consumer Products-Non-durable**

|                                                              |                                                  |                                                        |                              |            |                |                |    |              |
|--------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------|------------------------------|------------|----------------|----------------|----|--------------|
| Blacksmith Brands Holdings, Inc. and Blacksmith Brands, Inc. | Consumer products and personal care manufacturer | Senior secured loan (\$22,229 par due 12/2014)         | 12.50% (Base Rate + 8.50%/Q) | 10/23/2009 | 22,229         | 22,229         | \$ | 1.00(14)(16) |
| Gilchrist & Soames, Inc.                                     | Personal care manufacturer                       | Senior subordinated loan (\$23,519 par due 10/2013)    | 13.44%                       | 4/1/2010   | 22,632         | 22,814         | \$ | 0.97(16)     |
| Ideal Snacks Corporation                                     | Snacks manufacturer                              | Senior secured revolving loan (\$1,053 par due 6/2011) | 8.50% (Base Rate + 4.00%/M)  | 4/1/2010   | 1,053          | 1,000          | \$ | 0.95(14)(16) |
| Insight Pharmaceuticals Corporation                          | Marketer of OTC pharmaceuticals                  | Senior subordinated loan (\$54,994 par due 9/2012)     | 13.00% Cash, 2.00% PIK       | 4/1/2010   | 54,994         | 54,994         | \$ | 1.00(4)(16)  |
|                                                              |                                                  | Common stock (155,000 shares)                          |                              | 4/1/2010   | 12,070         | 10,244         | \$ | 66.09(16)    |
| Making Memories Wholesale, Inc.(7)                           | Scrapbooking branded products manufacturer       | Senior secured loan (\$9,625 par due 8/2014)           | 10.00% (Base Rate + 5.50%/Q) | 8/21/2009  | 7,670          | 9,625          | \$ | 1.00(14)(16) |
|                                                              |                                                  | Senior secured loan (\$5,334 par due 8/2014)           | 7.50% Cash, 7.50% PIK        | 8/21/2009  | 4,137          | 267            | \$ | 0.05(4)(16)  |
|                                                              |                                                  | Senior secured revolving loan (\$500 par due 8/2014)   | 10.00% (Libor + 6.50%/Q)     | 8/21/2009  | 500            | 500            | \$ | 1.00(14)(16) |
|                                                              |                                                  | Common stock (100 shares)                              |                              | 8/21/2009  |                |                | \$ |              |
| The Thymes, LLC(7)                                           | Cosmetic products manufacturer                   | Preferred stock (6,283 shares)                         | 8.00% PIK                    | 6/21/2007  | 7,061          | 6,355          | \$ | 1,011.53(4)  |
|                                                              |                                                  | Common stock (5,400 shares)                            |                              | 6/21/2007  |                |                | \$ |              |
| Woodstream Corporation                                       | Pet products manufacturer                        | Senior subordinated loan (\$4,743 par due 2/2015)      | 12.00%                       | 1/22/2010  | 4,307          | 4,411          | \$ | 0.93(16)     |
|                                                              |                                                  | Senior subordinated loan (\$50,257 par due 2/2015)     | 12.00%                       | 1/22/2010  | 43,243         | 46,739         | \$ | 0.93(16)     |
|                                                              |                                                  | Common units (4,254 units)                             |                              | 1/22/2010  | 1,222          | 2,310          | \$ | 543.03(16)   |
|                                                              |                                                  |                                                        |                              |            | <b>181,118</b> | <b>181,488</b> |    | <b>6.69%</b> |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                     | Industry                                    | Investment                                             | Interest(5)(10)                        | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|------------------------------------------------|---------------------------------------------|--------------------------------------------------------|----------------------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Services-Other</b>                          |                                             |                                                        |                                        |                  |                |            |                     |                          |
| Diversified Collection Services, Inc.          | Collections and default prevention services | Senior secured loan (\$7,000 par due 3/2012)           | 7.50% (Libor + 5.50%/Q)                | 4/1/2010         | 7,000          | 7,000 \$   | 1.00(14)(16)        |                          |
|                                                |                                             | Senior secured loan (\$36,000 par due 9/2012)          | 13.75% (Libor + 11.75%/Q)              | 4/1/2010         | 36,000         | 36,000 \$  | 1.00(14)(16)        |                          |
|                                                |                                             | Preferred stock (14,927 shares)                        |                                        | 5/18/2006        | 169            | 279 \$     | 18.69(16)           |                          |
|                                                |                                             | Common stock (114,004 shares)                          |                                        | 2/2/2005         | 295            | 552 \$     | 4.84(16)            |                          |
|                                                |                                             | Common stock (478,816 shares)                          |                                        | 4/1/2010         | 1,478          | 1,645 \$   | 3.44(16)            |                          |
| Driven Brands, Inc.                            | Franchisor of car care services             | Senior secured loan (\$3,982 par due 10/2014)          | 7.00% (Base Rate + 3.75%/M)            | 4/1/2010         | 3,866          | 3,982 \$   | 1.00(3)             |                          |
|                                                |                                             | Common stock (3,772,098 shares)                        |                                        | 4/1/2010         | 4,939          | 5,250 \$   | 1.39                |                          |
| Growing Family, Inc. and GFH Holdings, LLC (6) | Photography services                        | Senior secured revolving loan (\$133 par due 8/2011)   | 9.00% (Libor + 6.00%/Q)                | 3/16/2007        | 131            | 59 \$      | 0.44(14)(16)        |                          |
|                                                |                                             | Senior secured revolving loan (\$2,252 par due 8/2011) | 9.00% (Libor + 6.00%/Q)                | 3/16/2007        | 2,231          | 1,007 \$   | 0.44(14)(16)        |                          |
|                                                |                                             | Senior secured loan (\$6,498 par due 3/2013)           | 9.00% (Libor + 6.00%/Q)                | 3/16/2007        | 6,471          | 2,901 \$   | 0.45(14)(16)        |                          |
|                                                |                                             | Senior secured loan (\$383 par due 3/2013)             | 9.00% (Libor + 6.00%/Q)                | 3/16/2007        | 359            | 161 \$     | 0.42(14)(16)        |                          |
|                                                |                                             | Preferred stock (8,750 shares)                         |                                        | 3/16/2007        |                | \$         |                     |                          |
|                                                |                                             | Common stock (552,430 shares)                          |                                        | 3/16/2007        | 872            | \$         |                     |                          |
|                                                |                                             | Warrants to purchase up to 11,313,678 Class B units    |                                        | 3/16/2007        |                | \$         |                     |                          |
| NPA Acquisition, LLC                           | Powersport vehicle auction operator         | Junior secured loan (\$7,286 par due 2/2013)           | 7.10% (Libor + 6.75%/M)                | 8/23/2006        | 7,286          | 7,286 \$   | 1.00(3)             |                          |
|                                                |                                             | Common units (1,709 units)                             |                                        | 8/23/2006        | 1,000          | 3,000 \$   | 1,755.41            |                          |
| PODS Funding Corp.                             | Storage and warehousing                     | Senior subordinated loan (\$25,125 par due 6/2015)     | 15.00%                                 | 12/23/2009       | 25,125         | 25,125 \$  | 1.00(16)            |                          |
|                                                |                                             | Senior subordinated loan (\$6,500 par due 12/2015)     | 16.64% PIK                             | 12/23/2009       | 5,150          | 5,980 \$   | 0.92(4)(16)         |                          |
| United Road Towing, Inc.                       | Towing company                              | Junior secured loan (\$18,729 par due 1/2014)          | 16.25% (Libor + 8.25%/Q), 14.75% Cash, | 4/1/2010         | 18,464         | 18,729 \$  | 1.00(4)(14)(16)     |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                      |                                        | 1.50% PIK                                          |                                                  |           |                |                |    |  |                    |
|------------------------------------------------------|----------------------------------------|----------------------------------------------------|--------------------------------------------------|-----------|----------------|----------------|----|--|--------------------|
|                                                      |                                        | Warrants                                           |                                                  | 4/1/2010  |                |                | \$ |  |                    |
| Web Services Company, LLC                            | Laundry service and equipment provider | Senior secured loan (\$4,913 par due 8/2014)       | 7.00% (Base Rate + 3.75%/Q)                      | 6/15/2009 | 4,660          | 4,913          | \$ |  | 1.00(3)            |
|                                                      |                                        | Senior subordinated loan (\$13,392 par due 8/2016) | 11.50% Cash, 2.50% PIK                           | 8/29/2008 | 13,392         | 13,392         | \$ |  | 1.00(4)(16)        |
|                                                      |                                        | Senior subordinated loan (\$26,129 par due 8/2016) | 11.50% Cash, 2.50% PIK                           | 8/29/2008 | 26,129         | 26,129         | \$ |  | 1.00(2)(4)(16)     |
|                                                      |                                        |                                                    |                                                  |           | <b>165,017</b> | <b>163,390</b> |    |  | <b>6.02%</b>       |
| <b>Retail</b>                                        |                                        |                                                    |                                                  |           |                |                |    |  |                    |
| Apogee Retail, LLC                                   | For-profit thrift retailer             | Senior secured loan (\$25,978 par due 3/2012)      | 5.60% (Libor + 5.25%/M)                          | 3/27/2007 | 25,968         | 25,458         | \$ |  | 0.98(2)            |
|                                                      |                                        | Senior secured loan (\$11,367 par due 3/2012)      | 5.60% (Libor + 5.25%/M)                          | 3/27/2007 | 11,362         | 11,140         | \$ |  | 0.98(3)            |
|                                                      |                                        | Senior secured loan (\$2,954 par due 3/2012)       | 5.60% (Libor + 5.25%/M)                          | 3/27/2007 | 2,954          | 2,895          | \$ |  | 0.98(2)            |
|                                                      |                                        | Senior secured loan (\$3,352 par due 9/2012)       | 12.00% Cash, 4.00% PIK                           | 5/28/2008 | 3,352          | 3,352          | \$ |  | 1.00(4)(16)        |
|                                                      |                                        | Senior secured loan (\$11,293 par due 9/2012)      | 12.00% Cash, 4.00% PIK                           | 5/28/2008 | 11,293         | 11,293         | \$ |  | 1.00(4)(16)        |
| Fulton Holding Corp and FHC Holdings, LLC            | Airport restaurant operator            | Senior secured loan (\$40,000 par due 5/2016)      | 12.50%                                           | 5/28/2010 | 40,000         | 40,000         | \$ |  | 1.00(2)            |
|                                                      |                                        | Common stock (19,672 shares)                       |                                                  | 5/27/2010 | 1,967          | 1,967          | \$ |  | 100.00(16)         |
| Savers, Inc. and SAI Acquisition Corporation         | For-profit thrift retailer             | Common stock (1,170,182 shares)                    |                                                  | 8/8/2006  | 4,500          | 6,520          | \$ |  | 5.57(16)           |
| Things Remembered, Inc. and TRM Holdings Corporation | Personalized gifts retailer            | Senior secured loan (\$30 par due 9/2012)          | 6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK | 9/28/2006 | 29             | 28             | \$ |  | 0.95(3)(4)(14)     |
|                                                      |                                        | Senior secured loan (\$3,626 par due 9/2012)       | 6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK | 9/28/2006 | 3,623          | 3,445          | \$ |  | 0.95(3)(4)(14)     |
|                                                      |                                        | Senior secured loan (\$210 par due 9/2012)         | 6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK | 9/28/2006 | 210            | 200            | \$ |  | 0.95(4)(14)(16)    |
|                                                      |                                        | Senior secured loan (\$54 par due 9/2012)          | 6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK | 9/28/2006 | 54             | 51             | \$ |  | 0.95(3)(4)(14)(16) |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                         | Industry                                                          | Investment                                               | Interest(5)(10)                                  | Acquisition Date | Amortized Cost | Fair Value     | Fair Value Per Unit | Percentage of Net Assets |
|------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------|------------------|----------------|----------------|---------------------|--------------------------|
|                                    |                                                                   | Senior secured loan (\$28,402 par due 9/2012)            | 6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK | 9/28/2006        | 28,379         | 26,982 \$      | 0.95(4)(14)(16)     |                          |
|                                    |                                                                   | Senior secured loan (\$7,303 par due 9/2012)             | 6.50% (Base Rate + 2.25%), 5.50% Cash, 1.00% PIK | 9/28/2006        | 7,297          | 6,938 \$       | 0.95(3)(4)(14)(16)  |                          |
|                                    |                                                                   | Preferred stock (73 shares)                              |                                                  | 3/19/2009        |                | 497 \$         | 6,795.19(16)        |                          |
|                                    |                                                                   | Preferred stock (80 shares)                              |                                                  | 9/28/2006        | 1,800          | 543 \$         | 6,787.50(16)        |                          |
|                                    |                                                                   | Common stock (800 shares)                                |                                                  | 9/28/2006        | 200            | \$             |                     |                          |
|                                    |                                                                   | Warrants to purchase up to 859 shares of preferred stock |                                                  | 3/19/2009        |                | \$             |                     |                          |
|                                    |                                                                   |                                                          |                                                  |                  | <b>142,988</b> | <b>141,309</b> |                     | <b>5.21%</b>             |
| <b>Manufacturing</b>               |                                                                   |                                                          |                                                  |                  |                |                |                     |                          |
| Emerald Performance Materials, LLC | Polymers and performance materials manufacturer                   | Senior secured loan (\$536 par due 5/2011)               | 8.25% (Libor + 4.25%/M)                          | 5/16/2006        | 536            | 536 \$         | 1.00(3)(14)         |                          |
|                                    |                                                                   | Senior secured loan (\$8,392 par due 5/2011)             | 8.25% (Libor + 4.25%/M)                          | 5/16/2006        | 8,392          | 8,392 \$       | 1.00(3)(14)         |                          |
|                                    |                                                                   | Senior secured loan (\$313 par due 5/2011)               | 8.50% (Base Rate + 3.50%/M)                      | 5/16/2006        | 313            | 313 \$         | 1.00(3)(14)         |                          |
|                                    |                                                                   | Senior secured loan (\$1,604 par due 5/2011)             | 10.00% (Libor + 6.00%/M)                         | 5/16/2006        | 1,604          | 1,604 \$       | 1.00(3)(14)         |                          |
|                                    |                                                                   | Senior secured loan (\$5,012 par due 5/2011)             | 13.00% Cash, 3.00% PIK                           | 5/16/2006        | 5,012          | 5,012 \$       | 1.00(2)(4)          |                          |
| Jakel, Inc.                        | Electric motor manufacturer                                       | Senior subordinated loan (\$748 par due 3/2011)          |                                                  | 4/1/2010         |                | \$             | (13)                |                          |
| Reflexite Corporation (7)          | Developer and manufacturer of high-visibility reflective products | Senior subordinated loan (\$6,154 par due 11/2014)       | 20.00% (Base Rate + 9.00% Cash, 7.50% PIK)       | 2/26/2008        | 6,154          | 6,154 \$       | 1.00(4)(14)(16)     |                          |
|                                    |                                                                   | Senior subordinated loan (\$11,251 par due 11/2014)      | 20.00% (Base Rate + 9.00% Cash, 7.50% PIK)       | 2/26/2008        | 11,251         | 11,251 \$      | 1.00(3)(4)(14)(16)  |                          |
|                                    |                                                                   | Common stock (1,821,860 shares)                          |                                                  | 3/28/2006        | 27,435         | 24,595 \$      | 13.50(16)           |                          |
|                                    |                                                                   |                                                          |                                                  |                  |                | \$             | 100.00              |                          |
| Saw Mill PCG Partners LLC          | Precision components manufacturer                                 | Common units (1,000 units)                               |                                                  | 2/2/2007         | 1,000          | \$             |                     |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                           |                                       |                                                          |                                              |                              |                |               |       |                |
|-------------------------------------------|---------------------------------------|----------------------------------------------------------|----------------------------------------------|------------------------------|----------------|---------------|-------|----------------|
| Tappan Wire & Cable Inc.                  | Manufacturer and distributor of cable | Senior secured loan (\$22,183 par due 8/2014)            |                                              | 4/1/2010                     | 10,351         | 9,786         | \$    | 0.44(13)(16)   |
|                                           |                                       | Common stock (12,940 shares)                             |                                              | 4/1/2010                     |                |               | \$    |                |
|                                           |                                       | Warrants                                                 |                                              | 4/1/2010                     |                |               | \$    |                |
| Universal Environmental Services, LLC (5) | Used oil recycling                    | Preferred member interest (15.00%)                       |                                              | 4/1/2010                     |                |               | \$    |                |
| UL Holding Co., LLC                       | Petroleum product manufacturer        | Junior secured loan (\$2,978 par due 12/2012)            | 12.50% Cash, 2.00% PIK                       | 2/13/2009                    | 2,978          | 2,829         | \$    | 0.95(2)(4)     |
|                                           |                                       | Junior secured loan (\$993 par due 12/2012)              | 12.50% Cash, 2.00% PIK                       | 2/13/2009                    | 993            | 943           | \$    | 0.95(3)(4)     |
|                                           |                                       | Junior secured loan (\$2,130 par due 12/2012)            | 12.50% Cash, 2.00% PIK                       | 2/13/2009                    | 2,130          | 2,023         | \$    | 0.95(4)(16)    |
|                                           |                                       | Junior secured loan (\$848 par due 12/2012)              | 12.50% Cash, 2.00% PIK                       | 2/13/2009                    | 848            | 806           | \$    | 0.95(3)(4)(16) |
|                                           |                                       | Junior secured loan (\$2,119 par due 12/2012)            | 9.72% (Libor + 9.38%/Q)                      | 2/13/2009                    | 2,119          | 2,013         | \$    | 0.95(16)       |
|                                           |                                       | Junior secured loan (\$844 par due 12/2012)              | 9.72% (Libor + 9.38%/Q)                      | 2/13/2009                    | 844            | 801           | \$    | 0.95(3)(16)    |
|                                           |                                       | Junior secured loan (\$10,863 par due 12/2012)           | 9.75% (Libor + 9.38%/Q)                      | 2/13/2009                    | 10,863         | 10,320        | \$    | 0.95(3)        |
|                                           |                                       | Common units (50,000 units)                              |                                              | 4/25/2008                    | 500            | 250           | \$    | 5.00(16)       |
|                                           |                                       | Common units (50,000 units)                              |                                              | 4/25/2008                    |                | 250           | \$    | 5.00(16)       |
|                                           |                                       | Universal Trailer Corporation(6)                         | Livestock and specialty trailer manufacturer | Common stock (74,920 shares) |                | 10/8/2004     | 7,930 |                |
|                                           |                                       |                                                          |                                              |                              | <b>101,253</b> | <b>87,878</b> |       | <b>3.24%</b>   |
| <b>Computers and Electronics</b>          |                                       |                                                          |                                              |                              |                |               |       |                |
| Network Hardware Resale, Inc.             | Networking equipment resale provider  | Senior subordinated loan (\$12,980 par due 12/2011)      | 12.00%                                       | 4/1/2010                     | 12,980         | 12,980        | \$    | 1.00(16)       |
|                                           |                                       | Convertible subordinated loan (\$17,518 par due 12/2015) | 9.75%                                        | 4/1/2010                     | 17,561         | 19,441        | \$    | 1.11(16)       |
| TZ Merger Sub, Inc.                       | Computers and Electronics             | Senior secured loan (\$4,678 par due 8/2015)             | 7.50% (Libor + 4.50%/Q)                      | 6/15/2009                    | 4,589          | 4,678         | \$    | 1.00(3)(14)    |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                                    | Industry                                           | Investment                                           | Interest(5)(10)                   | Acquisition Date | Amortized Cost | Fair Value    | Fair Value Per Unit | Percentage of Net Assets |
|-------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|-----------------------------------|------------------|----------------|---------------|---------------------|--------------------------|
| X-rite, Incorporated                                                          | Artwork software manufacturer                      | Junior secured loan (\$3,074 par due 7/2013)         | 14.38% (Libor + 11.38%/Q)         | 7/6/2006         | 3,074          | 3,074 \$      | 1.00(14)(16)        |                          |
|                                                                               |                                                    | Junior secured loan (\$7,685 par due 7/2013)         | 14.38% (Libor + 11.38%/Q)         | 7/6/2006         | 7,685          | 7,685 \$      | 1.00(3)(14)(16)     |                          |
|                                                                               |                                                    | Junior secured loan (\$42 par due 7/2013)            | 14.38% (Base Rate + 10.38%/Q)     | 7/6/2006         | 42             | 42 \$         | 1.00(14)(16)        |                          |
|                                                                               |                                                    | Junior secured loan (\$105 par due 7/2013)           | 14.38% (Base Rate + 10.38%/Q)     | 7/6/2006         | 105            | 105 \$        | 1.00(3)(14)(16)     |                          |
|                                                                               |                                                    |                                                      |                                   |                  | <b>46,036</b>  | <b>48,005</b> |                     | <b>1.77%</b>             |
| <b>Industrial Products</b>                                                    |                                                    |                                                      |                                   |                  |                |               |                     |                          |
| Component Hardware Group, Inc.                                                | Commercial equipment manufacturer                  | Senior subordinated loan (\$18,992 par due 1/2013)   |                                   | 4/1/2010         | 8,321          | 13,874 \$     | 0.73(13)            |                          |
| Havco Wood Products LLC                                                       | Hardwood flooring products manufacturer            | Member interest (4.50% interest)                     |                                   | 4/1/2010         |                | 173           |                     |                          |
| NetShape Technologies, Inc.                                                   | Metal precision engineered components manufacturer | Senior secured revolving loan (\$843 par due 2/2013) | 4.19% (Libor + 3.75%/B)           | 4/1/2010         | 452            | 454 \$        | 0.75(16)            |                          |
|                                                                               |                                                    | Senior secured revolving loan (\$130 par due 2/2013) | 4.13% (Libor + 3.75%/M)           | 4/1/2010         | 69             | 70 \$         | 0.76(16)            |                          |
| STS Operating, Inc.                                                           | Hydraulic systems equipment and supplies provider  | Senior subordinated loan (\$30,386 par due 1/2013)   | 11.00%                            | 4/1/2010         | 29,264         | 29,778 \$     | 0.98(16)            |                          |
|                                                                               |                                                    |                                                      |                                   |                  | <b>38,106</b>  | <b>44,349</b> |                     | <b>1.64%</b>             |
| <b>Telecommunications</b>                                                     |                                                    |                                                      |                                   |                  |                |               |                     |                          |
| American Broadband Communications, LLC and American Broadband Holding Company | Broadband communication services                   | Senior subordinated loan (\$32,538 par due 11/2014)  | 16.00% (12.00% Cash, 4.00% PIK/Q) | 2/8/2008         | 32,538         | 32,538 \$     | 1.00(2)             |                          |
|                                                                               |                                                    | Senior subordinated loan (\$10,248 par due 11/2014)  | 16.00% (12.00% Cash, 4.00% PIK/Q) | 11/7/2007        | 10,248         | 10,248 \$     | 1.00(4)(16)         |                          |
|                                                                               |                                                    | Warrants to purchase up to 170 shares                |                                   | 11/7/2007        |                | 910 \$        | 5,352.94(16)        |                          |
| Startec Equity, LLC                                                           | Communication services                             | Member interest                                      |                                   | 4/1/2010         |                |               |                     |                          |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

42,786 43,696

1.61%

**Commercial Real Estate Finance**

|                                      |                                                     |       |          |        |        |    |              |
|--------------------------------------|-----------------------------------------------------|-------|----------|--------|--------|----|--------------|
| American Commercial Coatings         | Commercial mortgage loan (\$2,000 par due 12/2025)  |       | 4/1/2010 | 2,000  | 2,000  | \$ | 1.00(13)     |
| Aquila Binks Forest Development, LLC | Commercial mortgage loan (\$12,332 par due 6/2011)  | 2.50% | 4/1/2010 | 10,755 | 7,933  | \$ | 0.64(16)     |
|                                      | Real estate equity interests                        |       | 4/1/2010 |        |        |    |              |
| Cleveland East Equity LLC            | Real estate equity interests                        |       | 4/1/2010 | 1,026  | 710    |    |              |
| Commons R-3, LLC                     | Real estate equity interests                        |       | 4/1/2010 |        |        |    |              |
| DI Safford, LLC                      | Commercial mortgage loan (\$5,311 par due 5/2032)   |       | 4/1/2010 | 2,757  | 2,750  | \$ | 0.52(13)(16) |
| Galley Equities, LLC                 | Commercial mortgage loan (\$220 par due 1/2015)     |       | 4/1/2010 |        |        | \$ | (13)         |
| Holiday Inn West Chester             | Real estate owned                                   |       | 4/1/2010 | 3,513  | 4,000  |    |              |
| MGP Park Place Equity, LLC           | Commercial mortgage loan (\$6,500 par due 5/2011)   |       | 4/1/2010 | 650    | 488    | \$ | 0.08(13)     |
| Allied Capital REIT, Inc.            | Real estate equity interests                        |       | 4/1/2010 | 165    | 364    |    |              |
| MJ Ocala Hotel Associates, Ltd       | Commercial mortgage loan (\$595 par due 5/2011)     | 7.60% | 4/1/2010 | 595    | 569    | \$ | 0.96(16)     |
| NPH, Inc                             | Real estate equity interests                        |       | 4/1/2010 | 5,291  | 6,626  |    |              |
| Van Ness Hotel, Inc.                 | Commercial mortgage loan (\$13,702 par due 12/2011) | 5.50% | 4/1/2010 | 13,702 | 13,702 | \$ | 1.00(16)     |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                      | Industry                                | Investment                                         | Interest(5)(10)          | Acquisition Date | Amortized Cost | Fair Value    | Fair Value Per Unit | Percentage of Net Assets |
|---------------------------------|-----------------------------------------|----------------------------------------------------|--------------------------|------------------|----------------|---------------|---------------------|--------------------------|
|                                 |                                         | Commercial mortgage loan (\$3,750 par due 8/2013)  |                          | 4/1/2010         | 1,027          | 278 \$        | 0.07(13)(16)        |                          |
|                                 |                                         | Real estate equity interests                       |                          | 4/1/2010         |                |               |                     |                          |
|                                 |                                         |                                                    |                          |                  | <b>41,481</b>  | <b>39,420</b> |                     | <b>1.45%</b>             |
| <b>Environmental Services</b>   |                                         |                                                    |                          |                  |                |               |                     |                          |
| AWTP, LLC                       | Water treatment services                | Junior secured loan (\$4,755 par due 12/2012)      |                          | 12/23/2005       | 4,755          | 1,664 \$      | 0.35(13)(16)        |                          |
|                                 |                                         | Junior secured loan (\$2,086 par due 12/2012)      |                          | 12/23/2005       | 2,086          | 730 \$        | 0.35(3)(13)(16)     |                          |
|                                 |                                         | Junior secured loan (\$4,755 par due 12/2012)      |                          | 12/23/2005       | 4,755          | 1,664 \$      | 0.35(13)(16)        |                          |
|                                 |                                         | Junior secured loan (\$2,086 par due 12/2012)      |                          | 12/23/2005       | 2,086          | 730 \$        | 0.35(3)(13)(16)     |                          |
| Mactec, Inc.                    | Engineering and environmental services  | Class B-4 stock (16 shares)                        |                          | 11/3/2004        |                | \$            | (16)                |                          |
|                                 |                                         | Class C stock (5,556 shares)                       |                          | 11/3/2004        |                | 150 \$        | 27.00(16)           |                          |
| Sigma International Group, Inc. | Water treatment parts manufacturer      | Junior secured loan (\$1,833 par due 10/2013)      | 16.00% (Libor + 8.00%/Q) | 10/11/2007       | 1,833          | 1,283 \$      | 0.70(14)(16)        |                          |
|                                 |                                         | Junior secured loan (\$917 par due 10/2013)        | 16.00% (Libor + 8.00%/Q) | 11/6/2007        | 917            | 642 \$        | 0.70(14)(16)        |                          |
|                                 |                                         | Junior secured loan (\$2,778 par due 10/2013)      | 16.00% (Libor + 8.00%/Q) | 11/1/2007        | 2,778          | 1,944 \$      | 0.70(14)(16)        |                          |
|                                 |                                         | Junior secured loan (\$4,000 par due 10/2013)      | 16.00% (Libor + 8.00%/Q) | 10/11/2007       | 4,000          | 2,800 \$      | 0.70(3)(14)(16)     |                          |
|                                 |                                         | Junior secured loan (\$2,000 par due 10/2013)      | 16.00% (Libor + 8.00%/Q) | 11/6/2007        | 2,000          | 1,400 \$      | 0.70(3)(14)(16)     |                          |
|                                 |                                         | Junior secured loan (\$6,060 par due 10/2013)      | 16.00% (Libor + 8.00%/Q) | 11/1/2007        | 6,060          | 4,242 \$      | 0.70(3)(14)(16)     |                          |
| Waste Pro USA, Inc.             | Waste management services               | Preferred Class A common stock (611,615 shares)    |                          | 11/9/2006        | 12,263         | 15,022 \$     | 24.56(16)           |                          |
| Wastequip, Inc.(6)              | Waste management equipment manufacturer | Senior subordinated loan (\$13,121 par due 2/2015) |                          | 2/5/2007         | 13,030         | 1,312 \$      | 0.10(13)(16)        |                          |
|                                 |                                         | Common stock (13,889 shares)                       |                          | 2/2/2007         | 1,389          | \$            |                     |                          |
|                                 |                                         |                                                    |                          |                  | <b>57,952</b>  | <b>33,583</b> |                     | <b>1.24%</b>             |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

**Printing, Publishing and Media**

|                                                                   |                                 |                                                         |                                                  |            |               |               |                |
|-------------------------------------------------------------------|---------------------------------|---------------------------------------------------------|--------------------------------------------------|------------|---------------|---------------|----------------|
| Canon Communications LLC                                          | Print publications services     | Junior secured loan (\$12,094 par due 11/2011)          | 13.75% (Libor + 8.75% Cash, 2.00% PIK/Q)         | 5/25/2005  | 12,083        | 10,884 \$     | 0.90(2)(4)(14) |
|                                                                   |                                 | Junior secured loan (\$12,325 par due 11/2011)          | 13.75% (Libor + 8.75% Cash, 2.00% PIK/Q)         | 5/25/2005  | 12,314        | 11,092 \$     | 0.90(3)(4)(14) |
| EarthColor, Inc.                                                  | Full service commercial printer | Common stock (89,435 shares)                            |                                                  | 4/1/2010   |               | \$            |                |
| LVCG Holdings LLC(7)                                              | Commercial printer              | Membership interests (56.53% interest)                  |                                                  | 10/12/2007 | 6,600         | 132           |                |
| National Print Group, Inc.                                        | Printing management services    | Senior secured revolving loan (\$1,141 par due 10/2012) | 9.00% (Libor + 6.00%/S)                          | 3/2/2006   | 1,141         | 628 \$        | (14)(16)       |
|                                                                   |                                 | Senior secured revolving loan (\$964 par due 10/2012)   | 9.00% (Base Rate + 5.00%/M)                      | 3/2/2006   | 964           | 530 \$        | 0.55(14)(16)   |
|                                                                   |                                 | Senior secured loan (\$7,455 par due 10/2012)           | 16.00% (Libor + 13.00%/Q), 9.00% Cash, 7.00% PIK | 3/2/2006   | 7,165         | 4,100 \$      | 0.55(3)(4)(14) |
|                                                                   |                                 | Senior secured loan (\$493 par due 10/2012)             | 16.00% (Libor + 12.00%/Q), 9.00% Cash, 7.00% PIK | 3/2/2006   | 474           | 271 \$        | 0.55(3)(4)(14) |
|                                                                   |                                 | Preferred stock (9,344 shares)                          |                                                  | 3/2/2006   | 2,000         | \$            | 54.93          |
| The Teaching Company, LLC and The Teaching Company Holdings, Inc. | Education publications provider | Preferred stock (29,969 shares)                         |                                                  | 9/29/2006  | 2,997         | 3,872 \$      | 129.20(16)     |
|                                                                   |                                 | Common stock (15,393 shares)                            |                                                  | 9/29/2006  | 3             | 4 \$          | 0.26(16)       |
|                                                                   |                                 |                                                         |                                                  |            | <b>45,741</b> | <b>31,513</b> | <b>1.16%</b>   |

