

ARES CAPITAL CORP
Form 10-Q
November 08, 2011
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period to

Commission File No. 000-50697

ARES CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

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Maryland
(State or other jurisdiction of
incorporation or organization)

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

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

(Address of principal executive office) (Zip Code)

(212) 750-7300

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

Class	Outstanding at November 8, 2011
Common stock, \$0.001 par value	205,129,966

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(in thousands, except per share data)

	September 30, 2011 (unaudited)	As of	December 31, 2010
ASSETS			
Investments at fair value			
Non-controlled/non-affiliate investments	\$ 2,876,091	\$	2,482,642
Non-controlled affiliate company investments	316,751		380,396
Controlled affiliate company investments	1,562,311		1,454,952
Total investments at fair value (amortized cost of \$4,803,420 and \$4,291,955, respectively)	4,755,153		4,317,990
Cash and cash equivalents	103,146		100,752
Receivable for open trades	22,560		8,876
Interest receivable	82,663		72,548
Other assets	81,984		62,380
Total assets	\$ 5,045,506	\$	4,562,546
LIABILITIES			
Debt	\$ 1,800,212	\$	1,378,509
Management and incentive fees payable	83,843		52,397
Accounts payable and other liabilities	37,201		34,742
Interest and facility fees payable	20,972		21,763
Payable for open trades			24,602
Total liabilities	1,942,228		1,512,013
Commitments and contingencies (Note 7)			
STOCKHOLDERS EQUITY			
Common stock, par value \$.001 per share, 400,000 and 300,000 common shares authorized, respectively, 205,130 and 204,419 common shares issued and outstanding, respectively	205		204
Capital in excess of par value	3,271,595		3,205,326
Accumulated overdistributed net investment income	(36,245)		(11,336)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets	(84,010)		(169,696)
Net unrealized gain (loss) on investments and foreign currency transactions	(48,267)		26,035
Total stockholders equity	3,103,278		3,050,533
Total liabilities and stockholders equity	\$ 5,045,506	\$	4,562,546
NET ASSETS PER SHARE	\$ 15.13	\$	14.92

See accompanying notes to consolidated financial statements.

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

	For the three months ended		For the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME:				
From non-controlled/non-affiliate company investments:				
Interest from investments	\$ 69,588	\$ 66,319	\$ 191,830	\$ 177,285
Capital structuring service fees	20,006	8,122	38,412	15,258
Dividend income	4,886	1,381	7,094	3,299
Management fees	427	1,711	1,055	4,261
Interest from cash & cash equivalents	16	47	110	75
Other income	1,611	1,094	3,727	3,648
Total investment income from non-controlled/non-affiliate company investments	96,534	78,674	242,228	203,826
From non-controlled affiliate company investments:				
Interest from investments	7,909	13,607	26,800	33,602
Capital structuring service fees	730		730	
Dividend income	549	127	4,008	318
Management fees	63	75	439	363
Other income	233	63	871	485
Total investment income from non-controlled affiliate company investments	9,484	13,872	32,848	34,768
From controlled affiliate company investments:				
Interest from investments	44,032	27,908	124,732	62,545
Capital structuring service fees	7,314	12,489	20,020	15,146
Dividend income	5,907	2,415	15,708	4,211
Management fees	3,677	2,652	10,723	5,430
Other income	417	116	1,104	300
Total investment income from controlled affiliate company investments	61,347	45,580	172,287	87,632
Total investment income	167,365	138,126	447,363	326,226
EXPENSES:				
Interest and credit facility fees	30,971	22,755	89,739	54,453
Incentive management fees	10,159	17,805	82,846	40,922
Base management fees	18,317	15,436	52,461	35,574
Professional fees	3,683	3,233	10,929	9,191
Administrative fees	2,017	2,642	6,901	6,251
	1,116	1,450	2,016	17,773

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Professional fees and other costs related to the acquisition of Allied Capital Corporation				
Other general and administrative	2,061	3,749	7,890	9,236
Total expenses	68,324	67,070	252,782	173,400
NET INVESTMENT INCOME BEFORE INCOME TAXES	99,041	71,056	194,581	152,826
Income tax expense (benefit), including excise tax	683	(164)	4,637	360
NET INVESTMENT INCOME	98,358	71,220	189,944	152,466
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCIES:				
Net realized gains (losses):				
Non-controlled/non-affiliate company investments	(28,731)	1,225	29,458	10,998
Non-controlled affiliate company investments	33,120	9	31,104	(3,725)
Controlled affiliate company investments	44,420	(6)	44,442	1,296
Foreign currency transactions				85
Net realized gains	48,809	1,228	105,004	8,654
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	(22,672)	17,509	(43,244)	113,590
Non-controlled affiliate company investments	(34,454)	16,064	(37,214)	35,152
Controlled affiliate company investments	(49,402)	23,934	6,156	31,321
Foreign currency transactions				(152)
Net unrealized gains (losses)	(106,528)	57,507	(74,302)	179,911
Net realized and unrealized gains (losses) from investments and foreign currencies	(57,719)	58,735	30,702	188,565
GAIN ON THE ACQUISITION OF ALLIED CAPITAL CORPORATION				195,876
REALIZED LOSS ON EXTINGUISHMENT OF DEBT		(1,578)	(19,318)	(1,961)
NET INCREASE IN STOCKHOLDERS' EQUITY RESULTING FROM OPERATIONS	\$ 40,639	\$ 128,377	\$ 201,328	\$ 534,946
BASIC AND DILUTED EARNINGS PER COMMON SHARE (Note 10)	\$ 0.20	\$ 0.67	\$ 0.98	\$ 3.16
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING - BASIC AND DILUTED (Note 10)	205,130	192,167	204,770	169,500

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See accompanying notes to consolidated financial statements.