**Aerospace and Defense**

|                          |                                            |                                               |                         |            |        |           |         |
|--------------------------|--------------------------------------------|-----------------------------------------------|-------------------------|------------|--------|-----------|---------|
| AP Global Holdings, Inc. | Safety and security equipment manufacturer | Senior secured loan (\$6,274 par due 10/2013) | 4.85% (Libor + 4.50%/M) | 11/18/2007 | 6,210  | 6,212 \$  | 0.99(3) |
| ILC Industries, Inc.     | Industrial products provider               | Junior secured loan (\$12,000 par due 6/2014) | 11.50%                  | 6/27/2006  | 12,000 | 12,000 \$ | 1.00(3) |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                      | Industry                                                               | Investment                                        | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value    | Fair Value Per Unit | Percentage of Net Assets |
|-------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------|-----------------------------|------------------|----------------|---------------|---------------------|--------------------------|
| Thermal Solutions LLC and TSI Group, Inc.       | Thermal management and electronics packaging manufacturer              | Senior secured loan (\$221 par due 3/2011)        | 6.00% (Libor + 4.75%/M)     | 3/28/2005        | 221            | 216 \$        | 0.98(3)(16)         |                          |
|                                                 |                                                                        | Senior secured loan (\$2,716 par due 3/2012)      | 6.50% (Libor + 5.25%/M)     | 3/28/2005        | 2,716          | 2,580 \$      | 0.95(3)(16)         |                          |
|                                                 |                                                                        | Senior subordinated loan (\$2,194 par due 3/2013) | 11.50% Cash, 2.75% PIK      | 3/28/2005        | 2,192          | 1,997 \$      | 0.91(4)(16)         |                          |
|                                                 |                                                                        | Senior subordinated loan (\$3,465 par due 3/2013) | 11.50% Cash, 2.75% PIK      | 3/28/2005        | 3,461          | 3,153 \$      | 0.91(4)(16)         |                          |
|                                                 |                                                                        | Senior subordinated loan (\$2,781 par due 3/2013) | 11.50% Cash, 2.50% PIK      | 3/21/2006        | 2,778          | 2,531 \$      | 0.91(4)(16)         |                          |
|                                                 |                                                                        | Preferred stock (71,552 shares)                   |                             | 3/28/2005        | 716            | 308 \$        | 4.30(16)            |                          |
|                                                 |                                                                        | Common stock (1,460,246 shares)                   |                             | 3/28/2005        | 15             | \$            |                     |                          |
| Wyle Laboratories, Inc. and Wyle Holdings, Inc. | Provider of specialized engineering, scientific and technical services | Senior preferred stock (775 shares)               |                             | 1/17/2008        | 96             | 1 \$          | 1.29(16)            |                          |
|                                                 |                                                                        | Common stock (1,616,976 shares)                   |                             | 1/17/2008        | 2,004          | 1,329 \$      | 0.82(16)            |                          |
|                                                 |                                                                        |                                                   |                             |                  | <b>32,409</b>  | <b>30,327</b> |                     | <b>1.12%</b>             |
| <b>Containers-Packaging</b>                     |                                                                        |                                                   |                             |                  |                |               |                     |                          |
| Industrial Container Services, LLC(6)           | Industrial container manufacturer, reconditioner and servicer          | Senior secured loan (\$3,284 par due 9/2011)      | 4.35% (Libor + 4.00%/M)     | 6/21/2006        | 3,284          | 3,284 \$      | 1.00(3)             |                          |
|                                                 |                                                                        | Senior secured loan (\$214 par due 9/2011)        | 4.35% (Libor + 4.00%/M)     | 6/21/2006        | 214            | 214 \$        | 1.00(2)             |                          |
|                                                 |                                                                        | Senior secured loan (\$3,694 par due 9/2011)      | 4.31% (Libor + 4.00%/Q)     | 6/21/2006        | 3,694          | 3,694 \$      | 1.00(3)             |                          |
|                                                 |                                                                        | Senior secured loan (\$241 par due 9/2011)        | 4.31% (Libor + 4.00%/Q)     | 6/21/2006        | 241            | 241 \$        | 1.00(2)             |                          |
|                                                 |                                                                        | Senior secured loan (\$821 par due 9/2011)        | 4.54% (Libor + 4.00%/Q)     | 6/21/2006        | 821            | 821 \$        | 1.00(3)             |                          |
|                                                 |                                                                        | Senior secured loan (\$54 par due 9/2011)         | 4.54% (Libor + 4.00%/Q)     | 6/21/2006        | 54             | 54 \$         | 1.00(2)             |                          |
|                                                 |                                                                        | Senior secured loan (\$63 par due 9/2011)         | 5.75% (Base Rate + 2.50%/Q) | 6/21/2006        | 63             | 63 \$         | 1.00(2)             |                          |
|                                                 |                                                                        | Senior secured loan (\$965 par due 9/2011)        | 5.75% (Base Rate + 2.50%/Q) | 6/21/2006        | 965            | 965 \$        | 1.00(3)             |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                 |                                 |                                                      |                            |            |               |               |              |
|---------------------------------|---------------------------------|------------------------------------------------------|----------------------------|------------|---------------|---------------|--------------|
|                                 |                                 | Common stock<br>(1,800,000 shares)                   |                            | 9/29/2005  | 1,800         | 11,556 \$     | 6.42(16)     |
|                                 |                                 |                                                      |                            |            | <b>11,136</b> | <b>20,892</b> | <b>0.77%</b> |
| <b>Health Clubs</b>             |                                 |                                                      |                            |            |               |               |              |
| Athletic Club<br>Holdings, Inc. | Premier health<br>club operator | Senior secured loan<br>(\$7,250 par due<br>10/2013)  | 4.85% (Libor +<br>4.50%/M) | 10/11/2007 | 7,250         | 6,380 \$      | 0.88(2)(12)  |
|                                 |                                 | Senior secured loan<br>(\$11,500 par due<br>10/2013) | 4.85% (Libor +<br>4.50%/M) | 10/11/2007 | 11,500        | 10,120 \$     | 0.88(3)(12)  |
|                                 |                                 |                                                      |                            |            | <b>18,750</b> | <b>16,500</b> | <b>0.61%</b> |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                               | Industry                                | Investment                                        | Interest(5)(10) | Acquisition Date | Amortized Cost | Fair Value    | Fair Value Per Unit | Percentage of Net Assets |
|----------------------------------------------------------|-----------------------------------------|---------------------------------------------------|-----------------|------------------|----------------|---------------|---------------------|--------------------------|
| <b>Oil and Gas</b>                                       |                                         |                                                   |                 |                  |                |               |                     |                          |
| Geotrace Technologies, Inc.                              | Oil and gas reservoir analysis provider | Common stock warrants                             |                 | 4/1/2010         | 54             |               | \$ (16)             |                          |
|                                                          |                                         | Common stock warrants                             |                 | 4/1/2010         | 33             |               | \$ (16)             |                          |
|                                                          |                                         | Preferred stock warrants                          |                 | 4/1/2010         | 1,738          | 1,432         | \$ 1.52(16)         |                          |
|                                                          |                                         | Preferred stock warrants                          |                 | 4/1/2010         | 1,067          | 879           | \$ 1.52(16)         |                          |
| IAT Equity, LLC and Affiliates d/b/a Industrial Air Tool | Industrial products distributor         | Senior subordinated loan (\$6,000 par due 6/2014) | 9.00%           | 4/1/2010         | 6,000          | 6,000         | \$ 1.00             |                          |
|                                                          |                                         | Member interest (50.00% interest)                 |                 | 4/1/2010         | 7,419          | 7,504         | (16)                |                          |
|                                                          |                                         |                                                   |                 |                  | <b>16,311</b>  | <b>15,815</b> |                     | <b>0.58%</b>             |
| <b>Hotels, Motels, Inns &amp; Gaming</b>                 |                                         |                                                   |                 |                  |                |               |                     |                          |
| Crescent Equity Corporation(18)                          | Hotel management services and hotels    | Senior subordinated loan (\$433 par due 6/2010)   |                 | 4/1/2010         | 433            | 433           | \$ 1.00(13)(16)     |                          |
|                                                          |                                         | Senior subordinated loan (\$4,124 par due 1/2012) |                 | 4/1/2010         | 1,475          | 896           | \$ 0.22(13)(16)     |                          |
|                                                          |                                         | Senior subordinated loan (\$4,348 par due 6/2017) |                 | 4/1/2010         | 1,482          | 944           | \$ 0.22(13)(16)     |                          |
|                                                          |                                         | Senior subordinated loan (\$2,722 par due 6/2017) |                 | 4/1/2010         | 928            | 591           | \$ 0.22(13)(16)     |                          |
|                                                          |                                         | Senior subordinated loan (\$5,974 par due 9/2012) |                 | 4/1/2010         | 2,051          | 1,297         | \$ 0.22(13)(16)     |                          |
|                                                          |                                         | Senior subordinated loan (\$263 par due 3/2013)   |                 | 4/1/2010         | 263            | 57            | \$ 0.22(13)(16)     |                          |
|                                                          |                                         | Senior subordinated loan (\$2,112 par due 9/2011) |                 | 4/1/2010         |                |               | \$ (13)             |                          |
|                                                          |                                         | Senior subordinated loan (\$3,078 par due 1/2012) |                 | 4/1/2010         |                |               | \$ (13)             |                          |
|                                                          |                                         | Senior subordinated loan (\$2,926 par due 6/2017) |                 | 4/1/2010         |                |               | \$ (13)             |                          |
|                                                          |                                         |                                                   |                 |                  |                | 4/1/2010      |                     | \$ (13)                  |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|  |                                                   |          |              |  |              |      |              |
|--|---------------------------------------------------|----------|--------------|--|--------------|------|--------------|
|  | Senior subordinated loan (\$2,050 par due 6/2017) |          |              |  |              |      |              |
|  | Senior subordinated loan (\$4,826 par due 9/2012) | 4/1/2010 |              |  | \$           | (13) |              |
|  | Preferred equity interest (51.00% interest)       | 4/1/2010 |              |  | \$           |      |              |
|  | Preferred equity interest (12.83% interest)       | 4/1/2010 |              |  | \$           |      |              |
|  | Member interest (93.35% interest)                 | 4/1/2010 |              |  | \$           |      |              |
|  | Member interest (85.40% interest)                 | 4/1/2010 |              |  | \$           |      |              |
|  | Member interest (90.00% interest)                 | 4/1/2010 |              |  | \$           |      |              |
|  | Member interest (72.64% interest)                 | 4/1/2010 |              |  | \$           |      |              |
|  | Member interest (84.60% interest)                 | 4/1/2010 |              |  | \$           |      |              |
|  | Common equity interest (100.00% interest)         | 4/1/2010 | 20           |  | \$           |      |              |
|  | Common stock (146 shares)                         | 4/1/2010 |              |  | \$           |      |              |
|  | Common stock (2 shares)                           | 4/1/2010 |              |  | \$           |      |              |
|  | Common stock (5 shares)                           | 4/1/2010 |              |  | \$           |      |              |
|  | Common stock (21 shares)                          | 4/1/2010 |              |  | \$           |      |              |
|  |                                                   |          | <b>6,652</b> |  | <b>4,218</b> |      | <b>0.16%</b> |

**Housing**

|                        |                                         |                                                   |           |                     |                     |    |              |
|------------------------|-----------------------------------------|---------------------------------------------------|-----------|---------------------|---------------------|----|--------------|
| HB&G Building Products | Synthetic and wood product manufacturer | Senior subordinated loan (\$8,956 par due 3/2011) | 10/8/2004 | 8,990               | 179                 | \$ | 0.02(13)(16) |
|                        |                                         | Warrants to purchase up to 4,464 shares           | 10/8/2004 | 653                 |                     | \$ |              |
|                        |                                         | Common stock (2,743 shares)                       | 10/8/2004 | 753                 |                     | \$ |              |
|                        |                                         |                                                   |           | <b>10,396</b>       | <b>179</b>          |    | <b>0.01%</b> |
|                        |                                         |                                                   |           | <b>\$ 3,875,476</b> | <b>\$ 3,794,020</b> |    |              |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

### Table of Contents

(1) Other than our investments in AGILE Fund I, LLC, Allied Capital REIT, Inc., AllBridge Financial, LLC, Avborne, Inc., Aviation Properties Corporation, Border Foods, Inc., Callidus Capital Corporation, Ciena Capital LLC, Citipostal, Inc., Coverall North America, Inc., Crescent Equity Corp., Direct Capital Corporation, EarthColor, Inc., Financial Pacific Company, HCI Equity, LLC, HCP Acquisition Holdings, LLC, Hot Light Brands, Inc., Hot Stuff Foods, LLC, Huddle House Inc., IAT Equity, LLC, Ivy Hill Asset Management, L.P., Ivy Hill Middle Market Credit Fund, Ltd., Jakel, Inc., Knightsbridge CLO 2007-1 Ltd., Knightsbridge CLO 2008-1 Ltd., LVCG Holdings, LLC, Making Memories Wholesale, Inc., MVL Group, Inc, PENN Detroit Diesel Allison LLC, Reflexite Corporation, Senior Secured Loan Fund LLC, Stag-Parkway, Inc, Startec Equity, LLC and The Thymes, LLC, we do not Control any of our portfolio companies, as defined in the Investment Company Act. In general, under the Investment Company Act, we would Control a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments are subject to legal restrictions on sales which as of June 30, 2010 represented 140% of the Company's net assets.

(2) These assets are owned by the Company's wholly owned subsidiary Ares Capital CP, are pledged as collateral for the CP Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the CP Funding Facility (see Note 7 to the consolidated financial statements).

(3) Pledged as collateral for the ARCC CLO.

(4) Has a payment-in-kind interest feature (see Note 2 to the consolidated financial statements).

(5) Investments without an interest rate are non-income producing at June 30, 2010.

(6) As defined in the Investment Company Act, we are an Affiliated Person of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the six months ended June 30, 2010 in which the issuer was an Affiliated company (but not a portfolio company that we Control) are as follows (in thousands):

| Company                                                                                | Purchases | Redemptions<br>(cost) | Sales (cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>Income | Other income | Net realized<br>gains (losses) | Net unrealized<br>gains (losses) |
|----------------------------------------------------------------------------------------|-----------|-----------------------|--------------|--------------------|----------------------------------------|--------------------|--------------|--------------------------------|----------------------------------|
| 10th Street LLC                                                                        | \$ 23,171 | \$                    | \$           | \$ 732             | \$                                     | \$                 | \$           | \$                             | \$ 12                            |
| Air Medical Group                                                                      | \$ 27,410 | \$ 4,515              | \$           | \$ 50              | \$                                     | \$                 | \$ 6         | \$                             | \$ 4,783                         |
| Apple & Eve, LLC and US<br>Juice Partners, LLC                                         | \$        | \$ 4,857              | \$ 2,816     | \$ 1,948           | \$                                     | \$                 | \$ 21        | \$                             | \$ 500                           |
| BB&T Capital                                                                           | \$ 13,943 | \$ 570                | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 1,413                         |
| Carador, PLC                                                                           | \$        | \$                    | \$           | \$                 | \$                                     | \$ 191             | \$           | \$                             | \$ 1,493                         |
| Campus Management Corp.<br>and Campus Management<br>Acquisition Corp.                  | \$        | \$                    | \$           | \$ 3,228           | \$                                     | \$                 | \$ 8         | \$                             | \$ 3,974                         |
| CT Technologies<br>Intermediate Holdings, Inc.<br>and CT Technologies<br>Holdings, LLC | \$        | \$                    | \$           | \$ 297             | \$                                     | \$                 | \$           | \$                             | \$ 657                           |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                       |            |           |           |          |        |         |          |
|-------------------------------------------------------|------------|-----------|-----------|----------|--------|---------|----------|
| Direct Buy Holdings, Inc. and Direct Buy Investors LP | \$ 78,350  | \$        | \$ 3,495  | \$       | \$     | \$      | \$ 1,114 |
| Driven Brands, Inc.                                   | \$ 103,157 | \$ 17     | \$ 96,643 | \$ 1,799 | \$     | \$ 842  | \$ 431   |
| DSI Renal, Inc.                                       | \$ 1,505   | \$ 5,252  | \$ 7,991  | \$ 3,272 | \$     | \$ 11   | \$ 3,083 |
| Firstlight Financial Corporation                      | \$         | \$        | \$ 295    | \$       | \$ 188 | \$      | (6,795)  |
| Growing Family, Inc. and GFH Holdings, LLC            | \$         | \$        | \$ 772    | \$       | \$ (1) | (7,659) | \$ 9,155 |
| Imperial Capital Group, LLC                           | \$         | \$        | \$        | \$       | \$     | \$      | \$ 284   |
| Industrial Container Services, LLC                    | \$         | \$ 5,097  | \$ 247    | \$       | \$ 84  | \$      | \$ 3,844 |
| InSight Pharmaceuticals Corporation                   | \$ 66,791  | \$        | \$ 2,062  | \$       | \$     | \$      | (1,826)  |
| Investor Group Services, LLC                          | \$ 100     | \$ 100    | \$ 172    | \$       | \$ 12  | \$      | \$       |
| Multi-Ad Services, Inc.                               | \$ 2,666   | \$ 8      | \$ 53     | \$       | \$ 6   | \$      | \$ 498   |
| Pillar Holdings LLC and PHL Holding Co.               | \$         | \$ 3,925  | \$ 1,158  | \$       | \$ 17  | \$      | \$ 1,375 |
| Primis Marketing Group, Inc. and Primis Holdings, LLC | \$         | \$        | \$        | \$       | \$     | \$      | (409)    |
| Regency Equity Corp.                                  | \$ 2,007   | \$        | \$        | \$       | \$     | \$      | (129)    |
| Service Champ, Inc.                                   | \$ 28,463  | \$ 26,585 | \$ 28,463 | \$ 208   | \$     | \$ 75   | \$       |
| Soteria Imaging Services, LLC                         | \$ 4,080   | \$        | \$ 206    | \$       | \$     | \$      | (10)     |
| VSS-Tranzact Holdings, LLC                            | \$ 204     | \$        | \$        | \$       | \$     | \$      | (1,673)  |
| Universal Corporation                                 | \$         | \$        | \$        | \$       | \$     | \$      | \$       |
| Universal Trailer Corporation                         | \$         | \$        | \$        | \$       | \$     | \$      | \$       |
| Wastequip, Inc.                                       | \$         | \$        | \$        | \$       | \$ 281 | \$      | (656)    |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

(7) As defined in the Investment Company Act, we are an Affiliated Person of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). In addition, as defined in the Investment Company Act, we Control this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the six months ended June 30, 2010 in which the issuer was both an Affiliated company and a portfolio company that we Control are as follows (in thousands):

| Company                                     | Purchases | Redemptions<br>(cost) | Sales (cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>Income | Other income | Net realized<br>gains (losses) | Net unrealized<br>gains (losses) |
|---------------------------------------------|-----------|-----------------------|--------------|--------------------|----------------------------------------|--------------------|--------------|--------------------------------|----------------------------------|
| AGILE Fund I, LLC                           | \$ 264    | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$                               |
| Allied Capital REIT, Inc.                   | \$ 765    | \$ 600                | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 199                           |
| AllBridgE Financial, LLC                    | \$ 11,370 | \$                    | \$           | \$                 | \$                                     | \$                 | \$ 29        | \$                             | \$ 718                           |
| Avborne, Inc.                               | \$ 39     | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$                               |
| Aviation Properties<br>Corporation          | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$                               |
| Border Foods, Inc.                          | \$ 68,944 | \$                    | \$           | \$ 1,104           | \$                                     | \$                 | \$           | \$                             | \$ (2,612)                       |
| Callidus Capital<br>Corporation             | \$ 20,120 | \$ 16,000             | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 968                           |
| Ciena Capital LLC                           | \$ 84,012 | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ (1,859)                       |
| Citipostal, Inc.                            | \$ 63,261 | \$                    | \$           | \$ 2,131           | \$                                     | \$                 | \$ 89        | \$                             | \$ 10                            |
| Coverall North<br>America, Inc.             | \$ 40,189 | \$                    | \$           | \$ 644             | \$                                     | \$                 | \$ 75        | \$                             | \$ 1,382                         |
| Crescent Equity Corp.                       | \$ 6,653  | \$                    | \$           | \$ 160             | \$                                     | \$                 | \$           | \$ 216                         | \$ (2,434)                       |
| Direct Capital Corporation                  | \$ 10,109 | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 6                             |
| EarthColor, Inc.                            | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$                               |
| Financial Pacific Company                   | \$ 32,800 | \$                    | \$           | \$ 2,013           | \$                                     | \$                 | \$ 167       | \$                             | \$ 1,210                         |
| HCI Equity, LLC                             | \$ 808    | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 105                           |
| HCP Acquisition<br>Holdings, LLC            | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 638                           |
| Hot Light Brands, Inc.                      | \$ 6,746  | \$ 627                | \$           | \$ 2               | \$                                     | \$                 | \$           | \$ 266                         | \$ 337                           |
| Hot Stuff Foods, LLC                        | \$ 69,168 | \$ 6,210              | \$           | \$ 408             | \$                                     | \$                 | \$ 25        | \$                             | \$ 842                           |
| Huddle House Inc.                           | \$ 19,607 | \$                    | \$           | \$ 734             | \$                                     | \$                 | \$ 188       | \$                             | \$ (1,671)                       |
| IAT Equity, LLC                             | \$ 13,419 | \$                    | \$           | \$ 135             | \$                                     | \$                 | \$           | \$                             | \$ 85                            |
| Ivy Hill Asset<br>Management, L.P.          | \$ 48,248 | \$                    | \$           | \$                 | \$                                     | \$ 1,796           | \$           | \$                             | \$ 8,476                         |
| Ivy Hill Middle Market<br>Credit Fund, Ltd. | \$        | \$                    | \$ 330       | \$ 3,485           | \$                                     | \$                 | \$           | \$                             | \$ 1,284                         |
| Jakel, Inc.                                 | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$                               |
| Knightsbridge CLO 2007-1<br>Ltd.            | \$ 14,852 | \$                    | \$           | \$ 520             | \$                                     | \$                 | \$           | \$                             | \$ (9,003)                       |
| Knightsbridge CLO 2008-1<br>Ltd.            | \$ 36,996 | \$                    | \$           | \$ 788             | \$                                     | \$                 | \$           | \$                             | \$ (4,896)                       |
| LVCG Holdings, LLC                          | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ (198)                         |
| Making Memories<br>Wholesale, Inc.          | \$ 500    | \$ 100                | \$           | \$ 719             | \$                                     | \$                 | \$ 183       | \$ 25                          | \$ (465)                         |
| MVL Group, Inc.                             | \$ 60,707 | \$                    | \$           | \$ 2,088           | \$                                     | \$                 | \$           | \$                             | \$ 411                           |
| PENN Detroit Diesel<br>Allison LLC          | \$ 20,069 | \$                    | \$           | \$                 | \$                                     | \$                 | \$ 125       | \$                             | \$ (2,869)                       |
| Reflexite Corporation                       | \$        | \$                    | \$           | \$ 1,699           | \$                                     | \$                 | \$ 61        | \$                             | \$                               |
| Senior Secured Loan Fund<br>LLC             | \$ 44,667 | \$ 15,410             | \$           | \$ 17,254          | \$ 2,657                               | \$                 | \$ 1,917     | \$ 796                         | \$ 12,265                        |
| Stag-Parkway, Inc.                          | \$ 36,810 | \$                    | \$           | \$ 476             | \$                                     | \$                 | \$ 104       | \$                             | \$ 4,487                         |
| Startec Equity, LLC                         | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$                               |
| The Thymes, LLC                             | \$        | \$                    | \$           | \$ 277             | \$                                     | \$                 | \$           | \$                             | \$ (28)                          |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

(8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.

(9) Non-registered investment company.

(10) A majority of the variable rate loans to our portfolio companies bear interest at a rate that may be determined by reference to either Libor or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, we have provided the interest rate in effect at June 30, 2010.

(11) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 3.00% on \$17.2 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

(12) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$25.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

(13) Loan was on non-accrual status as of June 30, 2010.

(14) Loan includes interest rate floor feature.

Table of Contents

(15) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.98% on \$15.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

(16) Pledge as collateral for the Revolving Credit Facility.

(17) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 5% on \$40 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

(18) Crescent Equity Corporation holds investments in Crescent Hotels & Resorts, LLC and affiliates.

See accompanying notes to consolidated financial statements.

Table of Contents

## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

As of December 31, 2009

(dollar amounts in thousands, except per unit data)

| Company(1)                                                                       | Industry                     | Investment                                             | Interest(5)(10)             | 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 (\$902 par due 12/2010)            | 8.50% (Libor + 5.00%/D)     | 12/14/2005       | \$ 902         | \$ 902     | \$ 1.00             | (3)(15)                  |
|                                                                                  |                              | Senior secured loan (\$10,389 par due 12/2011)         | 8.50% (Libor + 5.00%/Q)     | 12/14/2005       | 10,389         | 10,389     | \$ 1.00             | (3)(15)                  |
| Capella Healthcare, Inc.                                                         | Acute care hospital operator | Junior secured loan (\$12,500 par due 2/2016)          | 13.00%                      | 2/29/2008        | 12,500         | 12,500     | \$ 1.00             |                          |
|                                                                                  |                              | Junior secured loan (\$30,000 par due 2/2016)          | 13.00%                      | 2/29/2008        | 30,000         | 30,000     | \$ 1.00             | (2)                      |
| CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC(6) | Healthcare analysis services | Preferred stock (7,427 shares)                         | 14.00% PIK                  | 6/15/2007        | 8,467          | 8,043      | \$ 950.00           | (4)                      |
|                                                                                  |                              | Common stock (9,679 shares)                            |                             | 6/15/2007        | 4,000          | 8,114      | \$ 840.00           |                          |
|                                                                                  |                              | Common stock (1,546 shares)                            |                             | 6/15/2007        |                |            |                     |                          |
| DSI Renal, Inc.                                                                  | Dialysis provider            | Senior secured revolving loan (\$2 par due 3/2011)     | 7.25% (Base Rate + 4.00%/M) | 4/4/2006         | 2              | 2          | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured revolving loan (\$132 par due 3/2011)   | 7.25% (Base Rate + 4.00%/M) | 4/4/2006         | 132            | 126        | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured revolving loan (\$20 par due 3/2011)    | 7.25% (Base Rate + 4.00%/M) | 4/4/2006         | 20             | 19         | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured revolving loan (\$7,392 par due 3/2011) | 7.25% (Base Rate + 4.00%/M) | 4/4/2006         | 7,392          | 7,022      | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured revolving loan (\$122 par due 3/2011)   | 7.25% (Base Rate + 4.00%/M) | 4/4/2006         | 122            | 116        | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured loan (\$339 par due 3/2013)             | 7.25% (Base Rate + 4.00%/Q) | 4/4/2006         | 237            | 322        | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured loan (\$44 par due 3/2013)              | 7.25% (Base Rate + 4.00%/Q) | 4/4/2006         | 31             | 42         | \$ 0.95             |                          |
|                                                                                  |                              | Senior secured loan (\$16,960 par due 3/2013)          | 7.25% (Base Rate + 4.00%/Q) | 4/4/2006         | 12,323         | 16,112     | \$ 0.95             |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                      |                                         |                                                    |                         |            |        |        |    |            |
|--------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------|-------------------------|------------|--------|--------|----|------------|
|                                                                                      |                                         | Senior subordinated loan (\$66,552 par due 4/2014) | 16.00% PIK              | 4/4/2006   | 66,215 | 63,220 | \$ | 0.95(4)    |
|                                                                                      |                                         | Senior subordinated loan (\$14,285 par due 4/2014) | 16.00% PIK              | 4/4/2006   | 14,211 | 13,571 | \$ | 0.95(3)(4) |
| GG Merger Sub I, Inc.                                                                | Drug testing services                   | Senior secured loan (\$11,330 par due 12/2014)     | 4.26% (Libor + 4.00%/Q) | 12/14/2007 | 10,919 | 10,197 | \$ | 0.90(2)    |
|                                                                                      |                                         | Senior secured loan (\$12,000 par due 12/2014)     | 4.26% (Libor + 4.00%/Q) | 12/14/2007 | 11,460 | 10,800 | \$ | 0.90(3)    |
| HCP Acquisition Holdings, LLC(7)                                                     | Healthcare compliance advisory services | Class A units (10,044,176 units)                   |                         | 6/26/2008  | 10,044 | 4,256  | \$ | 0.72       |
| Heartland Dental Care, Inc.                                                          | Dental services                         | Senior subordinated loan (\$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 | Health plan management company          | Senior subordinated loan (\$4,670 par due 1/2013)  | 12.75% Cash, 2.00% PIK  | 2/9/2009   | 3,363  | 4,670  | \$ | 1.00(4)    |
| MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.              | Healthcare equipment services           | Senior secured loan (\$997 par due 1/2013)         |                         | 1/31/2007  | 489    | 628    | \$ | 0.63       |
|                                                                                      |                                         | Junior secured loan (\$20,000 par due 1/2014)      | 6.48% (Libor + 6.25%/B) | 1/31/2007  | 20,049 | 5,000  | \$ | 0.25       |
|                                                                                      |                                         | Junior secured loan (\$12,000 par due 1/2014)      | 6.48% (Libor + 6.25%/B) | 1/31/2007  | 12,000 | 3,000  | \$ | 0.25(3)    |
|                                                                                      |                                         | Common stock (50,000 shares)                       |                         | 1/31/2007  | 5,000  |        |    |            |
| MWD Acquisition Sub, Inc.                                                            | Dental services                         | Junior secured loan (\$5,000 par due 5/2012)       | 6.48% (Libor + 6.25%/M) | 5/3/2007   | 5,000  | 4,350  | \$ | 0.87(3)    |
| OnCURE Medical Corp.                                                                 | Radiation oncology care provider        | Senior secured loan (\$3,068 par due 6/2012)       | 3.75% (Libor + 3.50%/M) | 8/18/2006  | 3,068  | 2,761  | \$ | 0.90(3)    |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                                           | Industry                                                                                                             | Investment                                          | Interest(5)(10)          | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------|------------------|----------------|------------|---------------------|--------------------------|
|                                                                                      |                                                                                                                      | Senior subordinated loan (\$32,642 par due 8/2013)  | 11.00% Cash, 1.50% PIK   | 8/18/2006        | 32,664         | 29,378     | \$ 0.90(4)          |                          |
|                                                                                      |                                                                                                                      | Common stock (857,143 shares)                       |                          | 8/18/2006        | 3,000          | 3,000      | \$ 3.50             |                          |
| Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp. | Healthcare technology provider                                                                                       | Senior secured loan (\$12,660 par due 5/2014)       | 10.50% (Libor + 7.50%/M) | 5/9/2008         | 12,660         | 12,660     | \$ 1.00(2)(15)      |                          |
|                                                                                      |                                                                                                                      | Senior secured loan (\$11,686 par due 5/2014)       | 10.50% (Libor + 7.50%/M) | 5/9/2008         | 11,686         | 11,686     | \$ 1.00(3)(15)      |                          |
|                                                                                      |                                                                                                                      | Series A preferred stock (1,594,457 shares)         |                          | 7/30/2008        | 9,900          | 9,900      | \$ 6.21             |                          |
|                                                                                      |                                                                                                                      | Common stock (16,106 shares)                        |                          | 7/30/2008        | 100            | 100        | \$ 6.21             |                          |
| 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        | 3,938          | 4,000      | \$ 1.00             |                          |
|                                                                                      |                                                                                                                      | Preferred stock (333 shares)                        |                          | 3/12/2008        | 333            | 333        | \$ 1,000.00         |                          |
|                                                                                      |                                                                                                                      | Common stock (16,667 shares)                        |                          | 3/12/2008        | 167            | 167        | \$ 10.00            |                          |
| The Schumacher Group of Delaware, Inc.                                               | Outsourced physician service provider                                                                                | Junior secured loan (\$5,229 par due 7/2013)        | 11.13% Cash, 1.00% PIK   | 7/18/2008        | 5,229          | 5,229      | \$ 1.00(4)          |                          |
|                                                                                      |                                                                                                                      | Junior secured loan (\$30,909 par due 7/2013)       | 11.13% Cash, 1.00% PIK   | 7/18/2008        | 30,943         | 30,909     | \$ 1.00(2)(4)       |                          |
| Univita Health, Inc.                                                                 | Outsourced services provider                                                                                         | Senior subordinated loan (\$20,500 par due 12/2014) | 15.00%                   | 12/22/2009       | 20,500         | 20,500     | \$ 1.00             |                          |
| VOTC Acquisition Corp.                                                               | Radiation oncology care provider                                                                                     | Senior secured loan (\$17,417 par due 7/2012)       | 11.00% Cash, 2.00% PIK   | 6/30/2008        | 17,417         | 17,417     | \$ 1.00(4)          |                          |
|                                                                                      |                                                                                                                      | Preferred stock (3,888,222 shares)                  |                          | 7/14/2008        | 8,748          | 3,800      | \$ 0.98             |                          |
|                                                                                      |                                                                                                                      |                                                     |                          |                  | 438,337        | 397,958    |                     | 31.64%                   |
| <b>Financial</b>                                                                     |                                                                                                                      |                                                     |                          |                  |                |            |                     |                          |
| Carador PLC(6)(8)(9)                                                                 | Investment company                                                                                                   | Ordinary shares (7,110,525 shares)                  |                          | 12/15/2006       | 9,033          | 2,489      | \$ 0.35             |                          |
| CIC Flex, LP(9)                                                                      | Investment partnership                                                                                               | Limited partnership units (0.69 unit)               |                          | 9/7/2007         | 41             | 41         | \$ 40,505.00        |                          |
| Covestia Capital Partners, LP(9)                                                     | Investment partnership                                                                                               | Limited partnership interest (47% interest)         |                          | 6/17/2008        | 1,059          | 1,059      |                     |                          |
| Firstlight Financial Corporation(6)(9)                                               | Investment company                                                                                                   | Senior subordinated loan (\$73,077 par due 12/2016) | 1.00% PIK                | 12/31/2006       | 73,032         | 54,808     | \$ 0.75(4)          |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                              |                                   |                                                                       |                            |            |        |        |    |          |
|----------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------|----------------------------|------------|--------|--------|----|----------|
|                                                                                              |                                   | Common stock<br>(10,000 shares)                                       |                            | 12/31/2006 | 10,000 |        |    |          |
|                                                                                              |                                   | Common stock<br>(30,000 shares)                                       |                            | 12/31/2006 | 30,000 |        |    |          |
| Ivy Hill Asset<br>Management, L.P.(7)                                                        | Investment<br>manager             | Member interest                                                       |                            | 6/15/2009  | 37,176 | 48,321 |    |          |
| Ivy Hill Middle<br>Market Credit<br>Fund, Ltd.(7)<br>(8)(9)                                  | Investment<br>company             | Class B deferrable<br>interest notes<br>(\$40,000 par due<br>11/2018) | 6.28% (Libor +<br>6.00%/Q) | 11/20/2007 | 40,000 | 36,800 | \$ | 0.92     |
|                                                                                              |                                   | Subordinated notes<br>(\$15,681 par due<br>11/2018)                   | 18.70%                     | 11/20/2007 | 15,681 | 14,583 | \$ | 0.93     |
| Imperial Capital<br>Group, LLC and<br>Imperial Capital<br>Private Opportunities,<br>LP(6)(9) | Investment<br>banking<br>services | Common units<br>(2,526 units)                                         |                            | 5/10/2007  | 3      | 3      | \$ | 1.00     |
|                                                                                              |                                   | Common units<br>(315 units)                                           |                            | 5/10/2007  |        |        |    |          |
|                                                                                              |                                   | Common units<br>(7,710 units)                                         |                            | 5/10/2007  | 14,997 | 18,400 | \$ | 2,386.51 |
|                                                                                              |                                   | Limited partnership<br>interest (80% interest)                        |                            | 5/10/2007  | 6,094  | 5,663  |    |          |
| Partnership Capital<br>Growth Fund I, LP(9)                                                  | Investment<br>partnership         | Limited partnership<br>interest (25% interest)                        |                            | 6/16/2006  | 3,045  | 3,045  |    |          |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                         | Industry                                                     | Investment                                            | Interest(5)(10)          | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|--------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|--------------------------|------------------|----------------|------------|---------------------|--------------------------|
| Senior Secured Loan Fund LLC(7)(9)                                 | Investment partnership                                       | Subordinated certificates (\$172,796 par due 12/2015) | 16.23%                   | 10/30/2009       | 165,000        | 165,000    | \$ 0.95             |                          |
| Trivergance Capital Partners, LP(9)                                | Investment partnership                                       | Limited partnership interest (100% interest)          |                          | 6/5/2008         | 2,016          | 2,016      |                     |                          |
| VSC Investors LLC(9)                                               | Investment company                                           | Membership interest (4.63% interest)                  |                          | 1/24/2008        | 648            | 648        |                     |                          |
|                                                                    |                                                              |                                                       |                          |                  | 407,825        | 352,876    |                     | 28.05%                   |
| <b>Education</b>                                                   |                                                              |                                                       |                          |                  |                |            |                     |                          |
| Campus Management Corp. and Campus Management Acquisition Corp.(6) | Education software developer                                 | Senior secured loan (\$3,256 par due 8/2013)          | 10.00% Cash, 3.00% PIK   | 2/8/2008         | 3,256          | 3,256      | \$ 1.00(4)(16)      |                          |
|                                                                    |                                                              | Senior secured loan (\$30,269 par due 8/2013)         | 10.00% Cash, 3.00% PIK   | 2/8/2008         | 30,269         | 30,269     | \$ 1.00(2)(4)(16)   |                          |
|                                                                    |                                                              | Senior secured loan (\$8,961 par due 8/2013)          | 10.00% Cash, 3.00% PIK   | 2/8/2008         | 8,961          | 8,961      | \$ 1.00(16)(4)      |                          |
|                                                                    |                                                              | Preferred stock (493,147 shares)                      | 8.00% PIK                | 2/8/2008         | 9,668          | 13,750     | \$ 27.88(4)         |                          |
| ELC Acquisition Corporation                                        | Developer, manufacturer and retailer of educational products | Senior secured loan (\$162 par due 11/2012)           | 3.48% (Libor + 3.25%/M)  | 11/30/2006       | 162            | 157        | \$ 0.97(3)          |                          |
|                                                                    |                                                              | Junior secured loan (\$8,333 par due 11/2013)         | 7.23% (Libor + 7.00%/M)  | 11/30/2006       | 8,333          | 8,167      | \$ 0.98(3)          |                          |
| Instituto de Banca y Comercio, Inc. Leeds IV Advisors, Inc.(8)     | Private school operator                                      | Senior secured loan (\$11,700 par due 3/2014)         | 8.50% (Libor + 6.00%/Q)  | 3/15/2007        | 11,700         | 11,700     | \$ 1.00(3)(15)      |                          |
|                                                                    |                                                              | Senior subordinated loan (\$30,877 par due 6/2014)    | 13.00% Cash, 3.00% PIK   | 6/4/2008         | 30,877         | 30,877     | \$ 1.00             |                          |
|                                                                    |                                                              | Preferred stock (165,811 shares)                      |                          | 6/4/2008         | 788            | 2,124      | \$ 12.81            |                          |
|                                                                    |                                                              | Preferred stock (140,577 shares)                      |                          | 3/31/2009        | 668            | 1,801      | \$ 12.81            |                          |
|                                                                    |                                                              | Common stock (214,286 shares)                         |                          | 6/4/2008         | 54             | 2,745      | \$ 12.81            |                          |
|                                                                    |                                                              | Common stock (140,577 shares)                         |                          | 3/31/2009        | 35             | 1,801      | \$ 12.81            |                          |
| JTC Education Holdings, Inc.                                       | Postsecondary school operator                                | Senior secured loan (\$31,250 par due 12/2014)        | 12.50% (Libor + 9.50%/M) | 12/31/2009       | 31,250         | 31,250     | \$ 1.00(15)         |                          |
| Lakeland Finance, LLC                                              | Private school operator                                      | Junior secured loan (\$2,423 par due 12/2012)         | 11.50%                   | 12/13/2005       | 2,423          | 2,423      | \$ 1.00             |                          |
|                                                                    |                                                              | Junior secured loan (\$24,231 par due 12/2012)        | 11.50%                   | 12/13/2005       | 24,231         | 24,231     | \$ 1.00(2)          |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                                            |                                                          |                                                     |                            |           |         |           |             |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------|----------------------------|-----------|---------|-----------|-------------|
| R3<br>Education, Inc.<br>(formerly known<br>as Equinox EIC<br>Partners, LLC<br>and MUA<br>Management<br>Company)(7)<br>(8) | Medical school<br>operator                               | Senior secured loan<br>(\$791 par due 6/2010)       | 9.00% (Libor +<br>6.00%/M) | 4/24/2009 | 791     | 1,101 \$  | 1.39(15)    |
|                                                                                                                            |                                                          | Senior secured loan<br>(\$7,275 par due<br>4/2013)  | 9.00% (Libor +<br>6.00%/M) | 4/3/2007  | 7,275   | 10,127 \$ | 1.39(3)(15) |
|                                                                                                                            |                                                          | Senior secured loan<br>(\$5,041 par due<br>4/2013)  | 13.00% PIK                 | 12/8/2009 | 1,244   | 3,186 \$  | 0.63        |
|                                                                                                                            |                                                          | Senior secured loan<br>(\$14,113 par due<br>4/2013) | 9.00% (Libor +<br>6.00%/M) | 9/21/2007 | 14,113  | 19,646 \$ | 1.39(15)    |
|                                                                                                                            |                                                          | Preferred stock<br>(8,800 shares)                   |                            |           | 2,200   | 1,100 \$  | 125.00      |
|                                                                                                                            |                                                          | Warrants to purchase<br>27,890 shares               |                            |           |         |           |             |
|                                                                                                                            |                                                          | Common membership<br>interest (26.27%<br>interest)  |                            | 9/21/2007 | 15,800  | 11,515    |             |
|                                                                                                                            |                                                          |                                                     |                            |           | 204,098 | 220,187   | 17.50%      |
| <b>Services Other</b>                                                                                                      |                                                          |                                                     |                            |           |         |           |             |
| American<br>Residential<br>Services, LLC                                                                                   | Plumbing,<br>heating and<br>air-conditioning<br>services | Junior secured loan<br>(\$20,608 par due<br>4/2015) | 10.00% Cash,<br>2.00% PIK  | 4/17/2007 | 20,608  | 20,195 \$ | 0.98(2)(4)  |
| Diversified<br>Collection<br>Services, Inc.                                                                                | Collections<br>services                                  | Senior secured loan<br>(\$10,529 par due<br>2/2011) | 9.50% (Libor +<br>6.75%/M) | 2/2/2005  | 9,280   | 10,529 \$ | 1.00(2)(15) |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                 | Industry                               | Investment                                             | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|--------------------------------------------|----------------------------------------|--------------------------------------------------------|-----------------------------|------------------|----------------|------------|---------------------|--------------------------|
|                                            |                                        | Senior secured loan (\$3,747 par due 2/2011)           | 9.50% (Libor + 6.75%/M)     | 2/2/2005         | 3,747          | 3,747 \$   | 1.00(3)(15)         |                          |
|                                            |                                        | Senior secured loan (\$1,931 par due 8/2011)           | 13.75% (Libor + 11.00%/M)   | 2/2/2005         | 1,931          | 1,931 \$   | 1.00(2)(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(3)(15)         |                          |
|                                            |                                        | Preferred stock (14,927 shares)                        |                             | 5/18/2006        | 169            | 269 \$     | 18.02               |                          |
|                                            |                                        | Common stock (114,004 shares)                          |                             | 2/2/2005         | 295            | 402 \$     | 3.53                |                          |
| GCA Services Group, Inc.                   | Custodial services                     | Senior secured loan \$(13,255 par due 12/2011)         | 12.00%                      | 12/15/2006       | 13,171         | 13,255 \$  | 1.00                |                          |
|                                            |                                        | Senior secured loan \$(14,768 par due 12/2011)         | 12.00%                      | 12/15/2006       | 14,765         | 14,768 \$  | 1.00(2)             |                          |
|                                            |                                        | Senior secured loan \$(9,866 par due 12/2011)          | 12.00%                      | 12/15/2006       | 9,866          | 9,866 \$   | 1.00(3)             |                          |
| Growing Family, Inc. and GFH Holdings, LLC | Photography services                   | Senior secured loan \$(11,188 par due 8/2011)          |                             | 3/16/2007        | 11,188         | 2,238 \$   | 0.20(4)(14)         |                          |
|                                            |                                        | Senior secured loan \$(372 par due 8/2011)             |                             | 3/16/2007        | 372            | 74 \$      | 0.20(4)(14)         |                          |
|                                            |                                        | Senior secured revolving loan \$(2,500 par due 8/2011) |                             | 3/16/2007        | 1,513          | 303 \$     | 0.20(4)(14)         |                          |
|                                            |                                        | Senior secured loan \$(3,575 par due 8/2011)           |                             | 3/16/2007        | 3,575          | 715 \$     | 0.20(4)(14)         |                          |
|                                            |                                        | Senior secured loan \$(147 par due 8/2011)             |                             | 3/16/2007        | 147            | 29 \$      | 0.20(4)(14)         |                          |
|                                            |                                        | Common stock (552,430 shares)                          |                             | 3/16/2007        | 872            |            |                     |                          |
| NPA Acquisition, LLC                       | Powersport vehicle auction operator    | Junior secured loan \$(12,000 par due 2/2013)          | 6.98% (Libor + 6.75%/M)     | 8/23/2006        | 12,000         | 12,000 \$  | 1.00(3)             |                          |
|                                            |                                        | Common units (1,709 units)                             |                             | 8/23/2006        | 1,000          | 2,570 \$   | 1,503.80            |                          |
| PODS Funding Corp.                         | Storage and warehousing provider       | Senior subordinated loan \$(25,125 par due 6/2015)     | 15.00%                      | 12/23/2009       | 25,125         | 25,125 \$  | 1.00                |                          |
|                                            |                                        | Subordinated loan \$(6,500 par due 12/2015)            | 16.64%                      | 12/23/2009       | 5,079          | 5,070 \$   | 0.78                |                          |
| Web Services Company, LLC                  | Laundry service and equipment provider | Senior secured loan \$(4,938 par due 8/2014)           | 7.00% (Base Rate + 3.75%/Q) | 6/15/2009        | 4,607          | 4,938 \$   | 1.00(3)             |                          |
|                                            |                                        | Senior subordinated loan \$(18,219 par due 8/2016)     | 11.50% Cash, 2.50% PIK      | 8/29/2008        | 18,219         | 17,308 \$  | 0.95(4)             |                          |
|                                            |                                        | Senior subordinated loan \$(25,804 par due 8/2016)     | 11.50% Cash, 2.50% PIK      | 8/29/2008        | 25,804         | 24,513 \$  | 0.95(2)(4)          |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

190,825 177,337

14.10%

**Restaurants and Food Services**

|                                               |                               |                                                            |                                            |            |        |        |    |                |
|-----------------------------------------------|-------------------------------|------------------------------------------------------------|--------------------------------------------|------------|--------|--------|----|----------------|
| ADF Capital, Inc. & ADF Restaurant Group, LLC | Restaurant owner and operator | Senior secured revolving loan<br>\$(3,592 par due 11/2012) | 6.50% (Libor + 3.00% Cash, 0.50% PIK/S)    | 11/27/2006 | 2,010  | 2,010  | \$ | 0.56(4)(15)    |
|                                               |                               | Senior secured revolving loan<br>\$(1,408 par due 11/2012) | 6.50% (Base Rate + 2.50%/Q)                | 11/27/2006 | 1,408  | 1,408  | \$ | 1.00(4)(15)    |
|                                               |                               | Senior secured loan<br>\$(23,574 par due 11/2013)          | 12.50% (Libor + 6.50% Cash, 3.00% PIK/Q)   | 11/27/2006 | 23,580 | 23,574 | \$ | 1.00(2)(4)(15) |
|                                               |                               | Senior secured loan<br>\$(11,049 par due 11/2013)          | 12.50% (Libor + 6.50% Cash, 3.00% PIK/Q)   | 11/27/2006 | 11,049 | 11,049 | \$ | 1.00(3)(4)(15) |
|                                               |                               | Promissory note<br>\$(13,105 par due 11/2016)              | 12.00% PIK                                 | 6/1/2006   | 13,093 | 13,105 | \$ | 1.00(4)        |
|                                               |                               | Warrants to purchase 0.61 shares                           |                                            | 6/1/2006   |        | 2,719  |    |                |
| Encanto Restaurants, Inc.(8)                  | Restaurant owner and operator | Junior secured loan<br>\$(20,997 par due 8/2013)           | 7.50% Cash, 3.50% PIK                      | 8/16/2006  | 20,997 | 19,947 | \$ | 0.95(2)(4)     |
|                                               |                               | Junior secured loan<br>\$(3,999 par due 8/2013)            | 7.50% Cash + 3.50% PIK                     | 8/16/2006  | 3,999  | 3,799  | \$ | 0.95(3)(4)     |
| OTG Management, Inc.                          | Airport restaurant operator   | Senior secured loan<br>\$(16,149 par due 6/2013)           | 20.500% (Libor + 11.00% Cash, 6.50% PIK/M) | 6/19/2008  | 16,149 | 16,149 | \$ | 1.00(4)(15)    |
|                                               |                               | Warrants to purchase up to 88,991 shares of common stock   |                                            |            |        | 1,102  |    |                |
|                                               |                               | Warrants to purchase up to 9 shares of common stock        |                                            |            |        |        |    |                |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                           | Industry                    | Investment                                               | Interest(5)(10)          | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|------------------------------------------------------|-----------------------------|----------------------------------------------------------|--------------------------|------------------|----------------|------------|---------------------|--------------------------|
| 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 \$(30,000 par due 5/2015)       | 13.50%                   | 5/23/2008        | 30,000         | 28,500     | \$ 0.95(2)          |                          |
|                                                      |                             | Class A non-voting common stock (1,366,120 shares)       |                          | 5/23/2008        | 7,500          | 4,050      | \$ 2.96             |                          |
|                                                      |                             |                                                          |                          |                  | 173,410        | 168,856    |                     | 13.42%                   |
| <b>Beverage, Food and Tobacco</b>                    |                             |                                                          |                          |                  |                |            |                     |                          |
| 3091779 Nova Scotia Inc.(8)                          | Baked goods manufacturer    | Senior secured revolving loan \$(5,485 par due 1/2010)   | 8.00%                    | 11/2/2007        | 1,385          | 1,494      | \$ 0.27(4)(12)      |                          |
|                                                      |                             | Senior secured revolving loan \$(1,016 par due 1/2010)   | 8.00%                    | 11/2/2007        | 1,016          | 969        | \$ 0.95             |                          |
|                                                      |                             | Junior secured loan \$(14,386 par due 1/2010)            | 10.00% Cash, 4.00% PIK   | 11/2/2007        | 15,147         | 10,292     | \$ 0.72(4)(12)      |                          |
| Apple & Eve, LLC and US Juice Partners, LLC(6)       | Juice manufacturer          | Warrants to purchase 57,545 shares                       |                          |                  |                |            |                     |                          |
|                                                      |                             | Senior secured revolving loan \$(10,000 par due 10/2013) | 12.00% (Libor + 9.00%/M) | 10/5/2007        | 3,000          | 3,000      | \$ 0.30(15)         |                          |
|                                                      |                             | Senior secured loan \$(17,963 par due 10/2013)           | 12.00% (Libor + 9.00%/M) | 10/5/2007        | 17,963         | 17,963     | \$ 1.00(15)         |                          |
|                                                      |                             | Senior secured loan \$(15,937 par due 10/2013)           | 12.00% (Libor + 9.00%/M) | 10/5/2007        | 15,937         | 15,937     | \$ 1.00(3)(15)      |                          |
| Best Brands Corporation                              | Baked goods manufacturer    | Senior units (50,000 units)                              |                          |                  | 5,000          | 5,000      | \$ 100.00           |                          |
|                                                      |                             | Senior secured loan \$(324 par due 12/2012)              | 7.48% (Libor + 7.25%/M)  | 2/15/2008        | 324            | 324        | \$ 1.00(4)          |                          |
|                                                      |                             | Senior secured loan \$(13,034 par due 12/2012)           | 7.48% (Libor + 7.25%/M)  | 2/15/2008        | 11,035         | 13,034     | \$ 1.00(2)(4)       |                          |
|                                                      |                             | Junior secured loan \$(28,692 par due 6/2013)            | 12.00% Cash, 4.00% PIK   | 12/14/2006       | 28,112         | 28,692     | \$ 1.00(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(2)(4)       |                          |
|                                                      |                             | Junior secured loan \$(8,611 par due 6/2013)             | 12.00% Cash, 4.00% PIK   | 12/14/2006       | 8,531          | 8,611      | \$ 1.00(3)(4)       |                          |
| Bumble Bee Foods, LLC and BB Co-Invest LP            | Canned seafood manufacturer | Common stock (4,000 shares)                              |                          | 11/18/2008       | 4,000          | 6,760      | \$ 1,690.00         |                          |
|                                                      |                             |                                                          | 13.00% PIK               | 2/6/2008         | 5,883          | 5,883      | \$ 1.00(4)          |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                      |                             |                                                    |                              |           |         |         |        |            |
|------------------------------------------------------|-----------------------------|----------------------------------------------------|------------------------------|-----------|---------|---------|--------|------------|
| Charter Baking Company, Inc.                         | Baked goods manufacturer    | Senior subordinated loan \$(5,883 par due 2/2013)  |                              |           |         |         |        |            |
|                                                      |                             | Preferred stock (6,258 shares)                     | 9/1/2006                     | 2,500     | 1,725   | \$      | 275.64 |            |
|                                                      |                             |                                                    |                              |           | 131,566 | 131,417 |        | 10.45%     |
| <b>Retail</b>                                        |                             |                                                    |                              |           |         |         |        |            |
| Apogee Retail, LLC                                   | For-profit thrift retailer  | Senior secured loan \$(1,859 par due 3/2012)       | 5.23% (Libor + 5.00%/M)      | 3/27/2007 | 1,859   | 1,747   | \$     | 0.94       |
|                                                      |                             | Senior secured loan \$(2,969 par due 3/2012)       | 5.23% (Libor + 5.00%/M)      | 3/27/2007 | 2,969   | 2,791   | \$     | 0.94(2)    |
|                                                      |                             | Senior secured loan \$(26,670 par due 3/2012)      | 5.23% (Libor + 5.00%/M)      | 3/27/2007 | 26,670  | 25,070  | \$     | 0.94(2)    |
|                                                      |                             | Senior secured loan \$(11,670 par due 3/2012)      | 5.23% (Libor + 5.00%/M)      | 3/27/2007 | 11,670  | 10,970  | \$     | 0.94(3)    |
|                                                      |                             | Senior secured loan \$(11,069 par due 9/2012)      | 12.00% Cash, 4.00% PIK       | 5/28/2008 | 11,069  | 11,069  | \$     | 1.00(4)    |
|                                                      |                             | Senior secured loan \$(11,411 par due 9/2012)      | 12.00% Cash, 4.00% PIK       | 5/28/2008 | 11,411  | 11,411  | \$     | 1.00(4)    |
| Dufry AG(8)                                          | Retail newsstand operator   | Common stock (39,056 shares)                       |                              | 3/28/2008 | 3,000   | 2,638   | \$     | 0.44       |
| Savers, Inc. and SAI Acquisition Corporation         | For-profit thrift retailer  | Senior subordinated loan \$(5,524 par due 8/2014)  | 10.00% Cash, 2.00% PIK       | 8/8/2006  | 5,524   | 5,524   | \$     | 1.00(4)    |
|                                                      |                             | Senior subordinated loan \$(20,323 par due 8/2014) | 10.00% Cash, 2.00% PIK       | 8/8/2006  | 20,323  | 20,323  | \$     | 1.00(2)(4) |
|                                                      |                             | Common stock (1,170,182 shares)                    |                              | 8/8/2006  | 4,500   | 5,840   | \$     | 4.95       |
| Things Remembered, Inc. and TRM Holdings Corporation | Personalized gifts retailer | Senior secured loan \$(11 par due 9/2012)          | 5.50% Cash, 1.00% PIK Option | 9/28/2006 | 11      | 9       | \$     | 0.84(3)(4) |
|                                                      |                             | Senior secured loan \$(3,626 par due 9/2012)       | 5.50% Cash, 1.00% PIK Option | 9/28/2006 | 3,624   | 2,901   | \$     | 0.80(3)(4) |
|                                                      |                             | Senior secured loan \$(68 par due 9/2012)          | 5.50% Cash, 1.00% PIK Option | 9/28/2006 | 68      | 55      | \$     | 0.80(4)    |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                               | Industry                                    | Investment                                                      | Interest(5)(10)              | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|----------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------|------------------------------|------------------|----------------|------------|---------------------|--------------------------|
|                                                          |                                             | Senior secured loan \$(18 par due 9/2012)                       | 5.50% Cash, 1.00% PIK Option | 9/28/2006        | 18             | 14 \$      | 0.80(3)             |                          |
|                                                          |                                             | Senior secured loan \$(28,402 par due 9/2012)                   | 5.50% Cash, 1.00% PIK Option | 9/28/2006        | 28,388         | 22,722 \$  | 0.80                |                          |
|                                                          |                                             | Senior secured loan \$(7,303 par due 9/2012)                    | 5.50% Cash, 1.00% PIK Option | 9/28/2006        | 7,300          | 5,843 \$   | 0.80(3)             |                          |
|                                                          |                                             | Preferred stock (73 shares)                                     |                              | 3/19/2009        |                |            |                     |                          |
|                                                          |                                             | Preferred stock (80 shares)                                     |                              | 9/28/2006        | 1,800          |            |                     |                          |
|                                                          |                                             | Warrants to purchase 859 shares of preferred shares             |                              | 3/19/2009        |                |            |                     |                          |
|                                                          |                                             | Common stock (800 shares)                                       |                              | 9/28/2006        | 200            |            |                     |                          |
|                                                          |                                             |                                                                 |                              |                  | 140,404        | 128,927    |                     | 10.25%                   |
| <b>Business Services</b>                                 |                                             |                                                                 |                              |                  |                |            |                     |                          |
| Booz Allen Hamilton, Inc.                                | Strategy and technology consulting services | Senior secured loan \$(741 par due 7/2015)                      | 7.50% (Libor + 4.50%/S)      | 7/31/2008        | 727            | 741 \$     | 1.00(3)(15)         |                          |
|                                                          |                                             | Senior subordinated loan \$(250 par due 7/2016)                 | 11.00% Cash, 2.00% PIK       | 7/31/2008        | 245            | 250 \$     | 1.00(4)             |                          |
|                                                          |                                             | Senior subordinated loan \$(12,400 par due 7/2016)              | 11.00% Cash, 2.00% PIK       | 7/31/2008        | 12,296         | 12,400 \$  | 1.00(2)(4)          |                          |
| Investor Group Services, LLC(6)                          | Financial services                          | Limited liability company membership interest (10.00% interest) |                              | 6/22/2006        |                | 500        |                     |                          |
| Pillar Holdings LLC and PHL Holding Co.(6)               | Mortgage services                           | Senior secured revolving loan \$(3,750 par due 11/2013)         | 5.78% (Libor + 5.50%/B)      | 11/20/2007       | 1,313          | 1,313 \$   | 0.35                |                          |
|                                                          |                                             | Senior secured loan \$(16,752 par due 11/2013)                  | 5.78% (Libor + 5.50%/B)      | 11/20/2007       | 16,752         | 16,752 \$  | 1.00(2)             |                          |
|                                                          |                                             | Senior secured loan \$(10,456 par due 11/2013)                  | 5.78% (Libor + 5.50%/B)      | 11/20/2007       | 10,456         | 10,456 \$  | 1.00(3)             |                          |
|                                                          |                                             | 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(2)             |                          |
|                                                          |                                             | Common stock (84.78 shares)                                     |                              | 11/20/2007       | 3,768          | 7,818 \$   | 92,208.00           |                          |
| Primis Marketing Group, Inc. and Primis Holdings, LLC(6) | Database marketing services                 | Senior subordinated loan \$(10,222 par due 2/2013)              |                              | 8/24/2006        | 10,222         | 511 \$     | 0.05(4)(14)         |                          |
|                                                          |                                             | Preferred units (4,000 units)                                   |                              | 8/24/2006        | 3,600          |            |                     |                          |
|                                                          |                                             | Common units (4,000,000 units)                                  |                              | 8/24/2006        | 400            |            |                     |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                                                                                             |                                                |                                                    |                        |            |         |           |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------|------------|---------|-----------|----------------|
| 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 loan \$(26,526 par due 2/2014) | 11.50% Cash, 2.00% PIK | 2/8/2007   | 26,526  | 26,526 \$ | 1.00(4)        |
|                                                                                                                                                                             |                                                | Senior subordinated loan \$(26,630 par due 2/2014) | 11.50% Cash, 2.00% PIK | 2/8/2007   | 26,630  | 26,630 \$ | 1.00(2)(4)     |
|                                                                                                                                                                             |                                                | Preferred stock (30,000 shares)                    |                        | 4/11/2006  | 3,000   | 6,221 \$  | 207.37         |
| R2 Acquisition Corp.                                                                                                                                                        | Marketing services                             | Common stock (250,000 shares)                      |                        | 5/29/2007  | 250     | 250 \$    | 1.00           |
| Summit Business Media, LLC                                                                                                                                                  | Business media consulting services             | Junior secured loan \$(11,078 par due 7/2014)      |                        | 8/3/2007   | 10,018  | 554 \$    | 0.05(3)(4)(14) |
| VSS-Tranzact Holdings, LLC(6)                                                                                                                                               | Management consulting services                 | Common membership interest (8.51% interest)        |                        | 10/26/2007 | 10,000  | 7,850     |                |
|                                                                                                                                                                             |                                                |                                                    |                        |            | 143,578 | 126,147   | 10.03%         |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                         | Industry                                                          | Investment                                          | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------|-----------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Manufacturing</b>               |                                                                   |                                                     |                             |                  |                |            |                     |                          |
| Arrow Group Industries, Inc.       | Residential and outdoor shed manufacturer                         | Senior secured loan \$(5,616 par due 4/2010)        | 5.25% (Libor + 5.00%/Q)     | 3/28/2005        | 5,653          | 4,437      | \$ 0.79(3)          |                          |
| Emerald Performance Materials, LLC | Polymers and performance materials manufacturer                   | Senior secured loan \$(536 par due 5/2011)          | 8.25% (Libor + 4.25%/M)     | 5/16/2006        | 536            | 531        | \$ 0.99(3)(15)      |                          |
|                                    |                                                                   | Senior secured loan \$(8,392 par due 5/2011)        | 8.25% (Libor + 4.25%/M)     | 5/16/2006        | 8,392          | 8,308      | \$ 0.99(3)(15)      |                          |
|                                    |                                                                   | Senior secured loan \$(626 par due 5/2011)          | 8.50% (Base Rate + 5.25%/M) | 5/16/2006        | 626            | 620        | \$ 0.99(3)          |                          |
|                                    |                                                                   | Senior secured loan \$(1,604 par due 5/2011)        | 10.00% (Libor + 6.00%/M)    | 5/16/2006        | 1,604          | 1,556      | \$ 0.97(3)(15)      |                          |
|                                    |                                                                   | Senior secured loan \$(4,937 par due 5/2011)        | 13.00% Cash, 3.00% PIK      | 5/16/2006        | 4,937          | 4,838      | \$ 0.98(2)(4)       |                          |
| Reflexite Corporation(7)           | Developer and manufacturer of high-visibility reflective products | Senior subordinated loan \$(16,785 par due 11/2014) | 12.50% Cash, 5.50% PIK      | 2/26/2008        | 16,785         | 16,785     | \$ 1.00(4)          |                          |
|                                    |                                                                   | Common stock (1,821,860 shares)                     |                             | 3/28/2006        | 27,435         | 24,595     | \$ 13.50            |                          |
| Saw Mill PCG Partners LLC          | Precision components manufacturer                                 | Common units (1,000 units)                          |                             | 2/2/2007         | 1,000          |            |                     |                          |
| UL Holding Co., LLC                | Petroleum product manufacturer                                    | Senior secured loan \$(2,978 par due 12/2012)       | 14.00%                      | 2/13/2009        | 2,978          | 2,829      | \$ 0.95(2)          |                          |
|                                    |                                                                   | Senior secured loan \$(993 par due 12/2012)         | 14.00%                      | 2/13/2009        | 993            | 943        | \$ 0.95(3)          |                          |
|                                    |                                                                   | Senior secured loan \$(848 par due 12/2012)         | 14.00%                      | 2/13/2009        | 848            | 805        | \$ 0.95(3)          |                          |
|                                    |                                                                   | Senior secured loan \$(2,130 par due 12/2012)       | 9.15% (Libor + 8.88%/Q)     | 2/13/2009        | 2,130          | 2,023      | \$ 0.95             |                          |
|                                    |                                                                   | Senior secured loan \$(2,130 par due 12/2012)       | 14.00%                      | 2/13/2009        | 2,130          | 2,023      | \$ 0.95             |                          |
|                                    |                                                                   | Senior secured loan \$(848 par due 12/2012)         | 9.15% (Libor + 8.88%/Q)     | 2/13/2009        | 848            | 805        | \$ 0.95(3)          |                          |
|                                    |                                                                   | Senior secured loan \$(10,918 par due 12/2012)      | 9.15% (Libor + 8.88%/Q)     | 2/13/2009        | 10,918         | 10,372     | \$ 0.95(3)          |                          |
|                                    |                                                                   | Common units (50,000 units)                         |                             | 4/25/2008        | 500            | 500        | \$ 10.00            |                          |
|                                    |                                                                   | Common units (50,000 units)                         |                             | 4/25/2008        |                |            |                     |                          |
| Universal Trailer Corporation(6)   | Livestock and specialty trailer manufacturer                      | Common stock (74,920 shares)                        |                             | 10/8/2004        | 7,930          |            |                     |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                              |                                                  |                                                |                                  | 96,243     |        | 81,970 |    | 6.52%     |  |
|--------------------------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|------------|--------|--------|----|-----------|--|
| <b>Consumer Products Non-Durable</b>                         |                                                  |                                                |                                  |            |        |        |    |           |  |
| Blacksmith Brands Holdings, Inc. and Blacksmith Brands, Inc. | Consumer products and personal care manufacturer | Senior secured loan \$(32,500 par due 12/2014) | 12.50% (Base Rate + 8.50%/Q)     | 10/23/2009 | 32,500 | 32,500 | \$ | 1.00(15)  |  |
| Innovative Brands, LLC                                       | Consumer products and personal care manufacturer | Senior secured loan \$(8,881 par due 9/2011)   | 15.50%                           | 10/12/2006 | 8,881  | 8,881  | \$ | 1.00(2)   |  |
|                                                              |                                                  | Senior secured loan \$(8,198 par due 9/2011)   | 15.50%                           | 10/12/2006 | 8,198  | 8,198  | \$ | 1.00(3)   |  |
| Making Memories Wholesale, Inc.(6)                           | Scrapbooking branded products manufacturer       | Senior secured loan \$(9,750 par due 8/2014)   | 10.00% (Base Rate + 5.50%/Q)     | 8/21/2009  | 7,770  | 9,750  | \$ | 1.00(15)  |  |
|                                                              |                                                  | Senior secured loan \$(5,138 par due 8/2014)   | 15.00% (7.50% Cash, 7.50% PIK/Q) | 8/21/2009  | 4,062  | 514    | \$ | 0.10(4)   |  |
|                                                              |                                                  | Common stock (100 shares)                      |                                  | 8/21/2009  |        |        |    |           |  |
| The Thymes, LLC(7)                                           | Cosmetic products manufacturer                   | Preferred stock (6,283 shares)                 | 8.00% PIK                        | 6/21/2007  | 6,785  | 6,107  | \$ | 972.06(4) |  |
|                                                              |                                                  | Common stock (5,400 shares)                    |                                  | 6/21/2007  |        |        |    |           |  |
|                                                              |                                                  |                                                |                                  |            | 68,196 | 65,950 |    | 5.24%     |  |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                      | Industry                                                               | Investment                                        | Interest(5)(10)                          | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|-------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Aerospace &amp; Defense</b>                  |                                                                        |                                                   |                                          |                  |                |            |                     |                          |
| AP Global Holdings, Inc.                        | Safety and security equipment manufacturer                             | Senior secured loan \$(7,414 par due 10/2013)     | 4.74% (Libor + 4.50%/M)                  | 11/8/2007        | 7,295          | 6,969      | \$ 0.94(3)          |                          |
| ILC Industries, Inc.                            | Industrial products provider                                           | Junior secured loan \$(12,000 par due 6/2014)     | 11.50%                                   | 6/27/2006        | 12,000         | 12,000     | \$ 1.00(3)          |                          |
| Thermal Solutions LLC and TSI Group, Inc.       | Thermal management and electronics packaging manufacturer              | Senior secured loan \$(462 par due 3/2011)        | 4.00% (Libor + 3.75%/Q)                  | 3/28/2005        | 462            | 444        | \$ 0.96(3)          |                          |
|                                                 |                                                                        | Senior secured loan \$(2,732 par due 3/2012)      | 4.50% (Libor + 4.25%/Q)                  | 3/28/2005        | 2,732          | 2,486      | \$ 0.91(3)          |                          |
|                                                 |                                                                        | Senior subordinated loan \$(2,747 par due 3/2013) | 11.50% Cash, 2.50% PIK                   | 3/21/2006        | 2,747          | 2,554      | \$ 0.93(4)          |                          |
|                                                 |                                                                        | Senior subordinated loan \$(2,165 par due 3/2013) | 11.50% Cash, 2.75% PIK                   | 3/28/2005        | 2,165          | 2,013      | \$ 0.93(4)          |                          |
|                                                 |                                                                        | Senior subordinated loan \$(3,418 par due 3/2013) | 11.50% Cash, 2.75% PIK                   | 3/28/2005        | 3,418          | 3,178      | \$ 0.93(4)          |                          |
|                                                 |                                                                        | Preferred stock (71,552 shares)                   |                                          | 3/28/2005        | 716            | 529        | \$ 7.39             |                          |
|                                                 |                                                                        | Common stock (1,460,246 shares)                   |                                          | 3/28/2005        | 15             | 11         | \$ 0.01             |                          |
| Wyle Laboratories, Inc. and Wyle Holdings, Inc. | Provider of specialized engineering, scientific and technical services | Junior secured loan \$(16,000 par due 1/2015)     | 15.00%                                   | 1/17/2008        | 16,000         | 16,000     | \$ 1.00(2)          |                          |
|                                                 |                                                                        | Junior secured loan \$(12,000 par due 1/2015)     | 15.00%                                   | 1/17/2008        | 12,000         | 12,000     | \$ 1.00(3)          |                          |
|                                                 |                                                                        | Senior preferred stock (775 shares)               | 8.00% PIK                                | 1/17/2008        | 96             | 80         | \$ 103.24(4)        |                          |
|                                                 |                                                                        | Common stock (1,616,976 shares)                   |                                          | 1/17/2008        | 2,004          | 1,600      | \$ 0.99             |                          |
|                                                 |                                                                        |                                                   |                                          |                  | 61,650         | 59,864     |                     | 4.76%                    |
| <b>Printing, Publishing and Media</b>           |                                                                        |                                                   |                                          |                  |                |            |                     |                          |
| Canon Communications LLC                        | Print publications services                                            | Junior secured loan \$(11,968 par due 11/2011)    | 13.75% (Libor + 8.75% Cash, 2.00% PIK/Q) | 5/25/2005        | 11,957         | 9,574      | \$ 0.80(2)(4)(15)   |                          |
|                                                 |                                                                        | Junior secured loan \$(12,197 par due 11/2011)    | 13.75% (Libor + 8.75% Cash, 2.00% PIK/Q) | 5/25/2005        | 12,190         | 9,757      | \$ 0.80(3)(4)(15)   |                          |
| LVCG Holdings LLC(7)                            | Commercial printer                                                     | Membership interests (56.53% interest)            |                                          | 10/12/2007       | 6,600          | 330        |                     |                          |
| National Print Group, Inc.                      | Printing management services                                           | Senior secured revolving loan \$(3,926 par due    | 9.00% (Libor + 6.00%/S)                  | 3/2/2006         | 1,428          | 771        | \$ 0.20(15)         |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                       |                                 |                                                      |                                              |           |        |        |    |                |
|-----------------------------------------------------------------------|---------------------------------|------------------------------------------------------|----------------------------------------------|-----------|--------|--------|----|----------------|
|                                                                       |                                 | 3/2012)                                              |                                              |           |        |        |    |                |
|                                                                       |                                 | Senior secured revolving loan (\$183 par due 3/2012) | 9.00% (Libor + 5.00%/M)                      | 3/2/2006  | 183    | 99     | \$ | 0.54(15)       |
|                                                                       |                                 | Senior secured loan (\$7,119 par due 3/2012)         | 16.00% (Libor + 9.00% Cash, 4.00% PIK/Q)     | 3/2/2006  | 7,024  | 3,844  | \$ | 0.54(3)(15)(4) |
|                                                                       |                                 | Senior secured loan (\$1,071 par due 3/2012)         | 16.00% (Base Rate + 8.00% Cash, 4.00% PIK/M) | 3/2/2006  | 1,071  | 578    | \$ | 0.54(3)(15)(4) |
|                                                                       |                                 | Preferred stock (9,344 shares)                       |                                              | 3/2/2006  | 2,000  |        |    |                |
| The Teaching Company, LLC and The Teaching Company Holdings, Inc.(11) | Education publications provider | Senior secured loan (\$18,000 par due 9/2012)        | 10.50%                                       | 9/29/2006 | 18,000 | 18,000 | \$ | 1.00(2)(11)    |
|                                                                       |                                 | Senior secured loan (\$10,000 par due 9/2012)        | 10.50%                                       | 9/29/2006 | 10,000 | 10,000 | \$ | 1.00(3)(11)    |
|                                                                       |                                 | Preferred stock (29,969 shares)                      | 8.00%                                        | 9/29/2006 | 2,997  | 3,872  | \$ | 129.20         |
|                                                                       |                                 | Common stock (15,393 shares)                         |                                              | 9/29/2006 | 3      | 4      | \$ | 0.26           |
|                                                                       |                                 |                                                      |                                              |           | 73,453 | 56,829 |    | 4.52%          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                                                                    | Industry                                | Investment                                          | Interest(5)(10)                   | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|-------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------|-----------------------------------|------------------|----------------|------------|---------------------|--------------------------|
| <b>Telecommunications</b>                                                     |                                         |                                                     |                                   |                  |                |            |                     |                          |
| American Broadband Communications, LLC and American Broadband Holding Company | Broadband communication services        | Senior subordinated loan \$(31,902 par due 11/2014) | 18.00% (10.00% Cash, 8.00% PIK/Q) | 2/8/2008         | 31,902         | 31,902     | \$ 1.00(2)(4)       |                          |
|                                                                               |                                         | Senior subordinated loan \$(8,050 par due 11/2014)  | 18.00% (10.00% Cash, 8.00% PIK/Q) | 11/7/2007        | 8,050          | 8,050      | \$ 1.00(4)          |                          |
|                                                                               |                                         | Warrants to purchase 166 shares                     |                                   | 11/7/2007        |                |            |                     |                          |
|                                                                               |                                         |                                                     |                                   |                  | 39,952         | 39,952     |                     | 3.18%                    |
| <b>Environmental Services</b>                                                 |                                         |                                                     |                                   |                  |                |            |                     |                          |
| AWTP, LLC                                                                     | Water treatment services                | Junior secured loan \$(4,755 par due 12/2012)       |                                   | 12/23/2005       | 4,755          | 1,902      | \$ 0.40(14)         |                          |
|                                                                               |                                         | Junior secured loan \$(2,086 par due 12/2012)       |                                   | 12/23/2005       | 2,086          | 834        | \$ 0.40(3)(14)      |                          |
|                                                                               |                                         | Junior secured loan \$(4,755 par due 12/2012)       |                                   | 12/23/2005       | 4,755          | 1,902      | \$ 0.40(14)         |                          |
|                                                                               |                                         | Junior secured loan \$(2,086 par due 12/2012)       |                                   | 12/23/2005       | 2,086          | 834        | \$ 0.40(3)(14)      |                          |
| Mactec, Inc.                                                                  | Engineering and environmental services  | Class B-4 stock (16 shares)                         |                                   | 11/3/2004        |                |            |                     |                          |
|                                                                               |                                         | Class C stock (5,556 shares)                        |                                   | 11/3/2004        |                | 150        | \$ 27.00            |                          |
| Sigma International Group, Inc.                                               | Water treatment parts manufacturer      | Junior secured loan \$(917 par due 10/2013)         | 16.00% (Libor + 8.00%/Q)          | 11/6/2007        | 917            | 642        | \$ 0.70(15)         |                          |
|                                                                               |                                         | Junior secured loan \$(2,750 par due 10/2013)       | 16.00% (Libor + 8.00%/Q)          | 11/1/2007        | 2,750          | 1,925      | \$ 0.70(15)         |                          |
|                                                                               |                                         | Junior secured loan \$(1,833 par due 10/2013)       | 16.00% (Libor + 8.00%/Q)          | 10/11/2007       | 1,833          | 1,283      | \$ 0.70(15)         |                          |
|                                                                               |                                         | Junior secured loan (\$2,000 par due 10/2013)       | 16.00% (Libor + 8.00%/Q)          | 11/6/2007        | 2,000          | 1,400      | \$ 0.70(3)(15)      |                          |
|                                                                               |                                         | Junior secured loan (\$6,000 par due 10/2013)       | 16.00% (Libor + 8.00%/Q)          | 11/1/2007        | 6,000          | 4,200      | \$ 0.70(3)(15)      |                          |
|                                                                               |                                         | Junior secured loan (\$4,000 par due 10/2013)       | 16.00% (Libor + 8.00%/Q)          | 10/11/2007       | 4,000          | 2,800      | \$ 0.70(3)(15)      |                          |
| Waste Pro USA, Inc.                                                           | Waste management services               | Preferred Class A common stock (611,615 shares)     | 14.00% PIK                        | 11/9/2006        | 12,263         | 13,263     | \$ 21.69(4)         |                          |
| Wastequip, Inc.(6)                                                            | Waste management equipment manufacturer | Senior subordinated loan (\$13,121 par due 2/2015)  | 10.00% Cash, 2.50% PIK            | 2/5/2007         | 13,030         | 1,968      | \$ 0.15(4)          |                          |
|                                                                               |                                         | Common stock (13,889 shares)                        |                                   | 2/2/2007         | 1,389          |            |                     |                          |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                  |                               |                                                     |                               |            |        |        |    |             |       |
|----------------------------------|-------------------------------|-----------------------------------------------------|-------------------------------|------------|--------|--------|----|-------------|-------|
|                                  |                               |                                                     |                               |            | 57,864 | 33,103 |    |             | 2.63% |
| <b>Computers and Electronics</b> |                               |                                                     |                               |            |        |        |    |             |       |
| RedPrairie Corporation           | Software manufacturer         | Junior secured loan (\$3,300 par due 1/2013)        | 6.78% (Libor + 6.50%/Q)       | 7/13/2006  | 3,300  | 3,135  | \$ | 0.95(2)     |       |
|                                  |                               | Junior secured loan (\$12,000 par due 1/2013)       | 6.78% (Libor + 6.50%/Q)       | 7/13/2006  | 12,000 | 11,400 | \$ | 0.95(3)     |       |
| TZ Merger Sub, Inc.              | Computers and Electronics     | Senior secured loan (\$4,818 par due 7/2015)        | 7.50% (Libor + 4.50%/Q)       | 6/15/2009  | 4,711  | 4,818  | \$ | 1.00(3)(15) |       |
| X-rite, Incorporated             | Artwork software manufacturer | Junior secured loan (\$3,074 par due 7/2013)        | 14.38% (Libor + 11.38%/Q)     | 7/6/2006   | 3,074  | 3,074  | \$ | 1.00(15)    |       |
|                                  |                               | Junior secured loan (\$7,685 par due 7/2013)        | 14.38% (Libor + 11.38%/Q)     | 7/6/2006   | 7,685  | 7,685  | \$ | 1.00(3)(15) |       |
|                                  |                               | Junior secured loan (\$42 par due 7/2013)           | 14.38% (Base Rate + 10.38%/Q) | 7/6/2006   | 42     | 42     | \$ | 1.00(15)    |       |
|                                  |                               | Junior secured loan (\$105 par due 7/2013)          | 14.38% (Base Rate + 10.38%/Q) | 7/6/2006   | 105    | 105    | \$ | 1.00(3)(15) |       |
|                                  |                               |                                                     |                               |            | 30,917 | 30,259 |    |             | 2.41% |
| <b>Cargo Transport</b>           |                               |                                                     |                               |            |        |        |    |             |       |
| The Kenan Advantage Group, Inc.  | Fuel transportation provider  | Senior secured loan (\$2,400 par due 12/2011)       | 2.98% (Libor + 2.75%/M)       | 12/15/2005 | 2,400  | 2,304  | \$ | 0.96(3)(4)  |       |
|                                  |                               | Senior subordinated loan (\$26,125 par due 12/2013) | 9.50% Cash, 3.50% PIK         | 12/15/2005 | 26,125 | 25,603 | \$ | 0.98(2)(4)  |       |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

| Company(1)                            | Industry                                                      | Investment                                              | Interest(5)(10)             | Acquisition Date | Amortized Cost | Fair Value | Fair Value Per Unit | Percentage of Net Assets |
|---------------------------------------|---------------------------------------------------------------|---------------------------------------------------------|-----------------------------|------------------|----------------|------------|---------------------|--------------------------|
|                                       |                                                               | Preferred stock (10,984 shares)                         | 8.00% PIK                   | 12/15/2005       | 1,454          | 1,932      | \$ 175.89(4)        |                          |
|                                       |                                                               | Common stock (30,575 shares)                            |                             | 12/15/2005       | 31             | 41         | \$ 1.34             |                          |
|                                       |                                                               |                                                         |                             |                  | 30,010         | 29,880     |                     | 2.38%                    |
| <b>Health Clubs</b>                   |                                                               |                                                         |                             |                  |                |            |                     |                          |
| Athletic Club Holdings, Inc.          | Premier health club operator                                  | Senior secured loan (\$1,750 par due 10/2013)           | 4.73% (Libor + 4.50%/M)     | 10/11/2007       | 1,750          | 1,540      | \$ 0.88(2)(13)      |                          |
|                                       |                                                               | Senior secured loan (\$1,000 par due 10/2013)           | 4.73% (Libor + 4.50%/M)     | 10/11/2007       | 1,000          | 880        | \$ 0.88(2)(13)      |                          |
|                                       |                                                               | Senior secured loan (\$17 par due 10/2013)              | 6.75% (Base Rate + 3.50%/Q) | 10/11/2007       | 17             | 15         | \$ 0.87(2)(13)      |                          |
|                                       |                                                               | Senior secured loan (\$16 par due 10/2013)              | 6.75% (Base Rate + 3.50%/Q) | 10/11/2007       | 16             | 14         | \$ 0.88(3)(13)      |                          |
|                                       |                                                               | Senior secured loan (\$11,484 par due 10/2013)          | 4.73% (Libor + 4.50%/M)     | 10/11/2007       | 11,484         | 10,106     | \$ 0.88(3)(13)      |                          |
|                                       |                                                               | Senior secured loan (\$12,483 par due 10/2013)          | 6.75% (Base Rate + 3.50%/Q) | 10/11/2007       | 12,483         | 10,985     | \$ 0.88(2)(13)      |                          |
|                                       |                                                               |                                                         |                             |                  | 26,750         | 23,540     |                     | 1.87%                    |
| <b>Containers-Packaging</b>           |                                                               |                                                         |                             |                  |                |            |                     |                          |
| Industrial Container Services, LLC(6) | Industrial container manufacturer, reconditioner and servicer | Senior secured revolving loan (\$15,696 par due 9/2011) | 5.75% (Base Rate + 2.50%/M) | 6/21/2006        | 950            | 922        | \$ 0.06             |                          |
|                                       |                                                               | Senior secured loan (\$322 par due 9/2011)              | 4.23% (Libor + 4.00%/M)     | 6/21/2006        | 322            | 312        | \$ 0.97(2)          |                          |
|                                       |                                                               | Senior secured loan (\$134 par due 9/2011)              | 4.23% (Libor + 4.00%/M)     | 6/21/2006        | 134            | 130        | \$ 0.97(2)          |                          |
|                                       |                                                               | Senior secured loan (\$4,926 par due 9/2011)            | 4.23% (Libor + 4.00%/M)     | 6/21/2006        | 4,926          | 4,778      | \$ 0.97(3)          |                          |
|                                       |                                                               | Senior secured loan (\$2,052 par due 9/2011)            | 4.23% (Libor + 4.00%/M)     | 6/21/2006        | 2,052          | 1,991      | \$ 0.97(3)          |                          |
|                                       |                                                               | Senior secured loan (\$268 par due 9/2011)              | 4.25% (Libor + 4.00%/M)     | 6/21/2006        | 268            | 260        | \$ 0.97(2)          |                          |
|                                       |                                                               | Senior secured loan (\$4,105 par due 9/2011)            | 4.25% (Libor + 4.00%/M)     | 6/21/2006        | 4,105          | 3,982      | \$ 0.97(3)          |                          |
|                                       |                                                               | Senior secured loan (\$27 par due 9/2011)               | 5.75% (Base Rate + 2.50%/M) | 6/21/2006        | 27             | 26         | \$ 0.97(2)          |                          |
|                                       |                                                               | Senior secured loan (\$410 par due 9/2011)              | 5.75% (Base Rate + 2.50%/M) | 6/21/2006        | 410            | 398        | \$ 0.97(3)          |                          |
|                                       |                                                               | Common stock (1,800,000 shares)                         |                             | 9/29/2005        | 1,800          | 8,550      | \$ 4.75             |                          |
|                                       |                                                               |                                                         |                             |                  | 14,994         | 21,349     |                     | 1.70%                    |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

| <b>Grocery</b>                                            |                                                      |                                                    |                           |            |              |              |                |
|-----------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|---------------------------|------------|--------------|--------------|----------------|
| Planet Organic Health Corp.(8)                            | Organic grocery store operator                       | Junior secured loan (\$876 par due 7/2013)         | 15.00% (Libor + 12.00%/Q) | 7/3/2007   | 874          | 832 \$       | 0.95(15)       |
|                                                           |                                                      | Junior secured loan (\$10,436 par due 7/2013)      | 15.00% (Libor + 12.00%/Q) | 7/3/2007   | 10,414       | 9,914 \$     | 0.95(3)(15)    |
|                                                           |                                                      | Senior subordinated loan (\$12,724 par due 7/2012) | 13.00% Cash, 4.00% PIK    | 7/3/2007   | 12,572       | 9,416 \$     | 0.74(4)        |
|                                                           |                                                      |                                                    |                           |            | 23,863       | 20,162       | 1.60%          |
| <b>Consumer Products Durable</b>                          |                                                      |                                                    |                           |            |              |              |                |
| Direct Buy Holdings, Inc. and Direct Buy Investors, LP(6) | Membership-based buying club franchisor and operator | Senior secured loan (\$23 par due 11/2012)         | 6.75% (Libor + 5.00%/M)   | 12/14/2007 | 22           | 19 \$        | 0.85(2)(15)    |
|                                                           |                                                      | Senior secured loan (\$2,099 par due 11/2012)      | 6.75% (Libor + 5.00%/M)   | 12/14/2007 | 2,030        | 1,784 \$     | 0.85(2)(15)    |
|                                                           |                                                      | Partnership interests (19.31% interest)            |                           | 11/30/2007 | 10,000       | 3,000        |                |
|                                                           |                                                      |                                                    |                           |            | 12,052       | 4,803        | 0.38%          |
| <b>Housing Building Materials</b>                         |                                                      |                                                    |                           |            |              |              |                |
| HB&G Building Products                                    | Synthetic and wood product manufacturer              | Senior subordinated loan (\$8,956 par due 3/2011)  |                           | 10/8/2004  | 8,991        | 448 \$       | 0.05(2)(4)(14) |
|                                                           |                                                      | Warrants to purchase 4,464 shares                  |                           | 10/8/2004  | 653          |              |                |
|                                                           |                                                      | Common stock (2,743 shares)                        |                           | 10/8/2004  | 753          |              |                |
|                                                           |                                                      |                                                    |                           |            | 10,397       | 448          | 0.04%          |
|                                                           |                                                      |                                                    |                           |            | \$ 2,376,384 | \$ 2,171,814 |                |



## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

### Table of Contents

- (1) Other than our investments in HCP Acquisition Holdings, LLC, Ivy Hill Asset Management, L.P., Ivy Hill Middle Market Credit Fund, Ltd., LVCG Holdings, LLC, Making Memories Wholesale, Inc., Reflexite Corporation, Senior Secured Loan Fund LLC and The Thymes, LLC, we do not Control any of our portfolio companies, as defined in the Investment Company Act. In general, under the Investment Company Act, we would Control a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments are subject to legal restrictions on sales which as of December 31, 2009 represented 173% of the Company's net assets.
- (2) These assets are owned by the Company's wholly owned subsidiary Ares Capital CP, are pledged as collateral for the CP Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP's obligations under the CP Funding Facility (see Note 7 to the consolidated financial statements). Unless otherwise noted, as of December 31, 2009, all other investments were pledged as collateral for the Revolving Credit Facility (see Note 7 to the consolidated financial statements).
- (3) Pledged as collateral for the ARCC CLO. Unless otherwise noted, as of December 31, 2009, all other investments were pledged as collateral for the Revolving Credit Facility (see Note 7 to the consolidated financial statements).
- (4) Has a payment-in-kind interest feature (see Note 2 to the consolidated financial statements).
- (5) Investments without an interest rate are non-income producing at December 31, 2009.
- (6) As defined in the Investment Company Act, we are an Affiliated Person of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the year ended December 31, 2009 in which the issuer was an Affiliated company (but not a portfolio company that we Control) are as follows (in thousands):

| Company                                                                       | Purchases | Redemptions<br>(cost) | Sales (cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>Income | Other income | Net realized<br>gains (losses) | Net unrealized<br>gains (losses) |
|-------------------------------------------------------------------------------|-----------|-----------------------|--------------|--------------------|----------------------------------------|--------------------|--------------|--------------------------------|----------------------------------|
| Apple & Eve, LLC and US Juice Partners, LLC                                   | \$ 7,500  | \$ 15,019             | \$ 9,800     | \$ 5,335           | \$                                     | \$                 | \$ 37        | \$                             | \$ 12,283                        |
| Carador, PLC                                                                  | \$        | \$                    | \$           | \$                 | \$                                     | \$ 285             | \$           | \$                             | \$ (1,778)                       |
| Campus Management Corp. and Campus Management Acquisition Corp.               | \$        | \$ 2,953              | \$ 15,000    | \$ 6,518           | \$                                     | \$                 | \$ 90        | \$ (482)                       | \$ 442                           |
| CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC | \$        | \$                    | \$           | \$ 1,040           | \$                                     | \$                 | \$ 9         | \$                             | \$ 2,052                         |
| Direct Buy Holdings, Inc. and Direct Buy Investors LP                         | \$        | \$ 152                | \$           | \$ 147             | \$                                     | \$                 | \$           | \$ 6                           | \$ (3,218)                       |
| Firstlight Financial Corporation                                              | \$        | \$                    | \$           | \$ 2,936           | \$                                     | \$                 | \$ 1,442     | \$                             | \$ (11,055)                      |
| Imperial Capital Group, LLC                                                   | \$ 5,210  | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 2,972                         |
| Industrial Container Services, LLC                                            | \$ 7,517  | \$ 12,621             | \$           | \$ 709             | \$                                     | \$                 | \$ 153       | \$                             | \$ (341)                         |
| Investor Group Services, LLC                                                  | \$        | \$ 750                | \$           | \$                 | \$                                     | \$                 | \$ 26        | \$                             | \$                               |
| Making Memories Wholesale, Inc.                                               | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ (240)                         |
| Pillar Holdings LLC and PHL Holding Co.                                       | \$        | \$ 3,179              | \$           | \$ 2,874           | \$                                     | \$                 | \$ 33        | \$                             | \$ 2,551                         |
| Primis Marketing Group, Inc. and Primis Holdings, LLC                         | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ (511)                         |
| R3 Education, Inc.                                                            | \$ 24,000 | \$ 31,600             | \$           | \$ 697             | \$                                     | \$                 | \$ 29        | \$                             | \$ 87                            |
| VSS-Tranzact Holdings, LLC                                                    | \$        | \$                    | \$           | \$                 | \$                                     | \$                 | \$           | \$                             | \$ 1,850                         |
| Wastequip, Inc.                                                               | \$        | \$                    | \$           | \$ 1,535           | \$                                     | \$                 | \$           | \$                             | \$ (5,787)                       |
| Wear Me Apparel, LLC                                                          | \$        | \$ 34,110             | \$           | \$ 75              | \$                                     | \$                 | \$           | \$ (15,002)                    | \$ 22,055                        |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

- (7) As defined in the Investment Company Act, we are an Affiliated Person of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). In addition, as defined in the Investment Company Act, we Control this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities or we have the power to exercise control over the management or policies of such portfolio company (including through a management agreement). Transactions during the period for the year ended December 31, 2009 in which the issuer was both an Affiliated company and a portfolio company that we Control are as follows (in thousands):

| Company                                  | Purchases  | Redemptions<br>(cost) | Sales (cost) | Interest<br>income | Capital<br>structuring<br>service fees | Dividend<br>Income | Other income | Net realized<br>gains<br>(losses) | Net unrealized<br>gains (losses) |
|------------------------------------------|------------|-----------------------|--------------|--------------------|----------------------------------------|--------------------|--------------|-----------------------------------|----------------------------------|
| HCP Acquisition Holdings, LLC            | \$ 1,495   | \$                    | \$ 18        | \$                 | \$                                     | \$                 | \$           | \$                                | \$ (3,721)                       |
| Ivy Hill Asset Management, L.P.          | \$ 37,406  | \$                    | \$ 236       | \$                 | \$                                     | \$ 2,391           | \$           | \$ 494                            | \$ 19,145                        |
| Ivy Hill Middle Market Credit Fund, Ltd. | \$         | \$                    | \$ 131       | \$ 5,742           | \$                                     | \$                 | \$ 1,265     | \$                                | \$ 1,284                         |
| LVCG Holdings, LLC                       | \$         | \$                    | \$           | \$                 | \$                                     | \$                 | \$ 66        | \$                                | \$ (8,170)                       |
| Making Memories Wholesale, Inc.          | \$         | \$ 199                | \$ 14,224    | \$ 518             | \$                                     | \$                 | \$ 5         | \$ (14,173)                       | \$ 12,822                        |
| R3 Education, Inc.                       | \$ 15,613  | \$ 6,050              | \$           | \$ 651             | \$                                     | \$                 | \$ 17        | \$                                | \$ (3,696)                       |
| Reflexite Corporation                    | \$ 7,800   | \$                    | \$ 2,000     | \$ 2,830           | \$ 194                                 | \$                 | \$ 71        | \$                                | \$ (10,925)                      |
| Senior Secured Loan Fund LLC             | \$ 165,000 | \$                    | \$           | \$ 4,831           | \$                                     | \$                 | \$ 640       | \$                                | \$                               |
| The Thymes, LLC                          | \$         | \$                    | \$           | \$ 502             | \$                                     | \$                 | \$           | \$                                | \$ 455                           |

- (8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (9) Non-registered investment company.
- (10) A majority of the variable rate loans to our portfolio companies bear interest at a rate that may be determined by reference to either Libor or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, we have provided the interest rate in effect at December 31, 2009.
- (11) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$18.4 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.
- (12) Principal amount denominated in Canadian dollars has been translated into U.S. dollars (see Note 2 to the consolidated financial statements).

Table of Contents

- (13) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.50% on \$25.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.
- (14) Loan was on non-accrual status as of December 31, 2009.
- (15) Loan includes interest rate floor feature.
- (16) In addition to the interest earned based on the stated interest rate of this security, we are entitled to receive an additional interest amount of 2.98% on \$15.0 million aggregate principal amount of the portfolio company's senior term debt previously syndicated by us.

See accompanying notes to consolidated financial statements.

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

For the Six Months Ended June 30, 2010 (unaudited)

(dollar amounts in thousands, except per share data)

|                                                                                                                                 | Common Stock |        | Capital in   | Accumulated       | Accumulated   | Net Unrealized  | Total        |
|---------------------------------------------------------------------------------------------------------------------------------|--------------|--------|--------------|-------------------|---------------|-----------------|--------------|
|                                                                                                                                 | Shares       | Amount | Excess of    | (Overdistributed) | Extinction of | Gain (Loss) on  | Stockholders |
|                                                                                                                                 |              |        | Par Value    | Net Investment    | Debt and      | Investments and | Equity       |
|                                                                                                                                 |              |        |              | Income            | Acquisitions  | Foreign         |              |
|                                                                                                                                 |              |        |              |                   |               | Currency        |              |
|                                                                                                                                 |              |        |              |                   |               | Transactions    |              |
|                                                                                                                                 |              |        |              |                   |               | Transactions    |              |
| Balance at December 31, 2009                                                                                                    | 109,944,674  | \$ 110 | \$ 1,490,458 | \$ 3,143          | \$ (31,115)   | \$ (204,708)    | \$ 1,257,888 |
| Issuance of common stock in add-on offering (net of offering and underwriting costs)                                            | 22,957,993   | 23     | 277,021      |                   |               |                 | 277,044      |
| Issuance of common stock in Allied Acquisition                                                                                  | 58,492,537   | 58     | 872,669      |                   |               |                 | 872,727      |
| Gain on the acquisition of Allied Capital Corporation                                                                           |              |        |              |                   | 195,876       |                 | 195,876      |
| Net increase in stockholders equity resulting from operations (excluding gain on the acquisition of Allied Capital Corporation) |              |        |              | 81,246            | 7,043         | 122,404         | 210,693      |
| Dividend declared (\$0.70 per share)                                                                                            |              |        |              | (113,607)         |               |                 | (113,607)    |
| Shares issued in connection with dividend reinvestment plan                                                                     | 772,133      | 1      | 10,651       |                   |               |                 | 10,652       |
| Balance at June 30, 2010                                                                                                        | 192,167,337  | \$ 192 | \$ 2,650,799 | \$ (29,218)       | \$ 171,804    | \$ (82,304)     | \$ 2,711,273 |

See accompanying notes to consolidated financial statements.

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

(dollar amounts in thousands)

|                                                                                          | <b>For the six months ended</b> |                      |
|------------------------------------------------------------------------------------------|---------------------------------|----------------------|
|                                                                                          | <b>June 30, 2010</b>            | <b>June 30, 2009</b> |
|                                                                                          | <b>(unaudited)</b>              | <b>(unaudited)</b>   |
| <b>OPERATING ACTIVITIES:</b>                                                             |                                 |                      |
| Net increase in stockholders' equity resulting from operations                           | \$ 406,569                      | \$ 69,787            |
| Adjustments to reconcile net increase in stockholders' equity resulting from operations: |                                 |                      |
| Gain on the acquisition of Allied Capital Corporation                                    | (195,876)                       |                      |
| Realized loss (gain) on extinguishment of debt                                           | 383                             | (26,543)             |
| Net realized (gains) losses from investments                                             | (7,426)                         | 2,644                |
| Net unrealized (gains) losses from investments and foreign currency transactions         | (122,404)                       | 16,328               |
| Net accretion of discount on securities                                                  | (5,223)                         | (720)                |
| Increase in accrued payment-in-kind dividends and interest                               | (20,772)                        | (22,196)             |
| Amortization of debt issuance costs                                                      | 4,704                           | 2,389                |
| Accretion of discount on Unsecured Notes                                                 | 2,676                           |                      |
| Depreciation                                                                             | 410                             | 338                  |
| Acquisition of Allied Capital, net of cash acquired                                      | (774,190)                       |                      |
| Proceeds from sale and redemption of investments                                         | 944,916                         | 161,986              |
| Purchase of investments                                                                  | (580,676)                       | (136,728)            |
| Changes in operating assets and liabilities:                                             |                                 |                      |
| Interest receivable                                                                      | (8,155)                         | (3,148)              |
| Other assets                                                                             | 3,799                           | 321                  |
| Management and incentive fees payable                                                    | (39,840)                        | 15,298               |
| Accounts payable and accrued expenses                                                    | (57,192)                        | 1,841                |
| Interest and facility fees payable                                                       | 2,573                           | (1,646)              |
| Net cash provided by (used in) operating activities                                      | (445,724)                       | 79,951               |
| <b>FINANCING ACTIVITIES:</b>                                                             |                                 |                      |
| Net proceeds from issuance of common stock                                               | 1,149,771                       |                      |
| Borrowings on debt                                                                       | 635,000                         | 246,700              |
| Repayments on credit facility payable                                                    | (1,179,088)                     | (250,247)            |
| Credit facility financing costs                                                          | (17,508)                        | (2,840)              |
| Dividends paid in cash                                                                   | (102,900)                       | (116,650)            |
| Net cash provided by (used in) financing activities                                      | 485,275                         | (123,037)            |
| CHANGE IN CASH AND CASH EQUIVALENTS                                                      | 39,551                          | (43,086)             |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD                                           | 99,227                          | 89,383               |
| CASH AND CASH EQUIVALENTS, END OF PERIOD                                                 | \$ 138,778                      | \$ 46,297            |
| <b>Supplemental Information:</b>                                                         |                                 |                      |
| Interest paid during the period                                                          | \$ 20,331                       | \$ 12,100            |
| Taxes paid during the period                                                             | \$ 242                          | \$ 658               |
| Dividends declared during the period                                                     | \$ 113,607                      | \$ 74,808            |

See accompanying notes to consolidated financial statements.

Table of Contents

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of June 30, 2010 (unaudited)**

**(dollar amounts in thousands, except per share data and as otherwise indicated)**

**1. ORGANIZATION**

Ares Capital Corporation (the Company or ARCC or we ) is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a business development company under the Investment Company Act of 1940 (the Investment Company Act ). We were incorporated on April 16, 2004 and were initially funded on June 23, 2004. On October 8, 2004, we completed our initial public offering (the IPO ). On the same date, we commenced substantial investment operations.

On April 1, 2010, we consummated our acquisition (the Allied Acquisition ) of Allied Capital Corporation ( Allied Capital ), in an all stock merger where each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and then-existing Allied Capital stockholders owning approximately 31% of the combined company (see Note 15).

The Company has elected to be treated as a regulated investment company (a RIC ) under subchapter M of the Internal Revenue Code of 1986, as amended (the Code ), and operates in a manner so as to qualify for the tax treatment applicable to RICs. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. To a lesser extent, we also make equity investments. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have traditionally made and equity investments pursuant to which Allied Capital controlled a particular company, became part of our portfolio.

We are externally managed by Ares Capital Management LLC ( Ares Capital Management or the investment adviser ), an affiliate of Ares Management LLC ( Ares Management ), a global alternative asset manager and a Securities and Exchange Commission ( SEC ) registered investment adviser. Ares Operations LLC ( Ares Operations or the administrator ), an affiliate of Ares Management, provides the administrative services necessary for us to operate.

Interim financial statements are prepared in accordance with generally accepted accounting principles in the United States ( GAAP ) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2010.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with GAAP, and include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

*Cash and Cash Equivalents*

Cash and cash equivalents include funds from time to time deposited with financial institutions and short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value.

Table of Contents

***Concentration of Credit Risk***

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in money market accounts may exceed the Federal Deposit Insurance Corporation insured limit.

***Investments***

Investment transactions are recorded on the trade date. Realized gains or losses are computed using the specific identification method. Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12 month period, and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison of the portfolio company's securities to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation.

Because there is not a readily available market value for most of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms, under a valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize significantly less than the value at which we have recorded it.

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



## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with our portfolio management team.
- Preliminary valuations are reviewed and discussed with the entire investment professional and management team, and then valuation recommendations are presented to the board of directors.
- The audit committee of our board of directors reviews these preliminary valuations, as well as the input of independent valuation firms with respect to the valuations of approximately 50% (based on value) of our portfolio companies without readily available market quotations.
- The board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on the input of our management and audit committee and

Table of Contents

independent valuation firms.

Effective January 1, 2008, the Company adopted Accounting Standards Codification (ASC) 820-10 (previously Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157)), which expands the application of fair value accounting for investments (see Note 8). Investments acquired as part of the Allied Acquisition were accounted for in accordance with ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations*, which requires that all assets be recorded at fair value. As a result, the initial amortized cost basis and fair value for the acquired investments were the same value at April 1, 2010 (see Note 15).

***Interest Income Recognition***

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Discounts and premiums from par value on securities purchased are accreted/amortized into interest income over the life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The Company may make exceptions to this if the loan has sufficient collateral value and is in the process of collection. As of June 30, 2010, 9.4% of total investments at amortized cost (or 7.6% of total investments at fair value) were on non-accrual status, including 7.1% of total investments at amortized cost (or 7.4% of total investments at fair value) of investments acquired as part of the Allied Acquisition. As of December 31, 2009, 2.5% of total investments at amortized cost (or 0.5% at fair value) were on non-accrual status.

***Payment-in-Kind Interest***

The Company has loans in its portfolio that contain payment-in-kind (PIK) provisions. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. For the three and six months ended June 30, 2010, \$13,556 and \$20,690, respectively, in PIK income was recorded. Of the PIK income recorded for the three months ended June 30, 2010, \$5,737 was PIK income from investments acquired as part of the Allied Acquisition. For the three and six months ended June 30, 2009, \$11,474 and \$22,196, respectively, in PIK income were recorded.

***Capital Structuring Service Fees and Other Income***

The Company's investment adviser seeks to provide assistance to our portfolio companies in connection with the Company's investments and in return the Company may receive fees for capital structuring services. These fees are generally only available to the Company as a result of the

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Company's underlying investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Company's investment adviser provides vary by investment, but generally consist of reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to the Company. In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, a portion of loan fees paid to the Company in such situations will be deferred and amortized over the estimated life of the loan. The Company's investment adviser may also take a seat on the board of directors of a portfolio company, or observe the meetings of the board of directors without taking a formal seat.

Other income includes fees for asset management, management and consulting services, loan guarantees, commitments, amendments and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

Table of Contents

***Foreign Currency Translation***

The Company's books and records are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

- (1) Market value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.
- (2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

Results of operations based on changes in foreign exchange rates are separately disclosed in the statement of operations. Foreign security and currency translations may involve certain considerations and risks not typically associated with investing in U.S. companies and U.S. government securities. These risks include, but are not limited to, currency fluctuation and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

***Accounting for Derivative Instruments***

The Company does not utilize hedge accounting and marks its derivatives to market through operations.

***Offering Expenses***

The Company's offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received. For the six months ended June 30, 2010, the Company incurred approximately \$1,035 of offering costs. There were no equity offerings during the six months ended June 30, 2009.

***Debt Issuance Costs***

Debt issuance costs are being amortized over the life of the related credit facility using the straight line method, which closely approximates the effective yield method.

*U.S. Federal Income Taxes*

The Company has elected to be treated as a RIC under subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and six months ended June 30, 2010, no amounts were recorded for U.S. Federal excise tax. For the three months ended June 30, 2009, no amount was recorded for U.S. federal excise tax. For the six months ended June 30, 2009, a net benefit of \$30 was recorded for U.S. Federal excise tax.

Certain of our wholly owned subsidiaries are subject to U.S. Federal and state income taxes. For the three and six months ended June 30, 2010, we recorded a tax expense of approximately \$686 and \$524, respectively, for these subsidiaries. For the three and six months ended June 30, 2009, we recorded a tax expense of approximately \$78 and \$109, respectively, for these subsidiaries.

Income taxes for certain of our subsidiaries are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Table of Contents

*Dividends to Common Stockholders*

Dividends and distributions to common stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by the board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for investment.

We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividend. While we generally use primarily newly issued shares to implement the plan (especially if our shares are trading at a premium to net asset value), we may purchase shares in the open market in connection with our obligations under the plan. In particular, if our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan.

*Use of Estimates in the Preparation of Financial Statements*

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

*New Accounting Pronouncements*

In January 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standard Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures About Fair Value Measurements* ( ASU 2010-06 ). ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 inputs and separate disclosures about fair value measurements (see Note 8), particularly with respect to purchases, sales, issuances and settlements relating to Level 3 inputs. It also clarifies existing fair value disclosures about the level of disaggregation, will require that entities provide fair value measurement disclosures for each class of assets and liabilities, and adds requirements relating to inputs and valuation techniques used to measure fair value. Generally, ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, however, the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 inputs will not be required until fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 did not have a significant impact on the Company's financial condition and results of operations.

**3. AGREEMENTS**

*Investment Advisory and Management Agreement*

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

The Company is party to an investment advisory and management agreement (the investment advisory and management agreement ) with Ares Capital Management. Subject to the overall supervision of our board of directors, Ares Capital Management provides investment advisory services to the Company. For providing these services, Ares Capital Management receives a fee from us, consisting of two components a base management fee and an incentive fee. Ares Capital Management has committed to defer up to \$15,000 in base management and incentive fees for each of the first two fiscal years following the Allied Acquisition if certain earnings targets are not met.

The base management fee is calculated at an annual rate of 1.5% based on the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

The incentive fee has two parts. One part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the administration agreement, and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest

Table of Contents

feature such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities, accrued income that we have not yet received in cash. The investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued interest that we never actually receive.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and unrealized capital losses.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed hurdle rate of 2% per quarter. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for our investment adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. Our pre-incentive fee net investment income used to calculate this part of the incentive fee is also included in the amount of our total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

We pay the investment adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle rate;
- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5% in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.5%) as the catch-up provision. The catch-up is meant to provide our investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeds 2.5% in any calendar quarter; and
- 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter.

These calculations are adjusted for any share issuances or repurchases during the quarter.

The second part of the incentive fee (the Capital Gains Fee), is determined and payable in arrears as of the end of each calendar year (or, upon termination of the investment advisory and management agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (a) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) our cumulative aggregate realized capital gains, in each case calculated from October 8, 2004. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to 20% of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years.



## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

If such amount is negative, then there is no Capital Gains Fee for such year.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in our portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gains Fee calculation date and (b) the accreted or amortized cost basis of such investment.

We defer cash payment of any incentive fee otherwise earned by the investment adviser if during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made the sum of (a) the aggregate distributions to our stockholders and (b) the change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is less than 8.0% of our net assets at the beginning of such period.

Table of Contents

For the three and six months ended June 30, 2010, we incurred \$11,682 and \$20,138, respectively, in base management fees and \$14,973 and \$23,117, respectively, in incentive management fees related to pre-incentive fee net investment income. For the three and six months ended June 30, 2010, we accrued no incentive management fees related to net realized capital gains. As of June 30, 2010, \$26,655 was unpaid and included in management and incentive fees payable in the accompanying consolidated balance sheet.

For the three and six months ended June 30, 2009, we incurred \$7,496 and \$14,994, respectively, in base management fees and \$7,987 and \$15,537, respectively, in incentive management fees related to pre-incentive fee net investment income. For the three and six months ended June 30, 2009, we accrued no incentive management fees related to realized capital gains. As of June 30, 2009, \$48,287 was unpaid and included in management and incentive fees payable in the accompanying consolidated balance sheet.

**Administration Agreement**

We are party to a separate administration agreement, referred to herein as the administration agreement, with our administrator, Ares Operations. Pursuant to the administration agreement, Ares Operations furnishes us with office equipment and clerical, bookkeeping and record keeping services. Under the administration agreement, Ares Operations also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Ares Operations assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the administration agreement are equal to an amount based upon our allocable portion of Ares Operations' overhead in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our executive officers and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60-days' written notice to the other party.

For the three and six months ended June 30, 2010, we incurred \$2,378 and \$3,609, respectively, in administrative fees. As of June 30, 2010, \$2,378 was unpaid and included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

For the three and six months ended June 30, 2009, we incurred \$1,092 and \$2,096, respectively, in administrative fees.

**4. EARNINGS PER SHARE**

The following information sets forth the computations of basic and diluted net increase in stockholders' equity per share resulting from operations for the three and six months ended June 30, 2010:

|                                                                                                           | Three months ended<br>June 30, 2010 | Six months ended<br>June 30, 2010 |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| Numerator for basic and diluted net increase in stockholders' equity resulting from operations per share: | \$ 330,154                          | \$ 406,569                        |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                             |             |             |
|-------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Denominator for basic and diluted net increase in stockholders' equity resulting from operations per share: | 191,045,239 | 157,978,337 |
| Basic and diluted net increase in stockholders' equity resulting from operations per share:                 | \$ 1.73     | \$ 2.57     |

The following information sets forth the computations of basic and diluted net increase in stockholders' equity per share resulting from the operations for the three and six months ended June 30, 2009:

|                                                                                                             | Three months ended<br>June 30, 2009 | Six months ended<br>June 30, 2009 |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| Numerator for basic and diluted net increase in stockholders' equity resulting from operations per share:   | \$ 34,753                           | \$ 69,787                         |
| Denominator for basic and diluted net increase in stockholders' equity resulting from operations per share: | 97,152,820                          | 97,152,820                        |
| Basic and diluted net increase in stockholders' equity resulting from operations per share:                 | \$ 0.36                             | \$ 0.72                           |

Table of Contents**5. INVESTMENTS**

Under the Investment Company Act, we are required to separately identify non-controlled investments where we own more than 5% of a portfolio company's outstanding voting securities as affiliated companies. In addition, under the Investment Company Act, we are required to separately identify investments where we own more than 25% of a portfolio company's outstanding voting securities as control affiliated companies.

For the three months ended June 30, 2010, excluding the investments acquired as part of the Allied Acquisition, the Company funded investments totaling \$275.5 million including \$166.3 million aggregate principal amount of senior term debt, \$70.9 million aggregate principal amount of senior subordinated debt, \$33.1 million for investments in the Senior Secured Loan Fund LLC (the Senior Secured Loan Fund) (see Note 10), and \$5.2 million of investments in equity securities.

In addition, for the three months ended June 30, 2010, \$619.8 million of investments were sold or redeemed including \$423.3 million aggregate principal amount of senior term debt, \$152.5 million of senior subordinated debt, \$6.8 million of the investment in the Senior Secured Loan Fund, \$2.1 million of investments in collateralized loan obligations and \$35.1 million of investments in equity securities. Within the total investments sold or redeemed for the three months ended June 30, 2010, approximately \$161.7 million were originally acquired as part of the Allied Acquisition with a net realized gain of approximately \$0.5 million recognized in these transactions.

As of June 30, 2010, investments and cash and cash equivalents consisted of the following:

|                                 | Amortized Cost | Fair Value   |
|---------------------------------|----------------|--------------|
| Cash and cash equivalents       | \$ 138,778     | \$ 138,778   |
| Senior term debt                | 1,484,653      | 1,430,276    |
| Senior subordinated debt        | 1,285,264      | 1,241,297    |
| Equity securities               | 655,189        | 645,950      |
| Collateralized loan obligations | 218,353        | 234,278      |
| Senior Secured Loan Fund        | 190,535        | 202,800      |
| Commercial real estate          | 41,482         | 39,419       |
| Total                           | \$ 4,014,254   | \$ 3,932,798 |

As of December 31, 2009, investments and cash and cash equivalents consisted of the following:

|                                 | Amortized Cost | Fair Value   |
|---------------------------------|----------------|--------------|
| Cash and cash equivalents       | \$ 99,227      | \$ 99,227    |
| Senior term debt                | 1,152,462      | 1,072,149    |
| Senior subordinated debt        | 658,787        | 595,668      |
| Equity securities               | 344,454        | 287,614      |
| Senior Secured Loan Fund        | 165,000        | 165,000      |
| Collateralized loan obligations | 55,681         | 51,383       |
| Total                           | \$ 2,475,611   | \$ 2,271,041 |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

The amortized cost represents the original cost adjusted for the accretion of discounts and amortization of premiums on debt using the effective interest method.

The industrial and geographic compositions of our portfolio at fair value at June 30, 2010 and December 31, 2009 were as follows:

Table of Contents

| Industry                      | June 30, 2010 | December 31, 2009 |
|-------------------------------|---------------|-------------------|
| Financial                     | 22.0%         | 16.2%             |
| Business Services             | 17.8          | 5.8               |
| Healthcare                    | 11.7          | 18.3              |
| Consumer Products             | 11.2          | 3.2               |
| Restaurants and Food Services | 7.1           | 7.8               |
| Education                     | 6.2           | 10.1              |
| Beverage/Food/Tobacco         | 6.1           | 6.1               |
| Other Services                | 4.2           | 8.2               |
| Retail                        | 2.6           | 5.9               |
| Manufacturing                 | 2.3           | 3.8               |
| Computers/Electronics         | 1.3           | 1.4               |
| Telecommunications            | 1.2           | 1.8               |
| Industrial Products           | 1.2           | 0.0               |
| Commercial Real Estate        | 1.1           | 0.0               |
| Environmental Services        | 0.9           | 1.5               |
| Printing/Publishing/Media     | 0.8           | 2.6               |
| Aerospace and Defense         | 0.8           | 2.8               |
| Containers/Packaging          | 0.6           | 1.0               |
| Health Clubs                  | 0.4           | 1.1               |
| Oil and Gas                   | 0.4           | 0.0               |
| Automobile                    | 0.1           | 0.0               |
| Homebuilding                  | 0.0           | 0.1               |
| Cargo Transport               | 0.0           | 1.4               |
| Grocery                       | 0.0           | 0.9               |
| <b>Total</b>                  | <b>100.0%</b> | <b>100.0%</b>     |

| Geographic Region | June 30, 2010 | December 31, 2009 |
|-------------------|---------------|-------------------|
| Mid-Atlantic      | 29.5%         | 22.2%             |
| Midwest           | 24.2          | 19.7              |
| West              | 20.3          | 24.8              |
| Southeast         | 18.4          | 19.7              |
| International     | 4.5           | 10.4              |
| Northeast         | 3.1           | 3.2               |
| <b>Total</b>      | <b>100.0%</b> | <b>100.0%</b>     |

**6. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2010 and December 31, 2009, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans to its portfolio companies:

|                                                              | June 30, 2010 | December 31, 2009 |
|--------------------------------------------------------------|---------------|-------------------|
| Total revolving and delayed draw commitments                 | \$ 661,700    | \$ 136,800        |
| Less: funded commitments                                     | (387,000)     | (37,200)          |
| Total unfunded commitments                                   | 274,700       | 99,600            |
| Less: commitments substantially at discretion of the Company | (65,000)      | (4,000)           |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                    |    |          |    |          |
|------------------------------------------------------------------------------------|----|----------|----|----------|
| Less: unavailable commitments due to borrowing base or other covenant restrictions |    | (29,700) |    | (16,200) |
| Total net adjusted unfunded commitments                                            | \$ | 180,000  | \$ | 79,400   |

Of the total net adjusted unfunded commitments as of June 30, 2010, \$86,400 are from commitments for investments acquired as part of the Allied Acquisition. Also, of the total commitments as of June 30, 2010, \$400,900 extend beyond the maturity date for our Revolving Credit Facility (as defined in Note 7). Included within the total commitments as of June 30, 2010 are commitments to issue up to \$19,900 in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. As of June 30, 2010, the Company had \$11,900 in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability on the balance sheet as they are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$300 expire in August 2010, \$2,300 expire in September 2010, \$300 expire in December 2010, \$800 expire in January 2011, and \$8,200 expire in February 2011.

As of June 30, 2010 and December 31, 2009, the Company was subject to subscription agreements to fund equity investments in private equity and other investment partnerships as follows:

Table of Contents

|                                           | <b>June 30, 2010</b> |         | <b>December 31, 2009</b> |         |
|-------------------------------------------|----------------------|---------|--------------------------|---------|
| Total private equity commitments          | \$                   | 548,000 | \$                       | 428,300 |
| Total unfunded private equity commitments | \$                   | 446,000 | \$                       | 415,400 |

Of the total unfunded private equity commitments as of June 30, 2010, \$400,700 are substantially at the discretion of the Company. Additionally, of the total unfunded private equity commitments as of June 30, 2010, \$21,300 are for investments acquired as part of the Allied Acquisition.

See Note 10 for more information on the Company's commitment to the Senior Secured Loan Fund.

In the ordinary course of business, Allied Capital had issued guarantees on behalf of certain portfolio companies. Under these arrangements, payments would be required to be made to third parties if the portfolio companies were to default on their related payment. As part of the Allied Acquisition, the Company assumed such outstanding guarantees or similar obligations. As a result, as of June 30, 2010, the Company had outstanding guarantees or similar obligations totaling \$0.8 million and an outstanding servicer performance guaranty. The servicer performance guaranty relates to one portfolio company's servicing of loans held in a loan warehouse facility, and as of June 30, 2010, there were no known issues or claims with respect to such performance guaranty.

**7. BORROWINGS**

In accordance with the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of June 30, 2010, our asset coverage for borrowed amounts was 318%.

Our debt obligations consisted of the following as of June 30, 2010 and December 31, 2009:

|                                                        | <b>June 30, 2010</b>         |                               | <b>December 31, 2009</b>     |                               |
|--------------------------------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|
|                                                        | <b>Carrying<br/>Value(1)</b> | <b>Total<br/>Available(2)</b> | <b>Carrying<br/>Value(1)</b> | <b>Total<br/>Available(2)</b> |
| CP Funding Facility                                    | \$ 204,853                   | \$ 400,000                    | \$ 221,569                   | \$ 221,569                    |
| Revolving Credit Facility                              | 153,000                      | 750,000                       | 474,144                      | 525,000                       |
| CP Funding II Facility (3)                             |                              |                               |                              | 200,000                       |
| Debt Securitization                                    | 214,400                      | 228,989                       | 273,752                      | 274,981                       |
| 2011 Notes (principal amount outstanding of \$314,934) | 306,408(4)                   | 314,934                       |                              |                               |
| 2012 Notes (principal amount outstanding of \$190,610) | 185,572(4)                   | 190,610                       |                              |                               |
| 2047 Notes (principal amount outstanding of \$230,000) | 180,705(4)                   | 230,000                       |                              |                               |
|                                                        | \$ 1,244,938(5)              | \$ 2,114,533                  | \$ 969,465                   | \$ 1,221,550                  |



- (1) Except for the Unsecured Notes, all carrying values are the same as the principal amounts outstanding.
  
- (2) Subject to borrowing base and leverage restrictions.
  
- (3) The CP Funding II Facility was combined with the CP Funding Facility on January 22, 2010. In connection therewith, the CP Funding II Facility was terminated.
  
- (4) Represents the aggregate principal amount of the applicable series of notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.
  
- (5) Total principal amount of debt outstanding totals \$1,307,797.

The weighted average interest rate of all our debt obligations, at principal amount, as of June 30, 2010 and December 31, 2009 was 4.74% and 2.05%, respectively.

***CP Funding Facility***

In October 2004, we formed Ares Capital CP Funding LLC ( Ares Capital CP ), a wholly owned subsidiary of the Company, through which we established a revolving facility (as amended, the CP Funding Facility ) that, as amended, allowed Ares Capital CP to issue up to \$350,000 of variable funding certificates ( VFC ). On May 7, 2009, the Company and Ares Capital CP entered into an amendment that, among other things, converted the CP Funding Facility from a revolving facility to an

Table of Contents

amortizing facility, extended the maturity from July 21, 2009 to May 7, 2012 and reduced the availability from \$350,000 to \$225,000.

On July 21, 2009, we entered into an agreement with Wachovia Bank N.A. ( Wachovia ) to establish a new revolving facility (the CP Funding II Facility ) whereby Wachovia agreed to extend credit to us in an aggregate principal amount not exceeding \$200,000 at any one time outstanding. The CP Funding II Facility was scheduled to expire on July 21, 2012.

On January 22, 2010, we combined the CP Funding Facility with the CP Funding II Facility into a single \$400,000 revolving securitized facility (the combined CP Funding Facility ). In connection with the combination, we terminated the CP Funding II Facility and entered into an Amended and Restated Purchase and Sale Agreement with Ares Capital CP Funding Holdings LLC, our wholly owned subsidiary ( CP Holdings ), pursuant to which we may sell to CP Holdings certain loans that we have originated or acquired, or will originate or acquire (the Loans ) from time to time, which CP Holdings will subsequently sell to Ares Capital CP, which is a wholly owned subsidiary of CP Holdings. The combined CP Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The combined CP Funding Facility, among other things, extended the maturity date of the facility to January 22, 2013 (with two one-year extension options, subject to mutual consent). Prior to January 22, 2010, the interest rate charged on the CP Funding Facility was the commercial paper rate plus 3.50%. After January 22, 2010, subject to certain exceptions, the interest charged on the combined CP Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a base rate (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case, based on a pricing grid depending upon our credit rating. As of and for the three months ended June 30, 2010, the effective LIBOR spread under the combined CP Funding Facility was 2.75%.

As of June 30, 2010, there was \$204,853 outstanding under the combined CP Funding Facility and the Company continues to be in material compliance with all of the limitations and requirements of the combined CP Funding Facility. As of December 31, 2009, there was \$221,569 outstanding under the CP Funding Facility. The combined CP Funding Facility is secured by all of the assets held by and the membership interest in Ares Capital CP, which assets as of June 30, 2010 consisted of 28 investments. As of June 30, 2010, the base rate in effect was one month LIBOR, which was 0.35%. For the three and six months ended June 30, 2010, the average interest rates (i.e. rate in effect plus the spread) on the combined CP Funding Facility and the CP Funding Facility were 2.64% and 2.92%, respectively. For the three and six months ended June 30, 2010, the average outstanding balances on the combined CP Funding Facility and the CP Funding Facility were \$193,310 and \$204,859, respectively. For the three and six months ended June 30, 2010, the interest expense incurred on the combined CP Funding Facility and the CP Funding Facility was \$1,277 and \$2,987, respectively. Cash paid for interest expense on the combined CP Funding Facility during the six months ended June 30, 2010 was \$3,609.

For the three and six months ended June 30, 2009, the average interest rates (i.e., rate in effect plus the spread) for the CP Funding Facility were 3.70% and 3.66%, respectively. For the three and six months ended June 30, 2009, the average outstanding balances on the CP Funding Facility were \$177,932 and \$135,495, respectively. For the three and six months ended June 30, 2009, the interest expense incurred on the CP Funding Facility was \$1,648 and \$2,480, respectively. Cash paid for interest expense on the CP Funding Facility during the six months ended June 30, 2009 was \$2,701.

We are required to pay a commitment fee of between 0.50% and 2.00% depending on the usage level on any unused portion of the combined CP Funding Facility. Prior to May 7, 2009, we were required to pay a commitment fee for any unused portion of the CP Funding Facility equal to 0.50% per annum for any unused portion of the CP Funding Facility. Prior to January 22, 2010, we were also required to pay a commitment fee on any unused portion of the CP Funding II Facility of between 0.50% and 2.50% depending on the usage level. For the three and six months ended June 30, 2010, we incurred commitment fees on the CP Funding Facility together with the CP Funding II Facility of \$377 and \$1,034, respectively. For the three and six months ended June 30, 2009, the commitment fees incurred on the CP Funding Facility were \$122 and \$443, respectively.

*Revolving Credit Facility*

In December 2005, we entered into a senior secured revolving credit facility (as amended and restated, the *Revolving Credit Facility*), under which, as amended, the lenders agreed to extend credit to the Company. On January 22, 2010, we entered into an agreement to amend and restate the *Revolving Credit Facility*. The amendment and restatement of the *Revolving Credit Facility*, among other things, increased the size of the facility from \$525,000 to \$690,000 (comprised of \$615,000 in commitments on a stand-alone basis and an additional \$75,000 in commitments contingent upon the closing of the Allied Acquisition), extended the maturity date from December 28, 2010 to January 22, 2013 and modified pricing. The *Revolving Credit Facility* also includes an *accordion* feature that allows, under certain circumstances, to increase the size of the facility to a maximum of \$1,050,000. During the three months ended June 30, 2010, we exercised this *accordion* feature

Table of Contents

and increased the size of the facility by \$60,000 to bring the total facility size to \$750,000 (see Note 17). As of June 30, 2010, there was \$153,000 outstanding under the Revolving Credit Facility and the Company continues to be in material compliance with all of the limitations and requirements of the Revolving Credit Facility. As of December 31, 2009, there was \$474,144 outstanding under the Revolving Credit Facility.

Prior to January 22, 2010, subject to certain exceptions, pricing on the Revolving Credit Facility was based on LIBOR plus 1.00% or on an alternate base rate (which was the highest of a prime rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%). After January 22, 2010, subject to certain exceptions, pricing under the Revolving Credit Facility is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the alternate base rate plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending upon our credit rating. As of and for the three months ended June 30, 2010, the effective LIBOR spread under the Revolving Credit Facility was 3.00%. As of June 30, 2010, the one, two, three and six month LIBOR was 0.35%, 0.43%, 0.53% and 0.75%, respectively. As of December 31, 2009, the one, two, three and six month LIBOR was 0.23%, 0.24%, 0.25% and 0.43%, respectively. For the three and six months ended June 30, 2010, the average interest rate was 4.67% and 3.92%, respectively, the average outstanding balance was \$293,902 and \$309,523, respectively, the interest expense incurred was \$3,431 and \$6,063, respectively. For the three and six months ended June 30, 2009, the average interest rate was 1.83% and 2.19%, respectively, the average outstanding balance was \$423,069 and \$457,590, respectively, and the interest expense incurred was \$1,939 and \$5,012, respectively. Cash paid for interest expense in respect of the revolving credit facility during the six months ended June 30, 2010 and 2009 was \$5,959 and \$6,311, respectively.

Additionally, we are required to pay a commitment fee of 0.50% on any unused portion of the Revolving Credit Facility. For the three and six months ended June 30, 2010, the commitment fees incurred were \$789 and \$1,491, respectively. For the three and six months ended June 30, 2009, the commitment fees incurred was \$101 and \$202, respectively.

In connection with the expansion and extension of the Revolving Credit Facility, we paid structuring and arrangement fees totaling \$15.6 million. With certain exceptions, the Revolving Credit Facility is secured by substantially all of the assets in our portfolio (other than investments held by Ares Capital CP under the combined CP Funding Facility and those held as a part of the Debt Securitization, discussed below), which as of June 30, 2010 consisted of 236 investments.

The amount available for borrowing under the Revolving Credit Facility is reduced by any standby letters of credit issued through the Revolving Credit Facility. As of June 30, 2010, the Company had \$23,357 in standby letters of credit issued through the Revolving Credit Facility. As of December 31, 2009, the Company had \$24,000 in standby letters of credit issued through the Revolving Credit Facility.

***Debt Securitization***

In July 2006, through ARCC Commercial Loan Trust 2006, a vehicle serviced by our wholly owned subsidiary, ARCC CLO 2006 LLC ( ARCC CLO ), we completed a \$400,000 debt securitization (the Debt Securitization ) and issued approximately \$314,000 principal amount of asset-backed notes (including an aggregate amount of up to \$50,000 of revolving notes, \$35,411 of which was drawn down as of June 30, 2010) (the CLO Notes ) to third parties that are secured by a pool of middle market loans that were purchased or originated by the Company. The CLO Notes are included in the June 30, 2010 consolidated balance sheet. We retained approximately \$86,000 of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization at the time of issuance.

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

During the six months ended June 30, 2010, we repaid \$20,040, \$13,360 and \$25,952 of the Class A-1-A, Class A-1A VFN and Class A-2A Notes, respectively. During the six months ended June 30, 2009, we repurchased, in several open market transactions, \$34,790 of CLO Notes consisting of \$14,000 of Class B Notes and \$20,790 of Class C Notes for a total purchase price of \$8,247. As a result of these purchases, we recognized a \$26,543 gain on the extinguishment of debt for the six months ended June 30, 2009. As of June 30, 2010, we held an aggregate principal amount of \$120,790 of CLO Notes (the Retained Notes), in total. The CLO Notes mature on December 20, 2019, and, as of June 30, 2010, there was \$214,400 outstanding under the Debt Securitization (excluding the Retained Notes). The blended pricing of the CLO Notes, excluding fees, is approximately 3-month LIBOR plus 33 basis points.

The classes, amounts, ratings and interest rates (expressed as a spread to LIBOR) of the CLO Notes are as follows:

Table of Contents

| Class    | Amount     | Rating<br>(S&P/Moody s) | LIBOR Spread<br>(basis points) |
|----------|------------|-------------------------|--------------------------------|
| A-1A     | \$ 53,117  | AAA/Aaa                 | 25                             |
| A-1A VFN | 35,411(1)  | AAA/Aaa                 | 28                             |
| A-1B     | 14,000     | AAA/Aa2                 | 37                             |
| A-2A     | 46,662     | AAA/Aaa                 | 22                             |
| A-2B     | 33,000     | AAA/Aa1                 | 35                             |
| B        | 9,000      | AA/A1                   | 43                             |
| C        | 23,210     | A/Baa3                  | 70                             |
| Total    | \$ 214,400 |                         |                                |

(1) Revolving Notes, in an aggregate amount of up to \$50,000.

As of June 30, 2010, there were 43 investments securing the notes. The interest charged under the Debt Securitization is based on 3-month LIBOR, which as of June 30, 2010 was 0.53% and as of December 31, 2009 was 0.25%. For the three and six months ended June 30, 2010, the effective average interest rates were 0.62% and 0.59%, respectively, and we incurred \$402 and \$783 of interest expense, respectively. For the three and six months ended June 30, 2009, the effective average interest rate was 1.59% and 1.63%, respectively, the average outstanding balance was \$279,210 and \$289,638, respectively, and the interest expense incurred was \$1,107 and \$2,356, respectively.

For the six months ended June 30, 2010 and 2009, the cash paid for interest was \$774 and \$2,629, respectively. The Company is also required to pay a commitment fee of 0.175% for any unused portion of the Class A-1A VFN Notes. For the three and six months ended June 30, 2010, we incurred \$3 and \$4, respectively, in commitment fees on these notes. There were no commitment fees incurred for the three and six months ended June 30, 2009 on these notes.

***Publicly Issued Unsecured Notes Payable***

As part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including Allied Capital's publicly issued unsecured notes which consisted of 6.625% Notes due on July 15, 2011 (the 2011 Notes), 6.000% Notes due on April 1, 2012 (the 2012 Notes) and 6.875% Notes due on April 15, 2047 (the 2047 Notes) and, together with the 2011 Notes and the 2012 Notes, the Unsecured Notes).

As of June 30, 2010, the Company had the following outstanding publicly issued Unsecured Notes:

|            | Outstanding<br>Principal | Carrying<br>Value(1) |
|------------|--------------------------|----------------------|
| 2011 Notes | \$ 314,934               | \$ 306,408           |
| 2012 Notes | 190,610                  | 185,572              |
| 2047 Notes | 230,000                  | 180,705              |
| Total      | \$ 735,544               | \$ 672,685           |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

(1) Represents the principal amount of the notes less the unaccreted discount initially recorded as a part of the Allied Acquisition

The 2011 Notes and 2012 Notes require payment of interest semi-annually, and all principal is due upon maturity. The Company has the option to redeem these notes in whole or in part, together with a redemption premium, as stipulated in the notes.

The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time on or after April 15, 2012, at par and upon the occurrence of certain tax events as stipulated in the notes.

The Company may purchase the Unsecured Notes in the market to the extent permitted by the Investment Company Act. During the three months ended June 30, 2010, the Company purchased \$5,000 principal amount of the 2011 Notes and \$5,000 principal amount of the 2012 Notes. As a result of these transactions, we recognized a realized loss of \$383 during the three months ended June 30, 2010.

In accordance with ASC 805-10, the initial carrying value of the Unsecured Notes was equal to the fair value as of April 1, 2010 resulting in an initial unaccreted discount from the principal value of the Unsecured Notes of approximately \$65.8 million. For the three months ended June 30, 2010, we recorded \$2,676 of accretion expense related to this discount which was included in interest and credit facility fees in the accompanying statement of operations.

Table of Contents

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Effective January 1, 2008, the Company adopted ASC 825-10 (previously SFAS No. 159, *the Fair Value Option for Financial Assets and Liabilities*), which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 25-10 option to report selected financial assets and liabilities at fair value. As a result, with the exception of the line items entitled "other assets" and "debt", which are reported at cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the line items entitled "interest receivable", "receivable for open trades", "payable for open trades", "accounts payable and accrued expenses", "management and incentive fees payable" and "interest and facility fees payable" approximate fair value due to their short maturity.

Effective January 1, 2008, the Company adopted ASC 820-10 (previously SFAS No. 157, *Fair Value Measurements*), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Company to assume that the portfolio investment is sold in a principal market to market participants, or in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

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

In addition to using the above inputs in investment valuations, we continue to employ the valuation policy approved by our board of directors that is consistent with ASC 820-10 (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. Our valuation policy considers the fact that because there is not a readily available market value for most of the investments in our portfolio, the fair value of the investments must typically be determined using unobservable inputs.



## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize significantly less than the value at which we have recorded it.

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

The following table presents fair value measurements of cash and cash equivalents and investments as of June 30, 2010:

|                           | Fair Value Measurements Using |            |          |              |
|---------------------------|-------------------------------|------------|----------|--------------|
|                           | Total                         | Level 1    | Level 2  | Level 3      |
| Cash and cash equivalents | \$ 138,778                    | \$ 138,778 | \$       | \$           |
| Investments               | \$ 3,794,020                  | \$         | \$ 3,982 | \$ 3,790,038 |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

### Table of Contents

The following tables present changes in investments that use Level 3 inputs for the three and six months ended June 30, 2010:

|                                                                                                        | <b>For the<br/>three months ended<br/>June 30, 2010</b> |           |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------|
| Balance as of March 31, 2010                                                                           | \$                                                      | 2,217,314 |
| Net realized and unrealized gains (losses)                                                             |                                                         | 84,054    |
| Net purchases, sales or redemptions (including investments acquired as part of the Allied Acquisition) |                                                         | 1,488,670 |
| Net transfers in and/or out of Level 3                                                                 |                                                         |           |
| Balance as of June 30, 2010                                                                            | \$                                                      | 3,790,038 |

|                                                                                                        | <b>For the<br/>six months ended<br/>June 30, 2010</b> |           |
|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------|
| Balance as of December 31, 2009                                                                        | \$                                                    | 2,166,687 |
| Net realized and unrealized gains (losses)                                                             |                                                       | 127,899   |
| Net purchases, sales or redemptions (including investments acquired as part of the Allied Acquisition) |                                                       | 1,495,452 |
| Net transfers in and/or out of Level 3                                                                 |                                                       |           |
| Balance as of June 30, 2010                                                                            | \$                                                    | 3,790,038 |

As of June 30, 2010, the net unrealized loss on the investments that use Level 3 inputs was \$76,405.

Following are the carrying and fair values of our debt instruments as of June 30, 2010 and December 31, 2009. For the CP Funding Facility, Revolving Credit Facility and the Debt Securitization, fair value is estimated by discounting remaining payments using applicable current market rates which take into account changes in the Company's marketplace credit ratings. For the Unsecured Notes, fair value is determined by using the quoted market prices.

|                                                        | <b>June 30, 2010</b>      |                       | <b>December 31, 2009</b>  |                       |
|--------------------------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                                                        | <b>Carrying<br/>Value</b> | <b>Fair<br/>Value</b> | <b>Carrying<br/>Value</b> | <b>Fair<br/>Value</b> |
| CP Funding Facility                                    | \$ 204,853                | \$ 204,853            | \$ 221,569                | \$ 226,000            |
| Revolving Credit Facility                              | 153,000                   | 153,000               | 474,144                   | 447,000               |
| Debt Securitization                                    | 214,400                   | 170,160               | 273,752                   | 217,000               |
| 2011 Notes (principal amount outstanding of \$314,934) | 306,408                   | 318,871               |                           |                       |
| 2012 Notes (principal amount outstanding of \$190,610) | 185,572                   | 192,873               |                           |                       |
| 2047 Notes (principal amount outstanding of \$230,000) | 180,705                   | 178,480               |                           |                       |
|                                                        | \$ 1,244,938              | \$ 1,218,237          | \$ 969,465                | \$ 890,000            |

## 9. RELATED PARTY TRANSACTIONS

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In accordance with the investment advisory and management agreement, we bear all costs and expenses of the operation of the Company and reimburse the investment adviser for certain of such costs and expenses incurred in the operation of the Company. For the three and six months ended June 30, 2010, the investment adviser incurred such expenses totaling \$847 and \$1,532, respectively. For the three and six months ended June 30, 2009, the investment adviser incurred such expenses totaling \$527 and \$944, respectively. As of June 30, 2010, \$93 was unpaid and such payable is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

We rent office space directly from a third party pursuant to a lease that expires on February 27, 2011. In addition, we have entered into a sublease agreement with Ares Management whereby Ares Management subleases approximately 25% of our office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs

Table of Contents

and expenses. For the three and six months ended June 30, 2010, such amounts payable to the Company totaled \$561 and \$686, respectively. For the three and six months ended June 30, 2009, such amounts payable to the Company totaled \$67 and \$134, respectively. As of June 30, 2010, there were no unpaid amounts.

We recently entered into a new long-term office lease pursuant to which we will lease new office facilities from a third party. We also entered into separate subleases with Ares Management and IHAM (as defined in Note 10) for their respective use of the new office space.

As of June 30, 2010, Ares Investments LLC, an affiliate of Ares Management (the sole member of our investment adviser) owned 2,859,882 shares of the Company's common stock, representing approximately 1.5% of the total shares outstanding as of June 30, 2010.

See Notes 3 and 10 for descriptions of other related party transactions.

**10. IVY HILL ASSET MANAGEMENT, L.P. AND OTHER MANAGED FUNDS**

In November 2007, we established Ivy Hill Asset Management, L.P. ( IHAM ) to serve as a manager for Ivy Hill Middle Market Credit Fund, Ltd. ( Ivy Hill I ), an unconsolidated investment vehicle focusing on investments in middle market loans. From inception until the second quarter of 2009, IHAM's financial results were consolidated with those of the Company. In June 2009, because of a shift in activity from being primarily a manager, with no dedicated employees, of funds in which the Company has invested debt and equity, to a manager with investment professionals dedicated to managing an increasing number of third party funds, we concluded that GAAP requires the financial results of IHAM to be reported as a portfolio company in our schedule of investments rather than as a consolidated subsidiary in the Company's financial results. The Company made an initial equity investment of \$3,816 into IHAM in June 2009. As of June 30, 2010, our total investment in IHAM at fair value was \$105,044 with an unrealized gain of \$19,620.

IHAM receives a 0.50% management fee on the average total assets of Ivy Hill I as compensation for managing Ivy Hill I. For the three and six months ended June 30, 2009, the Company earned \$395 and \$883, respectively, in management fees from IHAM's management of Ivy Hill I prior to IHAM's conversion to a portfolio company in June 2009. Ivy Hill I primarily invests in first and second lien bank debt of middle market companies. Ivy Hill I was initially funded with \$404,000 of capital including a \$56,000 investment by the Company, consisting of \$40,000 of Class B notes and \$16,000 of subordinated notes. For the three and six months ended June 30, 2010, the Company earned \$1,724 and \$3,485, respectively, from its investments in Ivy Hill I. For the three and six months ended June 30, 2009, the Company earned \$1,369 and \$3,022, respectively, from its investments in Ivy Hill I.

Ivy Hill I purchased investments from the Company of \$8,000 during the six months ended June 30, 2010, and may from time to time purchase additional investments from the Company. Any such purchases require approval by third parties unaffiliated with the Company or IHAM. There was no gain or loss recognized by the Company on these transactions.

In November 2008, the Company established a second middle market credit fund, Ivy Hill Middle Market Credit Fund II, Ltd. ( Ivy Hill II ) and, together with Ivy Hill I and Ivy Hill SDF (as defined below), the Ivy Hill Funds ), which is also managed by IHAM. IHAM receives a 0.50%

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

management fee on the average total assets of Ivy Hill II as compensation for managing this fund. Ivy Hill II primarily invests in second lien and subordinated bank debt of middle market companies. Ivy Hill II was established with an initial commitment of \$250,000 of subordinated notes, of which \$125,000 has been funded, and may grow over time with leverage. Ivy Hill II purchased \$86,500 of investments from the Company during the six months ended June 30, 2010 and may from time to time purchase additional investments from the Company. Any such purchases require approval by third parties unaffiliated with the Company or IHAM. A loss of \$1,218 was recorded on these transactions. For the three and six months ended June 30, 2009, the Company earned \$274 and \$353, respectively, in management fees from IHAM's management of Ivy Hill II prior to IHAM's conversion to a portfolio company in June 2009.

In December 2009, the Company made an incremental cash investment of approximately \$33 million in IHAM to facilitate IHAM's acquisition of Allied Capital's management rights in respect of, and interests in, the Allied Capital Senior Debt Fund, L.P. (now referred to as Ivy Hill Senior Debt Fund, L.P. or the Ivy Hill SDF). The Ivy Hill SDF currently has approximately \$222 million of committed capital invested primarily in first lien loans and, to a lesser extent, second lien loans of middle-market companies. IHAM manages the Ivy Hill SDF and receives fee income and is entitled to potential equity distributions in respect of interests that it acquired in the Ivy Hill SDF.

In March 2010, the Company made an incremental cash investment of approximately \$48 million in IHAM to facilitate IHAM's acquisition of Allied Capital's management rights in respect of, and equity interests in, the Knightsbridge CLO 2007-1, Ltd. and Knightsbridge CLO 2008-1, Ltd. (the Knightsbridge Funds). The Knightsbridge Funds have

Table of Contents

approximately \$769 million of committed capital invested primarily in senior debt. IHAM manages the Knightsbridge Funds and receives fee income and is entitled to potential equity distributions in respect of equity interests that it required in the Knightsbridge Funds.

In addition to the Ivy Hill Funds and the Knightsbridge Funds, IHAM also serves as the sub-adviser/sub-manager to four other funds: Colts 2005-1 Ltd., Colts 2005-2 Ltd., Colts 2007-1 Ltd. and Firstlight Funding I, Ltd., which is affiliated with our portfolio company, Firstlight Financial Corporation.

For the three and six months ended June 30, 2010, the Company received \$1,418 and \$1,796, respectively, in distributions from IHAM consisting entirely of dividend income.

Beginning in November 2008, IHAM, was party to a separate services agreement, referred to herein as the services agreement, with Ares Capital Management. Pursuant to the services agreement, Ares Capital Management provided IHAM with office facilities, equipment, clerical, bookkeeping and record keeping services, services of investment professionals and others to perform investment advisory, research and related services, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Under the services agreement, IHAM reimbursed Ares Capital Management for all of the costs associated with such services, including Ares Capital Management's allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the services agreement. The services agreement was terminated effective June 30, 2010 and replaced with a different services agreement between IHAM and our administrator. Prior to IHAM's conversion to a portfolio company in June 2009, for the three and six months ended June 30, 2009, IHAM incurred such expenses payable to Ares Capital Management of \$282 and \$538, respectively.

In October 2009, we completed our acquisition of Allied Capital's subordinated interests in the Senior Secured Loan Fund for \$165 million. The Senior Secured Loan Fund was formed in December 2007 to invest in unitranche loans (loans that combine both senior and subordinated debt, generally in a first lien position) of middle-market companies and has approximately \$3.6 billion of total committed capital, approximately \$915 million in aggregate principal amount of which is currently funded. Of the \$2.7 billion of unfunded committed capital, approximately \$340 million would be funded by the Company. Our investment entitles us to a coupon of LIBOR plus 8.0% plus a portion of the excess cash flow from the loan portfolio as well as certain other sourcing and management fees. Together with GE Commercial Finance Investment Advisory Services LLC, we serve as co-managers of the Senior Secured Loan Fund for which we receive a management fee. As of June 30, 2010, the Senior Secured Loan Fund's portfolio consisted of \$1.0 billion of loans at par among 12 different issuers. For the three and six months ended June 30, 2010, we earned \$982 and \$1,850, respectively, in management fees and \$10,018 and \$17,254, respectively, in interest income from the Senior Secured Loan Fund.

In addition, we manage an unconsolidated fund, AGILE Fund I, LLC, and our wholly owned subsidiary A.C. Corporation manages three unconsolidated loan funds: Emporia Preferred Funding I, Ltd., Emporia Preferred Funding II, Ltd. and Emporia Preferred Funding III, Ltd.

**11. DERIVATIVE INSTRUMENTS**

In October 2008, we entered into a two-year interest rate swap agreement to mitigate our exposure to adverse fluctuations in interest rates for a total notional amount of \$75 million. Under the interest rate swap agreement, we will pay a fixed interest rate of 2.985% and receive a floating rate based on the prevailing three-month LIBOR. As of June 30, 2010 and December 31, 2009, the 3-month LIBOR was 0.53% and 0.25%,

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

respectively. For the three and six months ended June 30, 2010, we recognized \$560 and \$893, respectively, in unrealized appreciation related to this swap agreement. As of June 30, 2010 and December 31, 2009, this swap agreement had a fair value of \$(848) and \$(1,741), respectively, which is included in accounts payable and other liabilities in the accompanying consolidated balance sheet.

### 12. STOCKHOLDERS EQUITY

The following table summarizes the total shares issued and proceeds we received net of underwriter and offering costs for offerings closed during the six months ended June 30, 2010 (dollar amounts in millions, except per share data):

|                                              | Shares issued | Offering price<br>per share | Proceeds net of<br>underwriting<br>and<br>offering costs |
|----------------------------------------------|---------------|-----------------------------|----------------------------------------------------------|
| February 2010 public offering                | 22,957,993    | \$ 12.75                    | \$ 277.0                                                 |
| Total for the six months ended June 30, 2010 | 22,957,993    |                             | \$ 277.0                                                 |

Table of Contents

In connection with the Allied Acquisition, on April 1, 2010, we issued 58,492,537 shares valued at approximately \$872.7 million. There were no sales of equity securities during the six months ended June 30, 2009.

**13. DIVIDENDS**

The following table summarizes our dividends declared during the six months ended June 30, 2010 and 2009 (in millions, except per share data):

| <b>Date Declared</b>                                  | <b>Record Date</b> | <b>Payment Date</b> | <b>Amount Per Share</b> |      | <b>Total Amount</b> |
|-------------------------------------------------------|--------------------|---------------------|-------------------------|------|---------------------|
| May 10, 2010                                          | June 15, 2010      | June 30, 2010       | \$                      | 0.35 | \$ 67.1             |
| February 25, 2010                                     | March 15, 2010     | March 31, 2010      | \$                      | 0.35 | \$ 46.5             |
| Total declared for the six months ended June 30, 2010 |                    |                     | \$                      | 0.70 | \$ 113.6            |
| May 7, 2009                                           | June 15, 2009      | June 30, 2009       | \$                      | 0.35 | \$ 34.1             |
| March 2, 2009                                         | March 16, 2009     | March 31, 2009      | \$                      | 0.42 | \$ 40.8             |
| Total declared for the six months ended June 30, 2009 |                    |                     | \$                      | 0.77 | \$ 74.9             |

During the six months ended June 30, 2009, as part of the Company's dividend reinvestment plan (the "DRIP") for our common stockholders, we purchased 1,209,869 shares of our common stock at an average price of \$5.94 per share in the open market in order to satisfy part of the reinvestment aspect of the DRIP. There were no purchases of shares of our common stock by the Company during the six months ended June 30, 2010.

**14. FINANCIAL HIGHLIGHTS**

The following is a schedule of financial highlights for the six months ended June 30, 2010 and 2009:

| <b>Per Share Data:</b>                                | <b>For the six months ended</b> |                      |
|-------------------------------------------------------|---------------------------------|----------------------|
|                                                       | <b>June 30, 2010</b>            | <b>June 30, 2009</b> |
| Net asset value, beginning of period(1)               | \$ 11.44                        | \$ 11.27             |
| Issuance of common stock                              | 1.14                            |                      |
| Effect of antidilution                                | (0.34)                          |                      |
| Net investment income for period(2)                   | 0.51                            | 0.63                 |
| Gain on the acquisition of Allied Capital Corporation | 1.24                            |                      |



Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                |    |             |    |            |
|----------------------------------------------------------------|----|-------------|----|------------|
| Net realized and unrealized gains for period(2)                |    | 0.82        |    | 0.09       |
| Net increase in stockholders' equity resulting from operations |    | 2.57        |    | 0.72       |
| Distributions from net investment income                       |    | (0.70)      |    | (0.65)     |
| Distributions from net realized capital gains on securities    |    |             |    | (0.13)     |
| Total distributions to stockholders                            |    | (0.70)      |    | (0.78)     |
| Net asset value at end of period(1)                            | \$ | 14.11       | \$ | 11.21      |
| Per share market value at end of period                        | \$ | 12.53       | \$ | 8.06       |
| Total return based on market value(3)                          |    | 6.27%       |    | 39.65%     |
| Total return based on net asset value(4)                       |    | 21.00%      |    | 6.37%      |
| Shares outstanding at end of period                            |    | 192,167,337 |    | 97,152,820 |
| Ratio/Supplemental Data:                                       |    |             |    |            |
| Net assets at end of period                                    | \$ | 2,711,273   | \$ | 1,088,722  |
| Ratio of operating expenses to average net assets(5)(6)        |    | 10.85%      |    | 9.77%      |
| Ratio of net investment income to average net assets(5)(7)     |    | 8.29%       |    | 11.52%     |
| Portfolio turnover rate(5)                                     |    | 70%         |    | 17%        |

Table of Contents

---

(1) The net assets used equals the total stockholders' equity on the consolidated balance sheets.

(2) Weighted average basic per share data.

(3) For the six months ended June 30, 2010, the total return based on market value equals the increase of the ending market value at June 30, 2010 of \$12.53 per share over the ending market value at December 31, 2009 of \$12.45 per share, plus the declared dividend of \$0.70 per share for the six months ended June 30, 2010, divided by the market value at December 31, 2009. For the six months ended June 30, 2009, the total return based on market value equals the decrease of the ending market value at June 30, 2009 of \$8.06 per share over the ending market value at December 31, 2008 of \$6.33 per share, plus the declared dividend of \$0.77 per share for the six months ended June 30, 2009, divided by the market value at December 31, 2008. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4) For the six months ended June 30, 2010, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.70 per share for the six months ended June 30, 2010, divided by the beginning net asset value at January 1, 2010. For the six months ended June 30, 2009, the total return based on net asset value equals the change in net asset value during the period plus the declared dividend of \$0.77 per share for the three months ended June 30, 2009, divided by the beginning net asset value at January 1, 2009. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan and the issuance of common stock in connection with any equity offerings. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5) The ratios reflect an annualized amount.

(6) For the six months ended June 30, 2010, the ratio of operating expenses to average net assets consisted of 2.05% of base management fees, 2.36% of incentive management fees, 3.24% of the cost of borrowing and other operating expenses of 3.20%. For the six months ended June 30, 2009, the ratio of operating expenses to average net assets consisted of 2.78% of base management fees, 2.87% of incentive management fees, 2.39% of the cost of borrowing and other operating expenses of 1.74%. These ratios reflect annualized amounts.

(7) The ratio of net investment income to average net assets excludes income taxes related to realized gains.

## **15. ALLIED ACQUISITION**

On October 26, 2009, we entered into a definitive agreement to acquire Allied Capital in an all stock transaction. On April 1, 2010, we completed the Allied Acquisition by acquiring the outstanding shares of Allied Capital in exchange for shares of our common stock in a transaction valued at approximately \$908 million as of the closing date. Concurrently with the completion of the Allied Acquisition, we assumed and then repaid in full the \$137 million of remaining amounts outstanding on Allied Capital's \$250 million senior secured term loan. We also assumed all of Allied Capital's other outstanding debt obligations, including approximately \$745 million in principal amount of Allied Capital's Unsecured Notes.

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Under the terms of the transaction, each Allied Capital stockholder received 0.325 shares of our common stock for each share of Allied Capital common stock then owned by such stockholder. In connection with the Allied Acquisition, approximately 58.5 million shares of our common stock (including the effect of outstanding in-the money Allied Capital stock options) were issued to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and the then-existing Allied Capital stockholders owning approximately 31% of the combined company.

The Allied Acquisition was accounted for in accordance with the acquisition method of accounting as detailed in ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations*. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity based on their fair values as of the date of acquisition. As described in more detail in ASC 805-10, if the total acquisition date fair value of the

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

### Table of Contents

identifiable net assets acquired exceeds the fair value of the consideration transferred, the excess will be recognized as a gain. Upon completion of our determination of the fair value of Allied Capital's identifiable net assets as of April 1, 2010, the fair value of such net assets exceeded the fair value of the consideration transferred, thereby, resulting in the recognition of a gain. The valuation of the investments acquired as part of the Allied Acquisition was done in accordance with Ares Capital's valuation policy (see Notes 2 and 8).

Following is the allocation of the purchase price to the assets acquired and liabilities assumed as a result of the Allied Acquisition:

|                                                                  |    |           |
|------------------------------------------------------------------|----|-----------|
| Common stock issued                                              | \$ | 872,727   |
| Payments to holders of in-the-money Allied Capital stock options |    | 35,011(1) |
| Total purchase price                                             | \$ | 907,738   |
| Assets acquired:                                                 |    |           |
| Investments                                                      | \$ | 1,833,766 |
| Cash and cash equivalents                                        |    | 133,548   |
| Other assets                                                     |    | 80,078    |
| Total assets acquired                                            |    | 2,047,392 |
| Debt and other liabilities assumed                               |    | (943,778) |
| Net assets acquired                                              |    | 1,103,614 |
| Gain on acquisition of Allied Capital                            |    | (195,876) |
|                                                                  | \$ | 907,738   |

(1) Represents cash payment for holders of any in-the-money Allied Capital stock options that elected to receive cash.

The following unaudited pro forma condensed combined financial information does not purport to be indicative of actual financial position or results of our operations had the Allied Acquisition actually been consummated at the beginning of each period presented. Certain one-time charges have been eliminated. For the three and six months ended June 30, 2010, we recognized \$12,534 and \$16,323, respectively, in professional fees and other costs related to the Allied Acquisition. The pro forma adjustments reflecting the allocation of the purchase price of Allied Capital and the gain of \$195,876 recognized on the Allied Acquisition have been eliminated from all periods presented. The pro forma condensed combined financial information does not reflect the potential impact of possible synergies and does not reflect any impact of additional accretion which would have been recognized on the transaction, except for that which was recorded after the transaction was consummated on April 1, 2010.

|                                                                         | Three months ended June 30, |            | Six months ended June 30, |              |
|-------------------------------------------------------------------------|-----------------------------|------------|---------------------------|--------------|
|                                                                         | 2010                        | 2009       | 2010                      | 2009         |
| Total investment income                                                 | \$ 121,590                  | \$ 143,741 | \$ 242,192                | \$ 294,439   |
| Net investment income                                                   | \$ 62,075                   | \$ 46,315  | \$ 100,995                | \$ 98,200    |
| Net increase in stockholders equity resulting from operations           | \$ 146,812                  | \$ 1,824   | \$ 197,179                | \$ (314,641) |
| Net increase in stockholders equity resulting from operations per share | \$ 0.77                     | \$ 0.01    | \$ 1.05                   | \$ (2.03)    |

Prior to the completion of the Allied Acquisition, but subsequent to October 26, 2009, the date we entered into a definitive agreement to acquire Allied Capital, we purchased \$340 million of assets from Allied Capital in arm's length transactions. Additionally, during the same period of

time, IHAM purchased \$69 million of assets from Allied Capital, also in arm's length transactions.

**16. LITIGATION**

A number of lawsuits have been filed in the Maryland state courts and the federal and Superior Court for the District of Columbia by stockholders of Allied Capital challenging the Allied Acquisition. These include: (1) In re Allied Capital Corporation Shareholder Litigation, Case No. 322639V (Circuit Court for Montgomery County, Maryland) (the Maryland action); (2) Sandler v. Walton, et al., Case No. 2009 CA 008123 B (Superior Court for the District of Columbia), which was consolidated with Wienecki v. Allied Capital Corporation, et al., Case No. 2009 CA 008541 B (Superior Court for the District of Columbia) (the D.C. Superior Court action); and (3) Ryan v. Walton, et al., Case No. 1:10-CV-000145-RMC (United States District Court for the District of Columbia) (the D.C. Federal Court action). The suits were filed after the

Table of Contents

entry by the Company, Allied Capital and ARCC Odyssey Corp. ( Merger Sub ) into the Agreement and Plan of Merger (the Merger Agreement ) and the announcement of the Allied Acquisition on October 26, 2009, either as putative stockholder class actions, shareholder derivative actions or both. All of the actions asserted similar claims against the members of Allied Capital s Board of Directors alleging that the Merger Agreement was the product of a flawed sales process and that Allied Capital s directors breached their fiduciary duties by agreeing to a structure that was not designed to maximize the value of Allied Capital s stockholders, by failing to adequately value and obtain fair consideration for Allied Capital s shares and by improperly rejecting competing offers by Prospect Capital Corporation. They also claimed that the Company (and, in several cases, Merger Sub, and, in several other cases, Allied Capital) aided and abetted the directors alleged breaches of fiduciary duties. In addition, in Ryan v. Walton, et al., the plaintiffs also alleged violations of Rule 14a-9(a) under the Securities Exchange Act of 1934. All of the actions demanded, among other things, a preliminary and permanent injunction enjoining the merger and rescinding the transaction or any part thereof that may be implemented.

On March 2, 2010, the plaintiffs in the Maryland action, Allied Capital and the Company reached an agreement in principle to settle the Maryland action on terms and conditions substantially similar to those set forth in a Stipulation of Settlement dated March 17, 2010. Although the Company and Allied Capital believed that the disclosures already provided were thorough and complete, in connection with the settlement we and Allied Capital agreed to make certain additional disclosures that are contained in the Supplement to the Joint Proxy Statement, dated March 8, 2010, and to pay counsel for the plaintiffs in the Maryland action certain of their fees and expenses. The settlement is subject to final settlement documentation and approval by the Maryland court, after, among other things, notice is provided to the stockholders of Allied Capital.

On March 19, 2010, the plaintiffs in the D.C. Federal Court action, Allied Capital and the Company reached an agreement in principle to settle the D.C. Federal Court action. On April 15, 2010, the plaintiffs in the D.C. Superior Court action, Allied Capital and Ares Capital reached an agreement in principle to settle the D.C. Superior Court action. The D.C. Federal Court action and the D.C. Superior Court action were stayed on March 22, 2010 and March 26, 2010, respectively, in contemplation of dismissal with prejudice once the settlement of the Maryland action has been finally approved by the Maryland court. The parties to the Maryland action, the D.C. Federal Court action, and the D.C. Superior Court action have entered into, and filed with the Maryland court on May 25, 2010, an Amended Stipulation of Settlement, which provides for, among other things, settlement of all these actions.

We and the other defendants have vigorously denied all liability with respect to the facts and claims alleged in the actions. The settlements described above with counsel for these plaintiffs is not, and should not be construed as, an admission of wrongdoing or liability by any defendant. The parties considered it desirable that the actions be settled to avoid the expense, risk, inconvenience and distraction of continued litigation and to fully resolve the settled claims.

In addition, the Company is party to certain lawsuits in the normal course of business. Furthermore, third parties may try to seek to impose liability on Ares Capital in connection with the activities of its portfolio companies. While the outcome of any such open legal proceedings cannot at this time be predicted with certainty, the Company does not expect these matters will materially affect its financial condition or results of operations.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the six months ended June 30, 2010, except as disclosed below.

On July 29, 2010, the Maryland court issued an order approving the settlement and dismissing all claims against the defendants in the Maryland action. On August 3, 2010, the D.C. Federal Court dismissed the D.C. Federal Court action. In addition, under the terms of the order issued in the Maryland action, the D.C. Superior Court action is expected to be dismissed.

On August 4, 2010, we exercised the accordion feature of the Revolving Credit Facility and increased the size of the facility by \$25 million, bringing the total amount available for borrowing under the Revolving Credit Facility to \$775 million.

**Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations.**

The information contained in this section should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this quarterly report. In addition, some of the statements in this report constitute forward-looking statements, which relate to future events or the future performance or financial condition of Ares Capital Corporation (the Company, ARCC, we, us or our). The forward-looking statements contained in this report involve risks and uncertainties, including statements as to:

- our, or our portfolio companies', future business, operations, operating results or prospects;

Table of Contents

- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to successfully integrate our business and Allied Capital's business;
- the outcome and impact of any litigation relating to the Allied Acquisition;
- our ability to recover unrealized losses;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- our contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;



## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

- our ability to successfully integrate any acquisitions;
- the adequacy of our cash resources and working capital;
- the timing, form and amount of any dividend distributions;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments.

We use words such as anticipates, believes, expects, intends, will, should, may and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Risk Factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2009.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the Securities and Exchange Commission (the SEC), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

### OVERVIEW

We are a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. We have elected to be regulated as a business development company (a BDC) under the Investment Company Act of 1940 (the Investment Company Act). We were founded on April 16, 2004, were initially funded on June 23, 2004 and on October 8, 2004 completed our initial public offering.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component like warrants. To a lesser extent, we also make equity investments. Each of our equity investments has generally been less than \$20 million, but may grow with our capital availability, and is usually made in conjunction with loans we make to these portfolio

Table of Contents

companies. Also, as a result of the Allied Acquisition, Allied Capital's equity investments, including equity investments larger than those we have traditionally made and equity investments pursuant to which Allied Capital controlled a particular portfolio company, became part of our portfolio. We intend to actively seek opportunities over time to dispose of certain of these investments and rotate them into higher-yielding first and second lien senior loans and mezzanine debt investments. However, there can be no assurance that this strategy will be successful.

We are externally managed by Ares Capital Management, an affiliate of Ares Management, a global alternative asset manager and an SEC-registered investment adviser, pursuant to an investment advisory and management agreement. Ares Operations, an affiliate of Ares Management, provides the administrative services necessary for us to operate.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities and indebtedness of private U.S. companies and certain public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less.

The Company has elected to be treated as a regulated investment company (a RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code), and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Code, for each year. Pursuant to this election, we generally will not have to pay corporate level taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

*Allied Acquisition*

On April 1, 2010, we consummated the Allied Acquisition, an all stock merger where each existing share of common stock of Allied Capital was exchanged for 0.325 shares of our common stock. The Allied Acquisition was valued at approximately \$908 million as of April 1, 2010. In connection therewith, we issued approximately 58.5 million shares of our common stock to Allied Capital's then-existing stockholders, thereby resulting in our then-existing stockholders owning approximately 69% of the combined company and then-existing Allied Capital stockholders owning approximately 31% of the combined company. Accordingly, although information presented herein as of and for the three and six months ended June 30, 2010 does include the results of operations and financial condition of the combined company, information presented herein as of and for the three and six months ended June 30, 2009 relates solely to Ares Capital, as it existed before the Allied Acquisition.

**PORTFOLIO AND INVESTMENT ACTIVITY**

(in millions, except number of new investment commitments, terms and percentages)

|                                     | Three months ended |               |
|-------------------------------------|--------------------|---------------|
|                                     | June 30, 2010      | June 30, 2009 |
| New investment commitments (1) (4): |                    |               |
| New portfolio companies             | \$ 251.1           | \$ 8.6        |
| Existing portfolio companies        | 158.8              | 34.5          |
| Total new investment commitments    | 409.9              | 43.1          |
| Less:                               |                    |               |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                                                                                                                                                    |    |         |    |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------|----|--------|
| Investment commitments exited (4)                                                                                                                                  |    | 530.3   |    | 81.4   |
| Net investment commitments (4)                                                                                                                                     | \$ | (120.4) | \$ | (38.3) |
| Principal amount of investments purchased excluding investments acquired as part of the Allied Acquisition:                                                        |    |         |    |        |
| Senior term debt                                                                                                                                                   | \$ | 166.3   | \$ | 63.0   |
| Senior subordinated debt                                                                                                                                           |    | 70.9    |    |        |
| Senior Secured Loan Fund LLC                                                                                                                                       |    | 33.1    |    |        |
| Equity and other                                                                                                                                                   |    | 5.2     |    | 6.5    |
| Total                                                                                                                                                              | \$ | 275.5   | \$ | 69.5   |
| Principal amount of investments sold or repaid excluding investments acquired as part of the Allied Acquisition:                                                   |    |         |    |        |
| Senior term debt                                                                                                                                                   | \$ | 365.6   | \$ | 82.5   |
| Senior subordinated debt                                                                                                                                           |    | 81.4    |    | 4.0    |
| Senior Secured Loan Fund LLC                                                                                                                                       |    | 6.8     |    |        |
| Equity and other                                                                                                                                                   |    | 4.4     |    | 0.2    |
| Total                                                                                                                                                              | \$ | 458.2   | \$ | 86.7   |
| Principal amount of investments acquired as part of the Allied Acquisition:                                                                                        |    |         |    |        |
| Senior term debt                                                                                                                                                   | \$ | 661.1   | \$ |        |
| Senior subordinated debt                                                                                                                                           |    | 746.6   |    |        |
| Collateralized loan obligations                                                                                                                                    |    | 114.3   |    |        |
| Commercial real estate                                                                                                                                             |    | 41.0    |    |        |
| Equity and other                                                                                                                                                   |    | 270.8   |    |        |
| Total                                                                                                                                                              | \$ | 1,833.8 | \$ |        |
| Principal amount of investments acquired as a part of the Allied Acquisition sold or repaid:                                                                       |    |         |    |        |
| Senior term debt                                                                                                                                                   | \$ | 57.7    | \$ |        |
| Senior subordinated debt                                                                                                                                           |    | 71.1    |    |        |
| Collateralized loan obligations                                                                                                                                    |    | 1.8     |    |        |
| Equity and other                                                                                                                                                   |    | 31.1    |    |        |
| Total                                                                                                                                                              | \$ | 161.7   | \$ |        |
| Number of new investment commitments (2) (4)                                                                                                                       |    | 13      |    | 9      |
| Average new investment commitments amount (4)                                                                                                                      | \$ | 31.5    | \$ | 4.8    |
| Weighted average term for new investment commitments (in months) (4)                                                                                               |    | 31      |    | 49     |
| Percentage of new investment commitments at floating rates (4)                                                                                                     |    | 50%     |    | 74%    |
| Percentage of new investment commitments at fixed rates (4)                                                                                                        |    | 47%     |    | 12%    |
| Weighted average yield of debt and income producing securities at fair value funded during the period (3) (4)                                                      |    | 14.17%  |    | 8.65%  |
| Weighted average yield of debt and income producing securities at amortized cost funded during the period (3) (4)                                                  |    | 14.03%  |    | 8.89%  |
| Weighted average yield of debt and income producing securities at fair value sold or repaid during the period (3) (4)                                              |    | 13.32%  |    | 7.85%  |
| Weighted average yield of debt and income producing securities at amortized cost sold or repaid during the period (3) (4)                                          |    | 13.37%  |    | 7.76%  |
| Weighted average yield of debt and income producing securities acquired as a part of the Allied Acquisition at fair value and amortized cost (3)                   |    | 13.96%  |    | %      |
| Weighted average yield of debt and income producing securities acquired as a part of the Allied Acquisition at fair value sold or repaid during the period (3)     |    | 11.73%  |    | %      |
| Weighted average yield of debt and income producing securities acquired as a part of the Allied Acquisition at amortized cost sold or repaid during the period (3) |    | 11.70%  |    | %      |

Table of Contents

---

- (1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.
  
- (2) Number of new investments represents each commitment to a particular portfolio company.
  
- (3) When we refer to the weighted average yield at fair value in this report, we compute it with respect to particular securities by taking the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, and dividing it by (b) total debt and income producing securities at fair value included in such securities. When we refer to the weighted average yield at amortized cost in this report, we compute it with respect to particular securities by taking the (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount earned on accruing debt included in such securities, and dividing it by (b) total debt and income producing securities at amortized cost included in such securities.
  
- (4) Excludes investments acquired as a part of the Allied Acquisition on April 1, 2010.

The investment adviser employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, our investment adviser grades the risk of all investments on a scale of 1 to 4 no less frequently than quarterly. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (i.e. at the time of acquisition), although it may also take into account under certain circumstances the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. Under this system, investments with a grade of 4 involve the least amount of risk to our initial cost basis. The trends and risk factors for this

Table of Contents

investment since origination or acquisition are generally favorable, which may include the performance of the portfolio company or a potential exit. Investments graded 3 involve a level of risk to our initial cost basis that is similar to the risk to our initial cost basis at the time of origination or acquisition. This portfolio company is generally performing as expected and the risk factors to our ability to ultimately recoup the cost of our investment are neutral to favorable. All investments or acquired investments in new portfolio companies are initially assessed a grade of 3. Investments graded 2 indicate that the risk to our ability to recoup the cost of such investment has increased materially since origination or acquisition, including as a result of factors such as declining performance and non-compliance with debt covenants; however, payments are generally not more than 120 days past due. An investment grade of 1 indicates that the risk to our ability to recoup the cost of such investment has substantially increased since origination or acquisition, and the portfolio company likely has materially declining performance. For debt investments with an investment grade of 1, most or all of the debt covenants are out of compliance and payments are substantially delinquent. For investments graded 1, it is not anticipated that we will be repaid in an amount equal to our full initial cost basis. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company.

Ares Capital assigned a fair value as of April 1, 2010 to each of the portfolio investments acquired in connection with the Allied Acquisition. Grades on each investment were initially assessed a grade of 3 (i.e., generally the grade we assign a portfolio company at acquisition), reflecting the relative risk to our initial cost basis of such investments. The initial cost basis of each investment acquired in connection with the Allied Acquisition was equal to the fair value of such investment as of April 1, 2010. Many of these portfolio investments were assigned a fair value reflecting a significant discount to Allied Capital's cost basis at the time of Allied Capital's origination or acquisition. It is important to note that our grading system does not take into account factors or events in respect of the period from when Allied Capital originated or acquired such portfolio investments or the current status of these portfolio investments in terms of compliance with debt facilities, financial performance and similar factors. Rather, it is only intended to measure risk from the time that Ares Capital acquired the portfolio investment in connection with the Allied Acquisition. Accordingly, it is possible that the grade of certain of these portfolio investments may be reduced or increased in the future.

Set forth below is the distribution of our portfolio companies as of June 30, 2010 and December 31, 2009 (dollar amounts in thousands).

|         | June 30, 2010 |                     | December 31, 2009 |                     |
|---------|---------------|---------------------|-------------------|---------------------|
|         | Fair Value    | Number of Companies | Fair Value        | Number of Companies |
| Grade 1 | \$ 18,387     | 9                   | \$ 7,170          | 8                   |
| Grade 2 | 75,818        | 5                   | 154,509           | 9                   |
| Grade 3 | 3,554,333(1)  | 168                 | 1,796,641         | 70                  |
| Grade 4 | 145,482       | 6                   | 213,494           | 8                   |
|         | \$ 3,794,020  | 188                 | \$ 2,171,814      | 95                  |

(1) Includes investments acquired in the Allied Acquisition, which were all included in Grade 3 (as discussed above) of \$1.7 billion, including 99 companies.

As of June 30, 2010, the weighted average grade of the investments in our portfolio (excluding investments acquired in connection with the Allied Acquisition), the investments in our portfolio acquired in connection with the Allied Acquisition and the investments in our portfolio as a whole was each 3.0. The weighted average grade of the investments in our portfolio as of December 31, 2009 was 3.0.

As of June 30, 2010:

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

- 2.3% of our investments (excluding investments acquired in connection with the Allied Acquisition) at amortized cost (0.2% at fair value) were on non-accrual status;
- 7.1% of our investments acquired in connection with the Allied Acquisition at amortized cost (7.4% at fair value) were on non-accrual status; and
- 9.4% at amortized cost (or 7.6% at fair value) of the investments in our portfolio as a whole were on non-accrual status.

As of December 31, 2009, 2.5% of our investments at amortized cost (or 0.5% at fair value) were on non-accrual status.

The weighted average yields of the following portions of our portfolio as of June 30, 2010 and December 31, 2009 were as

Table of Contents

follows:

|                                                                                                       | June 30, 2010 |                | December 31, 2009 |                |
|-------------------------------------------------------------------------------------------------------|---------------|----------------|-------------------|----------------|
|                                                                                                       | Fair Value    | Amortized Cost | Fair Value        | Amortized Cost |
| Debt and income producing securities                                                                  | 13.39%        | 13.40%         | 12.67%            | 12.08%         |
| Debt and income producing securities for<br>investments acquired as part of the Allied<br>Acquisition | 13.90%        | 14.29%         | %                 | %              |
| Total portfolio                                                                                       | 10.12%        | 9.91%          | 11.19%            | 10.23%         |
| Senior term debt                                                                                      | 9.87%         | 9.50%          | 11.42%            | 10.62%         |
| Senior subordinated debt                                                                              | 13.08%        | 12.64%         | 13.74%            | 12.47%         |
| Senior Secured Loan Fund LLC                                                                          | 19.94%        | 21.22%         | 17.00%            | 17.00%         |
| Income producing equity securities                                                                    | 17.68%        | 22.16%         | 9.61%             | 10.52%         |
| First lien senior term debt                                                                           | 9.33%         | 9.36%          | 10.67%            | 10.38%         |
| Second lien senior term debt                                                                          | 12.47%        | 10.05%         | 12.92%            | 11.06%         |

**RESULTS OF OPERATIONS***For the three and six months ended June 30, 2010 and 2009*

Operating results for the three and six months ended June 30, 2010 and 2009 are as follows (in thousands):

|                                                                   | For the three months ended |               | For the six months ended |               |
|-------------------------------------------------------------------|----------------------------|---------------|--------------------------|---------------|
|                                                                   | June 30, 2010              | June 30, 2009 | June 30, 2010            | June 30, 2009 |
| Total investment income                                           | \$ 121,590                 | \$ 59,111     | \$ 188,100               | \$ 115,127    |
| Total expenses                                                    | 71,363                     | 27,085        | 106,330                  | 52,870        |
| Net investment income before income taxes                         | 50,227                     | 32,026        | 81,770                   | 62,257        |
| Income tax expense (benefit), including excise<br>tax             | 686                        | 78            | 524                      | 109           |
| Net investment income                                             | 49,541                     | 31,948        | 81,246                   | 62,148        |
| Net realized gains (losses) from investments                      | 11,924                     | (741)         | 7,043                    | 23,967        |
| Net unrealized gains (losses) from investments                    | 72,813                     | 3,546         | 122,404                  | (16,328)      |
| Gain from acquisition of Allied Capital                           | 195,876                    |               | 195,876                  |               |
| Net increase in stockholders' equity resulting<br>from operations | \$ 330,154                 | \$ 34,753     | \$ 406,569               | \$ 69,787     |

Net income can vary substantially from period to period as a result of various factors, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net income may not be meaningful.

**Investment Income**

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

For the three months ended June 30, 2010, total investment income increased \$62.5 million, or 106%, to \$121.6 million from \$59.1 million for the comparable period in 2009. For the three months ended June 30, 2010, total investment income primarily consisted of \$104.1 million in interest income from investments, \$7.7 million in capital structuring service fees, \$4.1 million in management fees and \$3.4 million in dividend income. Interest income from investments increased \$50.1 million, or 93%, to \$104.1 million for the three months ended June 30, 2010 from \$54.0 million for the comparable period in 2009. The increase in interest income from investments was primarily due to the increase in investments and largely due to the investments acquired as part of the Allied Acquisition, as the average investments at fair value increased from \$2.0 billion for the three months ended June 30, 2009 to \$3.0 billion for the three months ended June 30, 2010. Interest income from investments acquired as part of the Allied Acquisition was approximately \$43.6 million for the three months ended June 30, 2010. Capital structuring service fees increased \$7.1 million, or 1,176%, to \$7.7 million for the three months ended June 30, 2010 from \$0.6 million for the comparable period in 2009. The increase in capital structuring service fees was primarily due to the increase in new investment commitments for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. Management fees increased \$2.2 million, or 119%, to \$4.1 million for the three months ended June 30, 2010 from \$1.9 million for the comparable period in 2009. The increase in management fees was primarily related to \$2.9 million in management fees related to the investments and management contracts acquired as part of the Allied Acquisition as well as management fees earned related to the Senior Secured Loan Fund LLC (the Senior Secured Loan Fund ).

For the six months ended June 30, 2010, total investment income increased \$73.0 million, or 63%, to \$188.1 million from \$115.1 million for the comparable period in 2009. For the six months ended June 30, 2010, total investment income primarily consisted of \$165.6 million in interest income from investments, \$9.8 million in capital structuring service fees, \$5.6 million in



Table of Contents

management fees and \$3.9 million in dividend income. Interest income from investments increased \$59.3 million, or 56%, to \$165.6 million for the six months ended June 30, 2010 from \$106.3 million for the comparable period in 2009. The increase in interest income from investments was primarily due to the increase in investments and largely due to the investments acquired as part of the Allied Acquisition, as the average investments at fair value increased from \$2.2 billion for the six months ended June 30, 2009 to \$2.6 billion for the six months ended June 30, 2010. Interest income from investments acquired as part of the Allied Acquisition were approximately \$43.6 million for the six months ended June 30, 2010. Capital structuring service fees increased \$7.9 million, or 430%, to \$9.8 million for the six months ended June 30, 2010 from \$1.8 million for the comparable period in 2009. The increase in capital structuring service fees was primarily due to the increase in new investment commitments for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Management fees increased \$3.0 million, or 116%, to \$5.6 million for the six months ended June 30, 2010 from \$2.6 million for the comparable period in 2009. The increase in management fees was primarily related to \$2.9 million in management fees related to the investments and management contracts acquired as part of in the Allied Acquisition as well as management fees earned related to the Senior Secured Loan Fund.

**Operating Expenses**

For the three months ended June 30, 2010, total expenses increased \$44.3 million, or 163%, to \$71.4 million from \$27.1 million for the comparable period in 2009. Interest expense and credit facility fees increased \$16.8 million, or 267%, to \$23.1 million for the three months ended June 30, 2010 from \$6.3 million for the comparable period in 2009, primarily due to the additional interest expense incurred for the three months ended June 30, 2010 on the Unsecured Notes assumed in the Allied Acquisition of \$15.0 million. Base and incentive management fees increased \$11.2 million, or 74%, to \$26.7 million from \$15.4 million in total for the comparable period in 2009, primarily due to the increase in investments and the related interest income on those investments as a result of the Allied Acquisition, partially offset by an increase in interest expense related to the assumption of the Unsecured Notes in the Allied Acquisition. For the three months ended June 30, 2010, the Company also incurred \$12.5 million in professional fees and other costs related to the Allied Acquisition that were not incurred in the comparable period in 2009.

For the six months ended June 30, 2010, total expenses increased \$53.4 million, or 101%, to \$106.3 million from \$52.9 million for the comparable period in 2009. Interest expense and credit facility fees increased \$18.8 million, or 146%, to \$31.7 million for the six months ended June 30, 2010 from \$12.9 million for the comparable period in 2009, primarily due to the additional interest expense incurred for the six months ended June 30, 2010 on the Unsecured Notes assumed in the Allied Acquisition of \$15.0 million. For the six months ended June 30, 2010, the Company also incurred \$16.3 million in professional fees and other costs related to the Allied Acquisition that were not incurred in the comparable period in 2009. Base and incentive management fees increased \$12.7 million, or 42%, to \$43.3 million from \$30.5 million in total for the comparable period in 2009, primarily due to the increase in investments and the related interest income on those investments as a result of the Allied Acquisition.

**Income Tax Expense, Including Excise Tax**

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. Among other things, the Company has, in order to maintain its RIC status, made and intends to continue to make the requisite distributions to its stockholders which will generally relieve the Company from U.S. Federal income taxes.

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and six months ended June 30, 2010, the Company recorded no amounts for U.S. Federal excise tax. For the three months ended June 30, 2009, the Company recorded no amounts for U.S. Federal excise tax. For the six months ended June 30, 2009, the Company recognized \$0.1 million of benefits for U.S. Federal excise tax.

Certain of our subsidiaries are subject to U.S. Federal and state income taxes. For the three and six months ended June 30, 2010, we recorded a tax expense of \$0.7 million and \$0.5 million, respectively, for these subsidiaries, and for the three and six months ended June 30, 2009, we recorded a tax expense of approximately \$0.1 million and \$0.1 million, respectively, for these subsidiaries.

### **Net Unrealized Gains/Losses**

For the three months ended June 30, 2010, the Company had net unrealized gains of \$72.8 million, which were primarily comprised of \$125.5 million in unrealized appreciation, \$43.3 million in unrealized depreciation and \$9.4 million related to the reversal of prior period net unrealized appreciation. Of the total net unrealized gains for the three months ended June 30, 2010, \$46.3

Table of Contents

million were related to investments acquired as part of the Allied Acquisition, which were primarily comprised of \$73.1 million in unrealized appreciation and \$26.8 million in unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation for the total portfolio (excluding the reversal of prior period net unrealized appreciation) during the three months ended June 30, 2010 were as follows (in millions):

| <b>Portfolio Company</b>                  | <b>For the three months<br/>ended June 30, 2010<br/>Net Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Senior Secured Loan Fund LLC (1)          | \$ 8.7                                                                                                     |
| Ivy Hill Asset Management, L.P. (1)       | 5.9                                                                                                        |
| Component Hardware Group, Inc.            | 5.6                                                                                                        |
| S.B. Restaurant Company                   | 5.2                                                                                                        |
| Air Medical Group Holdings LLC            | 4.8                                                                                                        |
| Callidus Debt Partners CLO Fund VI, Ltd.  | 4.7                                                                                                        |
| Callidus MAPS CLO Fund I, LLC             | 4.5                                                                                                        |
| Stag-Parkway, Inc.                        | 4.5                                                                                                        |
| Callidus MAPS CLO Fund II, LLC            | 4.4                                                                                                        |
| BenefitMall Holdings, Inc.                | 4.1                                                                                                        |
| Callidus Debt Partners CLO Fund VII, Ltd. | 4.0                                                                                                        |
| DSI Renal, Inc.                           | 3.9                                                                                                        |
| Promo Works, LLC                          | 3.8                                                                                                        |
| Woodstream Corporation                    | 3.6                                                                                                        |
| Tradesmen International, Inc.             | 3.4                                                                                                        |
| Callidus Debt Partners CLO Fund III, Ltd. | 3.2                                                                                                        |
| Instituto de Banca y Comercio, Inc.       | 2.6                                                                                                        |
| Canon Communications LLC                  | 2.4                                                                                                        |
| Callidus Debt Partners CLO Fund IV, Ltd.  | 2.3                                                                                                        |
| Things Remembered, Inc.                   | 2.3                                                                                                        |
| Dryden XVIII Leveraged Loan 2007 Limited  | 2.2                                                                                                        |
| Industrial Container Services, LLC        | 2.2                                                                                                        |
| Network Hardware Resale LLC               | 1.9                                                                                                        |
| Callidus Debt Partners CLO Fund V, Ltd.   | 1.7                                                                                                        |
| Allied Capital Venture Fund               | 1.4                                                                                                        |
| Coverall North America, Inc.              | 1.4                                                                                                        |
| NPH, Inc                                  | 1.3                                                                                                        |
| Fidus Mezzanine Capital, L.P.             | 1.3                                                                                                        |
| OTG Management, Inc.                      | 1.3                                                                                                        |
| eInstruction Corporation                  | 1.2                                                                                                        |
| Apogee Retail LLC                         | 1.2                                                                                                        |
| Financial Pacific Company                 | 1.2                                                                                                        |
| Web Services Company, LLC                 | 1.1                                                                                                        |
| Bumble Bee Foods, LLC                     | 1.1                                                                                                        |
| Carador PLC                               | 1.1                                                                                                        |
| MPBP Holdings, Inc.                       | (1.1)                                                                                                      |
| Pangaea CLO 2007-1 Ltd.                   | (1.2)                                                                                                      |
| Huddle House Inc.                         | (1.7)                                                                                                      |
| Tranzact Holdings LLC                     | (1.7)                                                                                                      |
| Distant Lands Trading Co.                 | (1.8)                                                                                                      |
| InSight Pharmaceuticals Corporation       | (1.8)                                                                                                      |
| Ciena Capital LLC                         | (1.9)                                                                                                      |
| Crescent Hotels & Resorts, LLC            | (2.4)                                                                                                      |
| Border Foods, Inc.                        | (2.6)                                                                                                      |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                      |         |
|--------------------------------------|---------|
| Aquila Binks Forest Development, LLC | (2.8)   |
| PENN Detroit Diesel Allison LLC      | (2.9)   |
| FirstLight Financial Corporation     | (3.1)   |
| The Step2 Company, LLC               | (3.5)   |
| Knightsbridge CLO 2007-1 Ltd. (1)    | (3.5)   |
| Knightsbridge CLO 2008-1 Ltd. (1)    | (3.6)   |
| Other                                | 12.3    |
| Total                                | \$ 82.2 |

---

(1) See Note 10 to the consolidated financial statements.

Table of Contents

For the three months ended June 30, 2009, the Company had net unrealized gains of \$3.5 million, which was primarily comprised of \$37.4 million in unrealized depreciation, \$40.9 million in unrealized appreciation. The most significant changes in net unrealized appreciation and depreciation during the three months ended June 30, 2009 were as follows (in millions):

| <b>Portfolio Company</b>            | <b>For the three months<br/>ended June 30, 2009</b>   |            |
|-------------------------------------|-------------------------------------------------------|------------|
|                                     | <b>Unrealized<br/>Appreciation<br/>(Depreciation)</b> |            |
| Ivy Hill Asset Management, L.P. (1) | \$                                                    | 8.0        |
| Waste Pro USA, Inc.                 |                                                       | 3.1        |
| DSI Renal, Inc.                     |                                                       | 2.9        |
| Apple & Eve, LLC                    |                                                       | 2.7        |
| Capella Healthcare, Inc.            |                                                       | 2.6        |
| Best Brands Corp.                   |                                                       | 2.5        |
| ADF Restaurant Group, LLC           |                                                       | 2.1        |
| Booz Allen & Hamilton, Inc.         |                                                       | 1.8        |
| Savers, Inc.                        |                                                       | 1.7        |
| Wyle Laboratories, Inc.             |                                                       | 1.4        |
| Encanto Restaurants, Inc.           |                                                       | 1.2        |
| Wear Me Apparel, LLC                |                                                       | 1.2        |
| Carador PLC                         |                                                       | (1.1)      |
| MPBP Holdings, Inc.                 |                                                       | (1.3)      |
| Wastequip, Inc.                     |                                                       | (1.3)      |
| Vistar Corporation                  |                                                       | (1.5)      |
| DirectBuy Investors, LP             |                                                       | (1.5)      |
| Courtside Acquisition Corp.         |                                                       | (1.7)      |
| Vantage Oncology, Inc               |                                                       | (1.8)      |
| Sigma International Group, Inc.     |                                                       | (1.8)      |
| Reflexite Corporation               |                                                       | (2.5)      |
| National Print Group, Inc.          |                                                       | (2.8)      |
| Summit Business Media, LLC          |                                                       | (3.0)      |
| LVCG Holdings LLC                   |                                                       | (3.7)      |
| Firstlight Financial Corporation    |                                                       | (10.9)     |
| Other                               |                                                       | 7.2        |
| <b>Total</b>                        | <b>\$</b>                                             | <b>3.5</b> |

(1) See Note 10 to the consolidated financial statements.

For the six months ended June 30, 2010, the Company had net unrealized gains of \$122.4 million, which was primarily comprised of \$183.1 million in unrealized appreciation, \$59.9 million in unrealized depreciation and \$0.8 million related to the reversal of prior period net unrealized appreciation. Of the total net unrealized gains for the six months ended June 30, 2010, \$46.3 million was related to investments acquired as part of the Allied Acquisition, which was primarily comprised of \$73.1 million in unrealized appreciation and \$26.8 million in unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation for the total (excluding the reversal of prior period net unrealized depreciation) during the six months ended June 30, 2010 were as follows (in millions):

**For the six months  
ended June 30, 2010**

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

| <b>Portfolio Company</b>            |    | <b>Net Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
|-------------------------------------|----|-----------------------------------------------------------|
| R3 Education, Inc.                  | \$ | 15.0                                                      |
| Senior Secured Loan Fund LLC (1)    |    | 12.3                                                      |
| Ivy Hill Asset Management, L.P. (1) |    | 8.5                                                       |
| Things Remembered, Inc.             |    | 7.0                                                       |
| DSI Renal, Inc.                     |    | 6.3                                                       |

Table of Contents

|                                           |       |
|-------------------------------------------|-------|
| Component Hardware Group, Inc.            | 5.6   |
| S.B. Restaurant Company                   | 5.2   |
| Air Medical Group Holdings LLC            | 4.8   |
| Callidus Debt Partners CLO Fund VI, Ltd.  | 4.7   |
| Woodstream Corporation                    | 4.7   |
| Callidus MAPS CLO Fund I, LLC             | 4.5   |
| Stag-Parkway, Inc.                        | 4.5   |
| Callidus MAPS CLO Fund II, LLC            | 4.4   |
| BenefitMall Holdings, Inc.                | 4.1   |
| Callidus Debt Partners CLO Fund VII, Ltd. | 4.0   |
| Campus Management Corp.                   | 4.0   |
| Promo Works, LLC                          | 3.8   |
| VOTC Acquisition Corp.                    | 3.7   |
| Instituto de Banca y Comercio, Inc.       | 3.7   |
| Industrial Container Services, LLC        | 3.4   |
| Tradesmen International, Inc.             | 3.4   |
| OTG Management, Inc.                      | 3.2   |
| Callidus Debt Partners CLO Fund III, Ltd. | 3.2   |
| Canon Communications LLC                  | 2.4   |
| Callidus Debt Partners CLO Fund IV, Ltd.  | 2.3   |
| Dryden XVIII Leveraged Loan 2007 Limited  | 2.2   |
| Web Services Company, LLC                 | 2.2   |
| Planet Organic Health Corp.               | 1.9   |
| Network Hardware Resale LLC               | 1.9   |
| Vistar Corporation                        | 1.8   |
| Waste Pro USA, Inc.                       | 1.8   |
| Apogee Retail LLC                         | 1.7   |
| Bumble Bee Foods, LLC                     | 1.7   |
| Growing Family, Inc.                      | 1.7   |
| Callidus Debt Partners CLO Fund V, Ltd.   | 1.7   |
| Carador PLC                               | 1.5   |
| Allied Capital Venture Fund               | 1.4   |
| The Kenan Advantage Group, Inc.           | 1.4   |
| Coverall North America, Inc.              | 1.4   |
| Pillar Holdings LLC                       | 1.4   |
| NPH, Inc                                  | 1.3   |
| Fidus Mezzanine Capital, L.P.             | 1.3   |
| Ivy Hill Middle Market Credit Fund, Ltd.  | 1.3   |
| eInstruction Corporation                  | 1.2   |
| Financial Pacific Company                 | 1.2   |
| GG Merger Sub I, Inc.                     | 1.2   |
| Pangaea CLO 2007-1 Ltd.                   | (1.2) |
| Tranzact Holdings LLC                     | (1.6) |
| Huddle House Inc.                         | (1.7) |
| Distant Lands Trading Co.                 | (1.8) |
| InSight Pharmaceuticals Corporation       | (1.8) |
| Ciena Capital LLC                         | (1.9) |
| ADF Restaurant Group, LLC                 | (2.1) |
| Crescent Hotels & Resorts, LLC            | (2.4) |
| Border Foods, Inc.                        | (2.6) |
| Trivergance Capital Partners, LP          | (2.6) |
| Aquila Binks Forest Development, LLC      | (2.8) |
| PENN Detroit Diesel Allison LLC           | (2.9) |
| The Step2 Company, LLC                    | (3.5) |
| Knightsbridge CLO 2007-1 Ltd. (1)         | (3.5) |
| Knightsbridge CLO 2008-1 Ltd. (1)         | (3.6) |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                  |    |       |
|----------------------------------|----|-------|
| MPBP Holdings, Inc.              |    | (5.6) |
| FirstLight Financial Corporation |    | (6.8) |
| Other                            |    | 9.7   |
| Total                            | \$ | 123.2 |

---

(1) See Note 10 to the consolidated financial statements.



Table of Contents

For the six months ended June 30, 2009, the Company had net unrealized losses of \$16.3 million, which was primarily comprised of \$71.3 million in unrealized depreciation and \$53.6 million in unrealized appreciation and \$1.4 million relating to the reversal of prior period net unrealized depreciation. The most significant changes in net unrealized appreciation and depreciation during the six months ended June 30, 2009 were as follows (in millions):

| <b>Portfolio Company</b>               | <b>For the six months ended<br/>June 30, 2009<br/>Unrealized<br/>Appreciation<br/>(Depreciation)</b> |        |
|----------------------------------------|------------------------------------------------------------------------------------------------------|--------|
| Apple & Eve, LLC                       | \$                                                                                                   | 8.2    |
| Ivy Hill Asset Management, L.P. (1)    |                                                                                                      | 8.0    |
| Best Brands Corp.                      |                                                                                                      | 6.3    |
| Capella Healthcare, Inc.               |                                                                                                      | 4.3    |
| Waste Pro USA, Inc.                    |                                                                                                      | 3.2    |
| Booz Allen Hamilton, Inc.              |                                                                                                      | 3.0    |
| DSI Renal, Inc.                        |                                                                                                      | 2.2    |
| Prommis Solutions, LLC                 |                                                                                                      | 2.1    |
| ADF Restaurant Group                   |                                                                                                      | 2.1    |
| Magnacare Holdings, Inc.               |                                                                                                      | 1.4    |
| Wyle Laboratories, Inc.                |                                                                                                      | 1.4    |
| Diversified Collections Services, Inc. |                                                                                                      | 1.3    |
| Encanto Restaurants, Inc.              |                                                                                                      | 1.2    |
| Wear Me Apparel, LLC                   |                                                                                                      | 1.2    |
| OTG Management, Inc.                   |                                                                                                      | (1.1)  |
| MPBP Holdings, Inc.                    |                                                                                                      | (1.3)  |
| Vistar Corporation                     |                                                                                                      | (1.5)  |
| Sigma International Group, Inc.        |                                                                                                      | (1.8)  |
| Things Remembered, Inc.                |                                                                                                      | (1.8)  |
| HB&G Building Products                 |                                                                                                      | (1.8)  |
| Carador PLC                            |                                                                                                      | (2.6)  |
| Wastequip, Inc.                        |                                                                                                      | (2.7)  |
| AWTP, LLC                              |                                                                                                      | (2.7)  |
| VOTC Acquisition Corp.                 |                                                                                                      | (2.8)  |
| Growing Family, Inc.                   |                                                                                                      | (3.4)  |
| Courtside Acquisition Corp.            |                                                                                                      | (3.4)  |
| Summit Business Media, LLC             |                                                                                                      | (4.0)  |
| Direct Buy Holdings, Inc.              |                                                                                                      | (4.1)  |
| National Print Group, Inc.             |                                                                                                      | (4.3)  |
| LVCG Holdings LLC                      |                                                                                                      | (4.5)  |
| Reflexite Corporation                  |                                                                                                      | (10.6) |
| Firstlight Financial Corporation       |                                                                                                      | (11.0) |
| Other                                  |                                                                                                      | 1.8    |
| Total                                  | \$                                                                                                   | (17.7) |

(1) See Note 10 to the consolidated financial statements.

**Net Realized Gains/Losses**

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

During the three months ended June 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$196 million (see Note 15 to the consolidated financial statements). Additionally, during the three months ended June 30, 2010, the Company had \$632 million of sales and repayments resulting in \$12.3 million of net realized gains. Net realized gains on investments were comprised of \$14.1 million of gross realized gains and \$1.8 million of gross realized losses. Of the \$12.3 million of net realized gains, approximately \$0.5 million were from investments acquired as part of the Allied Acquisition. The most significant realized gains and losses on investments for the three months ended June 30, 2010 (excluding the gain on the acquisition of Allied Capital) were as follows (in millions):

Table of Contents

| Portfolio Company                   | For the three months<br>ended June 30, 2010 |                         |
|-------------------------------------|---------------------------------------------|-------------------------|
|                                     |                                             | Realized<br>Gain (Loss) |
| Instituto de Banca y Comercio, Inc. | \$                                          | 3.6                     |
| DSI Renal, Inc.                     |                                             | 3.0                     |
| The Kenan Advantage Group, Inc.     |                                             | 1.8                     |
| Capella Healthcare, Inc.            |                                             | 1.6                     |
| Planet Organic Health Corp.         |                                             | (1.8)                   |
| Other                               |                                             | 4.1                     |
| Total                               | \$                                          | 12.3                    |

During the three months ended June 30, 2009, the Company had \$85.8 million of sales and repayments resulting in \$0.9 million of net realized losses. These sales and repayments included \$4.0 million of loans sold to the Ivy Hill Funds, the two middle market credit funds managed by our affiliate, Ivy Hill Asset Management L.P. ( IHAM, see Note 10 to the consolidated financial statements for more detail on IHAM and the Ivy Hill Funds). Net realized losses on investments were comprised of \$0.1 million of gross realized gains and \$1.0 of gross realized losses. The most significant realized gains and losses on investments for the three months ended June 30, 2009 were as follows (in millions):

| Portfolio Company                   | Realized<br>Gain (Loss)               |       |
|-------------------------------------|---------------------------------------|-------|
|                                     | Diversified Collection Services, Inc. | \$    |
| Instituto de Banca y Comercio, Inc. |                                       | (0.9) |
| Other                               |                                       | (0.1) |
| Total                               | \$                                    | (0.9) |

During the six months ended June 30, 2010, the Company recognized a gain on the acquisition of Allied Capital of \$196 million. Additionally, during the six months ended June 30, 2010, the Company had \$945 million of sales and repayments resulting in \$7.4 million of net realized gains. These sales and repayments included \$94.5 million of loans sold to Ivy Hill Middle Market Credit Fund, Ltd. ( Ivy Hill I ) and Ivy Hill Middle Market Credit Fund II, Ltd. ( Ivy Hill II ), two middle market credit funds managed by our portfolio company, Ivy Hill Asset Management L.P. ( IHAM ) (see Note 10 to the consolidated financial statements for more detail on IHAM and its managed funds). Net realized gains on investments were comprised of \$21.6 million of gross realized gains and \$14.2 million of gross realized losses. The most significant realized gains and losses on investments for the six months ended June 30, 2010 were as follows (in millions):

| Portfolio Company                   | For the six months<br>ended June 30, 2010 |                         |
|-------------------------------------|-------------------------------------------|-------------------------|
|                                     |                                           | Realized<br>Gain (Loss) |
| DSI Renal, Inc.                     | \$                                        | 3.8                     |
| Instituto de Banca y Comercio, Inc. |                                           | 3.6                     |
| Best Brands Corp.                   |                                           | 2.4                     |
| The Kenan Advantage Group, Inc.     |                                           | 1.8                     |
| Capella Healthcare, Inc.            |                                           | 1.6                     |
| Daily Candy, Inc.                   |                                           | 1.3                     |
| Magnacare Holdings, Inc.            |                                           | 1.2                     |
| Wyle Laboratories, Inc.             |                                           | 1.1                     |
| Savers, Inc.                        |                                           | 1.0                     |
| Arrow Group Industries              |                                           | (1.2)                   |
| Planet Organic Health Corp.         |                                           | (1.8)                   |
| 3091779 Nova Scotia Inc.            |                                           | (3.5)                   |
| Growing Family, Inc.                |                                           | (7.6)                   |

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|       |    |     |
|-------|----|-----|
| Other |    | 3.7 |
| Total | \$ | 7.4 |

Table of Contents

During the six months ended June 30, 2009, the Company repurchased \$34.8 million of the CLO Notes (as defined below) resulting in a \$26.5 million realized gain on the extinguishment of debt. The Company also had \$163.2 million of sales and repayments resulting in \$2.7 million of net realized losses. These sales and repayments included \$40.5 million of loans sold to the Ivy Hill Funds. Net realized losses on investments were comprised of \$0.2 million of gross realized gains and \$2.9 of gross realized losses. The most significant realized gains and losses on investments for the six months ended June 30, 2009 were as follows (in millions):

| <b>Portfolio Company</b>              | <b>Realized<br/>Gain (Loss)</b> |       |
|---------------------------------------|---------------------------------|-------|
| Diversified Collection Services, Inc. | \$                              | 0.2   |
| Heartland Dental Care, Inc.           |                                 | (0.2) |
| Bumble Bee Foods, LLC                 |                                 | (0.2) |
| Campus Management Corp.               |                                 | (0.5) |
| Instituto de Banca y Comercio, Inc.   |                                 | (0.9) |
| Capella Healthcare, Inc.              |                                 | (1.0) |
| Other                                 |                                 | (0.1) |
| Total                                 | \$                              | (2.7) |

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Since the Company's inception, the Company's liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, the Debt Securitization and advances from the combined CP Funding Facility (and its predecessors) and Revolving Credit Facility, each as defined below (together, the Facilities), as well as cash flows from operations.

As of June 30, 2010, the Company had \$139 million in cash and cash equivalents and \$1.2 billion in total indebtedness outstanding at carrying value (\$1.3 billion at principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$807 million available for additional borrowings under the Facilities and Debt Securitization as of June 30, 2010.

**Equity Offerings**

The following table summarizes the total shares of common stock issued and proceeds we received net of underwriter, dealer manager and offering costs for the six months ended June 30, 2010 (dollar amounts in millions, except per share data):

|                                              | <b>Shares of<br/>common<br/>stock issued</b> |    | <b>Offering price<br/>per share</b> |    | <b>Proceeds net of<br/>underwriter and<br/>offering costs</b> |
|----------------------------------------------|----------------------------------------------|----|-------------------------------------|----|---------------------------------------------------------------|
| February 2010 public offering                | 22,957,993                                   | \$ | 12.75                               | \$ | 277.0                                                         |
| Total for the six months ended June 30, 2010 | 22,957,993                                   |    |                                     | \$ | 277.0                                                         |

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In connection with the closing of the Allied Acquisition, on April 1, 2010 we issued 58,492,537 shares of common stock valued at approximately \$872.7 million. There were no sales of equity securities during the six months ended June 30, 2009.

Part of the proceeds from the February 2010 public offering were used to repay outstanding indebtedness. The remaining unused portions of the proceeds from this public offering were used to fund investments in portfolio companies in accordance with our investment objective and strategies and market conditions.

As of June 30, 2010, total market capitalization for the Company was \$2.4 billion compared to \$1.4 billion as of December 31, 2009.

### **Debt Capital Activities**

Our debt obligations as of June 30, 2010 and December 31, 2009 consisted of the following (in millions):

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

### Table of Contents

|                                                      | June 30, 2010        |                       | December 31, 2009 |                       |
|------------------------------------------------------|----------------------|-----------------------|-------------------|-----------------------|
|                                                      | Carrying<br>Value(4) | Total<br>Available(1) | Carrying<br>Value | Total<br>Available(1) |
| CP Funding Facility                                  | \$ 204.9             | \$ 400.0              | \$ 221.6          | \$ 221.6              |
| Revolving Credit Facility                            | 153.0                | 750.0                 | 474.1             | 525.0                 |
| CP Funding II Facility(2)                            |                      |                       |                   | 200.0                 |
| Debt Securitization                                  | 214.4                | 229.0                 | 273.8             | 275.0                 |
| 2011 Notes (principal amount outstanding of \$314.9) | 306.4(3)             | 314.9                 |                   |                       |
| 2012 Notes (principal amount outstanding of \$190.6) | 185.6(3)             | 190.6                 |                   |                       |
| 2047 Notes (principal amount outstanding of \$230.0) | 180.7(3)             | 230.0                 |                   |                       |
|                                                      | \$ 1,245.0           | \$ 2,114.5            | \$ 969.5          | \$ 1,221.6            |

- 
- (1) Subject to borrowing base and leverage restrictions.
- (2) The CP Funding II Facility was combined with the CP Funding Facility on January 22, 2010. In connection therewith the CP Funding II Facility was terminated.
- (3) Represents the aggregate principal amount of the applicable series of notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.
- (4) Except for the Unsecured Notes, all carrying values are the same as the principal amounts outstanding.

The weighted average interest rate and weighted average maturity both on principal value, of all our outstanding borrowings as of June 30, 2010 were 4.74% and 9 years, respectively. The weighted average interest rate and weighted average maturity of all our outstanding borrowings as of December 31, 2009 were 2.05% and 3.8 years, respectively.

The ratio of total principal debt outstanding to stockholders' equity as of June 30, 2010 was 0.48:1.00 compared to 0.77:1.00 as of December 31, 2009. The ratio of total carrying value of debt to stockholders' equity as of June 30, 2010 was 0.46:1.00.

As required by the Investment Company Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of June 30, 2010, our asset coverage for borrowed amounts was 318%.

### ***CP Funding Facilities***

In October 2004, we formed Ares Capital CP Funding LLC ( Ares Capital CP ), a wholly owned subsidiary of the Company, through which we established a revolving facility (as amended, the CP Funding Facility ) that, as amended, allowed Ares Capital CP to issue up to \$350 million of variable funding certificates ( VFC ). On May 7, 2009, the Company and Ares Capital CP entered into an amendment that, among other things,

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

converted the CP Funding Facility from a revolving facility to an amortizing facility, extended the maturity from July 21, 2009 to May 7, 2012 and reduced the availability from \$350 million to \$225 million.

On July 21, 2009, we entered into an agreement with Wachovia Bank N.A. ( Wachovia ) to establish a new revolving facility (the CP Funding II Facility ) whereby Wachovia agreed to extend credit to us in an aggregate principal amount not exceeding \$200 million at any one time outstanding. Prior to its combination with the CP Funding Facility, the CP Funding II Facility was scheduled to expire on July 21, 2012.

On January 22, 2010, we combined the CP Funding Facility with the CP Funding II Facility into a single \$400 million revolving securitized facility (the combined CP Funding Facility ). In connection with the combination, we terminated the CP Funding II Facility and entered into an Amended and Restated Purchase and Sale Agreement with Ares Capital CP Funding Holdings LLC, our wholly owned subsidiary ( CP Holdings ), pursuant to which we may sell to CP Holdings certain loans that we have originated or acquired, or will originate or acquire (the Loans ) from time to time, which CP Holdings will subsequently sell to Ares Capital CP, which is a wholly owned subsidiary of CP Holdings. The combined CP Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The combined CP Funding Facility, among other things, extends the maturity date of the facility to January 22, 2013 (with two one-year extension options, subject to mutual consent). Prior to January 22, 2010, the interest rate charged on the CP Funding Facility was the commercial paper rate plus 3.50%. After January 22, 2010, subject to certain exceptions, the interest charged on the combined CP Funding Facility is based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a base rate (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case, based on a pricing grid depending upon our credit rating. Additionally, we are required to pay a commitment fee of between 0.50% and 2.00% depending on the usage level on any unused portion of the combined CP Funding Facility.

As of June 30, 2010, the principal amount outstanding under the combined CP Funding Facility was \$205 million and the Company continues to be in material compliance with all of the limitations and requirements of the CP Funding Facility. See Note 7 to our consolidated financial statements for more detail on the combined CP Funding Facility.



Table of Contents

***Revolving Credit Facility***

In December 2005, we entered into a senior secured revolving credit facility (as amended and restated, the *Revolving Credit Facility*), under which, as amended, the lenders agreed to extend credit to the Company. On January 22, 2010, we entered into an agreement to amend and restate the *Revolving Credit Facility*. The amendment and restatement of the *Revolving Credit Facility*, among other things, increased the size of the facility from \$525 million to \$690 million (comprised of \$615 million in commitments on a stand-alone basis and an additional \$75 million in commitments contingent upon the closing of the Allied Acquisition), extended the maturity date from December 28, 2010 to January 22, 2013 and modified pricing. The *Revolving Credit Facility* also includes an *accordion* feature that allows, under certain circumstances, to increase the size of the facility to a maximum of \$1.05 billion. During the three months ended June 30, 2010, we exercised this *accordion* feature and increased the size of the facility by \$60 million to bring the total facility size to \$750 million. As of June 30, 2010, there was \$153 million outstanding under the *Revolving Credit Facility* and the Company continues to be in material compliance with all of the limitations and requirements of the *Revolving Credit Facility*.

Prior to January 22, 2010, subject to certain exceptions, pricing on the *Revolving Credit Facility* was based on LIBOR plus 1.00% or on an alternate base rate (which was the highest of a prime rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%). After January 22, 2010, subject to certain exceptions, pricing under the *Revolving Credit Facility* is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the alternate base rate plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending upon our credit rating. See Note 7 to our consolidated financial statements for more detail on the *Revolving Credit Facility*.

***Debt Securitization***

In July 2006, through ARCC Commercial Loan Trust 2006, a vehicle serviced by our wholly owned subsidiary, ARCC CLO 2006 LLC (ARCC CLO), we completed a \$400 million debt securitization (the *Debt Securitization*) and issued approximately \$314 million principal amount of asset-backed notes (including revolving notes in an aggregate amount of up to \$50 million, \$35.4 million of which were drawn down as of June 30, 2010) (the *CLO Notes*) to third parties that were secured by a pool of middle market loans that have been purchased or originated by the Company. The *CLO Notes* are included in the June 30, 2010 consolidated balance sheet. We retained approximately \$86 million of aggregate principal amount of certain BBB and non-rated securities in the *Debt Securitization*. During the first quarter of 2009, we repurchased \$34.8 million of other certain *CLO Notes*, bringing our total holdings of *CLO Notes* to \$120.8 million (the *Retained Notes*). During the six months ended June 30, 2010, we repaid \$59.4 million of the *CLO Notes*.

The *CLO Notes* mature on December 20, 2019 and have a blended pricing of LIBOR plus 0.33%. As of June 30, 2010, there was \$214 million outstanding under the *Debt Securitization* (excluding the *Retained Notes*). See Note 7 to our consolidated financial statements for more detail on the *Debt Securitization*.

***Publicly Issued Unsecured Notes Payable***

As part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including Allied Capital's publicly issued unsecured notes which consisted of 6.625% Notes due on July 15, 2011 (the *2011 Notes*), 6.000% Notes due on April 1, 2012 (the *2012 Notes*) and 6.875% Notes due on April 15, 2047 (the *2047 Notes*) and, together with the *2011 Notes* and the *2012 Notes*, the *Unsecured Notes*.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                          |    | <b>Carrying<br/>Value (1)</b> |
|------------------------------------------|----|-------------------------------|
| 2011 Notes (principal amount of \$314.9) | \$ | 306.4                         |
| 2012 Notes (principal amount of \$190.6) |    | 185.6                         |
| 2047 Notes (principal amount of \$230.0) |    | 180.7                         |
| Total                                    | \$ | 672.7                         |

---

(1) Represents the principal amount of the notes less the unaccreted discount initially recorded as a part of the Allied Acquisition.

The 2011 Notes and the 2012 Notes require payment of interest semi-annually, and all principal is due upon maturity. The Company has the option to redeem these notes in whole or in part, together with a redemption premium, as stipulated in the notes.

Table of Contents

The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time on or after April 15, 2012, at par and upon the occurrence of certain tax events as stipulated in the notes.

In addition, the Company may purchase the Unsecured Notes in the market to the extent permitted by the Investment Company Act. During the three months ended June 30, 2010, the Company purchased \$5 million of the 2011 Notes and \$5 million of the 2012 Notes. As a result of these transactions a realized loss of \$0.4 million was recognized during the period.

In addition, as of June 30, 2010, we had a long-term counterparty credit rating from Standard & Poor's Ratings Service of BBB, a long-term issuer default rating from Fitch Ratings of BBB and a long-term issuer rating of Ba1 from Moody's Investor Service.

**PORTFOLIO VALUATION**

Investment transactions are recorded on the trade date. Realized gains or losses are computed using the specific identification method. Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, we look at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of our investments) are valued at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms that have been engaged at the direction of the board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period, and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, with approximately 50% (based on value) of our valuations of portfolio companies without readily available market quotations subject to review by an independent valuation firm each quarter.

As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation.

Because there is not a readily available market value for most of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our board of directors, based on the input of our management and audit committee and independent valuation firms, under a valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize significantly less than the value at which we have recorded it.

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In addition, changes in the market environment, such as inflation, and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than would be realized based on the valuations currently assigned. See the factors set forth in Risk Factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2009, including the Risk Factor entitled Risk Factors Risks Relating to our Investments Price declines and illiquidity in the corporate debt markets have adversely affected, and may continue to adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with our portfolio management team.
- Preliminary valuations are reviewed and discussed with the entire investment portfolio and management team, and then valuation recommendations are presented to the board of directors.

Table of Contents

- The audit committee of our board of directors reviews these preliminary valuations, as well as the input of independent valuation firms with respect to the valuations of approximately 50% (based on value) of our portfolio companies without readily available market quotations.
- The board of directors discusses valuations and determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on the input of our management and audit committee and independent valuation firms.

Effective January 1, 2008, the Company adopted Accounting Standards Codification ( ASC ) 820-10 (previously Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 )), which expands the application of fair value accounting for investments (see Note 8 to the consolidated financial statements). Investments acquired as part of the Allied Acquisition were accounted for in accordance with ASC 805-10 (previously SFAS No. 141(R)), *Business Combinations*, which requires that all assets be recorded at fair value. As a result, the initial amortized cost basis and fair value for the acquired investments were the same value at April 1, 2010.

**OFF BALANCE SHEET ARRANGEMENTS**

As of June 30, 2010 and December 31, 2009, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans to its portfolio companies (in millions):

|                                                                                    | <b>June 30, 2010</b> |         | <b>December 31, 2009</b> |        |
|------------------------------------------------------------------------------------|----------------------|---------|--------------------------|--------|
| Total revolving and delayed draw commitments                                       | \$                   | 661.7   | \$                       | 136.8  |
| Less: funded commitments                                                           |                      | (387.0) |                          | (37.2) |
| Total unfunded commitments                                                         |                      | 274.7   |                          | 99.6   |
| Less: commitments substantially at discretion of the Company                       |                      | (65.0)  |                          | (4.0)  |
| Less: unavailable commitments due to borrowing base or other covenant restrictions |                      | (29.7)  |                          | (16.2) |
| Total net adjusted unfunded commitments                                            | \$                   | 180.0   | \$                       | 79.4   |

Of the total net adjusted unfunded commitments as of June 30, 2010, \$86.4 are from commitments for investments acquired as part of the Allied Acquisition. Also, of the total commitments as of June 30, 2010, \$400.9 extend beyond the maturity date for our Revolving Credit Facility. Included within the total commitments as of June 30, 2010 are commitments to issue up to \$19.9 in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. As of June 30, 2010, the Company had \$11.9 in standby letters of credit issued and outstanding on behalf of the portfolio companies, of which no amounts were recorded as a liability on the balance sheet as they are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$0.3 expire in August 2010, \$2.3 expire in September 2010, \$0.3 expire in December 2010, \$0.8 expire in January 2011, and \$8.2 expire in February 2011.

As of June 30, 2010 and December 31, 2009, the Company was a party to subscription agreements to fund equity investments in private equity investment partnerships. The Company's obligation to fund these commitments are substantially all at the discretion of the Company as follows (in millions):

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

|                                           | June 30, 2010 |       | December 31, 2009 |       |
|-------------------------------------------|---------------|-------|-------------------|-------|
| Total private equity commitments          | \$            | 548.0 | \$                | 428.3 |
| Total unfunded private equity commitments | \$            | 446.0 | \$                | 415.4 |

Of the total unfunded private equity commitments as of June 30, 2010, \$400.7 million are substantially at the discretion of the Company. Additionally, of the total unfunded private equity commitments as of June 30, 2010, \$21.3 million are for investments acquired as part of the Allied Acquisition.

As of June 30, 2010, one of the Company's portfolio companies, Ciena Capital LLC ( "Ciena" ), had one non-recourse securitization Small Business Administration ( "SBA" ) loan warehouse facility, which has reached its maturity date but remains outstanding. Ciena is working with the providers of the SBA loan warehouse facility with regard to the repayment of that facility. Allied Capital had previously issued a performance guaranty (which Ares Capital succeeded to as a result of the Allied Acquisition) whereby Ares Capital must indemnify the warehouse providers for any damages, losses, liabilities and related costs and expenses that they may incur as a result of Ciena's failure to perform any of its obligations as loan originator, loan seller or loan servicer under the warehouse facility. As of June 30, 2010, there are no known issues or claims with respect to this performance guaranty.

Table of Contents

See Note 10 to the consolidated financial statements for more information on the Company's commitment to the Senior Secured Loan Fund.

**RECENT DEVELOPMENTS**

On August 4, 2010, we exercised the accordion feature of the Revolving Credit Facility and increased the size of the facility by \$25 million, bringing the total amount available for borrowing under the Revolving Credit Facility to \$775 million.

As of August 4, 2010, we had made new investment commitments of \$138 million, all of which were funded, since June 30, 2010. Of these new investment commitments, 80% were in investments in subordinated notes of the Senior Secured Loan Fund, 18% were in first lien senior secured debt and 2% were in equity securities. Of the \$138 million of new investment commitments, 80% were fixed rate with a weighted average yield at amortized cost of 20% and 18% were floating rate with a weighted average spread at amortized cost of 7.5%.

As of August 4, 2010, we had exited \$81 million of investments since June 30, 2010. Of these investments, 95% were in first lien senior secured debt, 3% were in senior subordinated debt and 2% were in second lien senior secured debt. Of the \$81 million of investments, 60% were in fixed rate investments with a weighted average yield at amortized cost of 13%. Of the remaining investments, 27% were in floating rate investments with a weighted average spread at amortized cost of 4% and 13% were investments on non-accrual status. Also, of the \$81 million of investments exited since June 30, 2010, \$66 million were investments acquired as part of the Allied Acquisition.

In addition, as of August 4, 2010, we had an investment backlog and pipeline of \$376 million and \$355 million, respectively. We may syndicate a portion of these investments and commitments to third parties. The consummation of any of the investments in this backlog and pipeline depends upon, among other things: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. We cannot assure you that we will make any of these investments or that we will syndicate any portion of such investments and commitments.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are subject to financial market risks, including changes in interest rates and the valuations of our investment portfolio.

***Interest Rate Risk***

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. Because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

As of June 30, 2010, approximately 52% of the investments at fair value in our portfolio were at fixed rates while approximately 24% were at variable rates and 24% were non-interest earning. Additionally, as of June 30, 2010, 14% of the investments at fair value or 57% of the investments at fair value with variable rates contain interest rate floors. The Debt Securitization, the CP Funding Facility and the Revolving Credit Facility all bear interest at variable rates while the Unsecured Notes bear interest at fixed rates.

We regularly measure our exposure to interest rate risk. We assess interest rate risk and manage our interest rate exposure on an ongoing basis by comparing our interest rate sensitive assets to our interest rate sensitive liabilities. Based on that review, we determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates.

In October 2008, we entered into a two-year interest rate swap agreement for a total notional amount of \$75 million. Under the interest rate swap agreement, we will pay a fixed interest rate of 2.985% and receive a floating rate based on the prevailing three-month LIBOR.

While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio investments.

Based on our June 30, 2010 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure and reflecting the effect of our interest rate swap agreement described above and in Note 11 of the consolidated financial statements (in millions):



Table of Contents

| <b>Basis Point Change</b> | <b>Interest Income</b> |       | <b>Interest Expense</b> |       | <b>Net Income</b> |
|---------------------------|------------------------|-------|-------------------------|-------|-------------------|
| Up 300 basis points       | \$                     | 18.4  | \$                      | 14.9  | \$ 3.5            |
| Up 200 basis points       | \$                     | 10.6  | \$                      | 9.9   | \$ 0.7            |
| Up 100 basis points       | \$                     | 4.6   | \$                      | 5.0   | \$ (0.4)          |
| Down 100 basis points     | \$                     | (1.9) | \$                      | (2.2) | \$ 0.3            |
| Down 200 basis points     | \$                     | (2.2) | \$                      | (2.2) | \$ 0.0            |
| Down 300 basis points     | \$                     | (2.4) | \$                      | (2.2) | \$ (0.2)          |

Based on our December 31, 2009 balance sheet, the following table shows the annual impact on net income of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure and reflecting the effect of our interest rate swap agreement described above and in Note 11 of the consolidated financial statements (in millions):

| <b>Basis Point Change</b> | <b>Interest Income</b> |       | <b>Interest Expense</b> |       | <b>Net Income</b> |
|---------------------------|------------------------|-------|-------------------------|-------|-------------------|
| Up 300 basis points       | \$                     | 17.6  | \$                      | 26.8  | \$ (9.2)          |
| Up 200 basis points       | \$                     | 11.2  | \$                      | 17.9  | \$ (6.7)          |
| Up 100 basis points       | \$                     | 5.6   | \$                      | 8.9   | \$ (3.3)          |
| Down 100 basis points     | \$                     | (2.1) | \$                      | (2.9) | \$ 0.8            |
| Down 200 basis points     | \$                     | (3.1) | \$                      | (2.9) | \$ (0.2)          |
| Down 300 basis points     | \$                     | (4.1) | \$                      | (2.9) | \$ (1.2)          |

**Item 4. Controls and Procedures.**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based on that evaluation, our President and our Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to the Company that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

There have been no changes in our internal control over financial reporting during the three months ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION****Item 1. Legal Proceedings.**

The following information supplements and amends the discussion set forth under Part 1, Item 3 Legal Proceedings in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 31,

## Edgar Filing: ARES CAPITAL CORP - Form 10-Q

2010. As previously reported, a number of lawsuits have been filed in the Maryland state courts and the federal and Superior Court for the District of Columbia by stockholders of Allied Capital challenging the Allied Acquisition. These include: (1) In re Allied Capital Corporation Shareholder Litigation, Case No. 322639V (Circuit Court for Montgomery County, Maryland) (the Maryland action ); (2) Sandler v. Walton, et al., Case No. 2009 CA 008123 B (Superior Court for the District of Columbia), which was consolidated with Wienecki v. Allied Capital Corporation, et al., Case No. 2009 CA 008541 B (Superior Court for the District of Columbia) (the D.C. Superior Court action ); and (3) Ryan v. Walton, et al., Case No. 1:10-CV-000145-RMC (United States District Court for the District of Columbia) (the D.C. Federal Court action ). The suits were filed after the entry by the Company, Allied Capital and ARCC Odyssey Corp. ( Merger Sub ) into the Agreement and Plan of Merger (the Merger Agreement ) and the announcement of the Allied Acquisition on October 26, 2009, either as putative stockholder class actions, shareholder derivative actions or both. All of the actions asserted similar claims against the members of Allied Capital s Board of Directors alleging that the Merger Agreement was the product of a flawed sales process and that Allied Capital s directors breached their fiduciary duties by agreeing to a structure that was not designed to maximize the value of Allied Capital s stockholders, by failing to adequately value and obtain fair consideration for Allied Capital s shares and by improperly rejecting competing offers by Prospect Capital Corporation. They also claimed that the Company (and, in several cases, Merger Sub, and, in several other cases, Allied Capital) aided and abetted the directors alleged breaches of fiduciary duties. In addition, in Ryan v. Walton, et al., the plaintiffs also alleged violations of Rule 14a-9(a) under the Securities Exchange Act of 1934. All of the actions demanded, among other things, a preliminary and permanent injunction enjoining the merger and rescinding the transaction or any part thereof that may be implemented.

On March 2, 2010, the plaintiffs in the Maryland action, Allied Capital and the Company reached an agreement in principle to settle the Maryland action on terms and conditions substantially similar to those set forth in a Stipulation of Settlement dated March

Table of Contents

17, 2010. Although the Company and Allied Capital believed that the disclosures already provided were thorough and complete, in connection with the settlement we and Allied Capital agreed to make certain additional disclosures that are contained in the Supplement to the Joint Proxy Statement, dated March 8, 2010, and to pay counsel for the plaintiffs in the Maryland action certain of their fees and expenses. The settlement is subject to final settlement documentation and approval by the Maryland court, after, among other things, notice is provided to the stockholders of Allied Capital.

On March 19, 2010, the plaintiffs in the D.C. Federal Court action, Allied Capital and the Company reached an agreement in principle to settle the D.C. Federal Court action. On April 15, 2010, the plaintiffs in the D.C. Superior Court action, Allied Capital and Ares Capital reached an agreement in principle to settle the D.C. Superior Court action. The D.C. Federal Court action and the D.C. Superior Court action were stayed on March 22, 2010 and March 26, 2010, respectively, in contemplation of dismissal with prejudice once the settlement of the Maryland action has been finally approved by the Maryland court. The parties to the Maryland action, the D.C. Federal Court action, and the D.C. Superior Court action have entered into, and filed with the Maryland court on May 25, 2010, an Amended Stipulation of Settlement, which provides for, among other things, settlement of all these actions.

On July 29, 2010, the Maryland court issued an order approving the settlement and dismissing all claims against the defendants in the Maryland action. On August 3, 2010, the D.C. Federal Court dismissed the D.C. Federal Court action. In addition, under the terms of the order issued in the Maryland action, the D.C. Superior Court action is expected to be dismissed.

We and the other defendants have vigorously denied all liability with respect to the facts and claims alleged in the actions. The settlement is not, and should not be construed as, an admission of wrongdoing or liability by any defendant. The parties considered it desirable that the actions be settled to avoid the expense, risk, inconvenience and distraction of continued litigation and to fully resolve the settled claims.

In addition, the Company is party to certain lawsuits in the normal course of business. Furthermore, third parties may try to seek to impose liability on Ares Capital in connection with the activities of its portfolio companies. While the outcome of any such open legal proceedings cannot at this time be predicted with certainty, the Company does not expect these matters will materially affect its financial condition or results of operations.

**Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

We did not sell any securities during the period covered in this report that were not registered under the Securities Act of 1933.

We did not repurchase any shares issued during the period covered in this report.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. (Removed and Reserved).**

**Item 5. Other Information.**

None.

Table of Contents

**Item 6. Exhibits.**

**EXHIBIT INDEX**

| <b>Number</b> | <b>Description</b>                                                                                                                                                                                                 |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1           | Articles of Amendment and Restatement, as amended(1)                                                                                                                                                               |
| 3.2           | Second Amended and Restated Bylaws, as amended*                                                                                                                                                                    |
| 4.1           | Form of Stock Certificate(2)                                                                                                                                                                                       |
| 10.1          | Fourth Supplemental Indenture, dated as of April 1, 2010, among the Company, Allied Capital Corporation and The Bank of New York Mellon, as the Trustee(3)                                                         |
| 10.2          | Amendment No. 1 to the Senior Secured Revolving Credit Agreement, dated as of May 17, 2010, between the Company, as borrower, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent(4) |
| 31.1          | Certification by President pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*                                                                          |
| 31.2          | Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*                                                            |
| 32.1          | Certification by President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*                                                   |

---

\* Filed herewith

- (1) Incorporated by reference to Exhibit 1 to the Company's Registration Statement under the Securities Act of 1933, as amended, on Form N-14 (File No. 333-163760), filed on December 16, 2009.
- (2) Incorporated by reference to Exhibit (d) to the Company's pre-effective Amendment No. 2 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-114656), filed on September 28, 2004.
- (3) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed April 7, 2010.
- (4) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed May 19, 2010.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ARES CAPITAL CORPORATION**

Dated: August 5, 2010

By

/s/ Michael J. Arougheti  
Michael J. Arougheti  
President

Dated: August 5, 2010

By

/s/ Richard S. Davis  
Richard S. Davis  
Chief Financial Officer