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As of September 30, 2011

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC (7)(9)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 245	\$ 130	
CIC Flex, LP (9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,533	3,137	
Covestia Capital Partners, LP (9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	1,088	
Dynamic India Fund IV, LLC (9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	4,728	
Firstlight Financial Corporation (6)(9)	Investment company	Senior subordinated loan (\$71,363 par due 12/2016)	1.00% PIK	12/31/2006	71,089	55,918(4)	
		Class A common stock (10,000 shares)		12/31/2006	10,000		
		Class B common stock (30,000 shares)		12/31/2006	30,000		
					111,089	55,918	
HCI Equity, LLC (7)(8)(9)	Investment company	Member interest (100.00% interest)		4/1/2010	808	715	
Imperial Capital Private Opportunities, LP (9)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	6,643	5,120	
Ivy Hill Middle Market Credit Fund, Ltd. (7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.25% (Libor + 6.00%/Q)	11/20/2007	40,000	37,600	
		Subordinated notes (\$16 par due 11/2018)	15.00%	11/20/2007	15,515	16,000	
					55,515	53,600	
Knightsbridge CLO 2008-1 Ltd. (7)(8)(9)	Investment company	Class C notes (\$14,400 par due 6/2018)	7.75% (Libor + 7.50%/Q)	3/24/2010	14,400	14,400	
		Class D notes (\$9,000 par due 6/2018)	8.75% (Libor + 8.50%/Q)	3/24/2010	9,000	9,000	
		Class E notes (\$14,850 par due 6/2018)	5.25% (Libor + 5.00%/Q)	3/24/2010	13,596	13,749	
					36,996	37,149	
Kodiak Funding, LP (9)	Investment partnership	Limited partnership interest (1.52% interest)		4/1/2010	877	823	
Novak Biddle Venture Partners III, L.P. (9)	Investment partnership	Limited partnership interest (2.47% interest)		4/1/2010	221	196	

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Partnership Capital Growth Fund I, L.P. (9)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006	2,126	4,006	
Senior Secured Loan Fund LLC (7)(11)(17)	Co-investment vehicle	Subordinated certificates (\$788,128 par due 12/2020)	8.29% (Libor + 8.00%/Q)	10/30/2009	777,406	796,513	
VSC Investors LLC (9)	Investment company	Membership interest (1.95% interest)		1/24/2008	1,139	1,139	
					1,001,479	964,262	31.07%
Healthcare-Services							
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	936	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (6)	Healthcare analysis services	Senior secured loan (\$7,263 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,263	6,900(2)(16)	
		Senior secured loan (\$7,661 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,661	7,278(3)(16)	
		Class A common stock (9,679 shares)		6/15/2007	4,000	9,337	
		Class C common stock (1,546 shares)		6/15/2007		1,491	
					18,924	25,006	
HCP Acquisition Holdings, LLC (7)	Healthcare compliance advisory services	Class A units (10,720,874 units)		6/26/2008	10,721	4,437	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,101	

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As of September 30, 2011

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured loan (\$12,973 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	12,973	12,973(16)	
		Senior secured loan (\$45,570 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	45,570	45,570(2)(16)	
		Senior secured loan (\$8,476 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	8,476	8,476(3)(16)	
					67,019	67,019	
MW Dental Holding Corp.	Dental services	Senior secured revolving loan (\$1,700 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	1,700	1,649(16)	
		Senior secured loan (\$30,723 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	30,723	29,801(16)	
		Senior secured loan (\$49,875 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	49,875	48,379(2)(16)	
		Senior secured loan (\$2,693 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	2,693	2,612(3)(16)	
			84,991	82,441			
Napa Management Services Corporation	Anesthesia management services provider	Senior secured loan (\$10,961 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	10,605	10,961(16)	
		Senior secured loan (\$29,625 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	29,625	29,625(2)(16)	
		Senior secured loan (\$7,801 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	7,801	7,801(3)(16)	
		Common units (5,000 units)			5,000	5,000	
			53,031	53,387			
NS Merger Sub. Inc. and NS Holdings, Inc.	Healthcare technology provider	Senior subordinated loan (\$579 par due 6/2017)	13.50%	6/21/2010	579	579	
		Senior subordinated loan (\$50,000 par due 6/2017)	13.50%	6/21/2010	50,000	50,000(2)	
		Common stock (2,500,000 shares)		6/21/2010	2,500	2,388	
			53,079	52,967			
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	3,038	

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Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Senior secured loan (\$10,202 par due 5/2014)	8.25% (Libor + 7.00%/M)	5/9/2008	10,202	10,202(2)(16)
		Senior secured loan (\$9,417 par due 5/2014)	8.25% (Libor + 7.00%/M)	5/9/2008	9,417	9,417(3)(16)
		Series A preferred stock (1,594,457 shares)		7/30/2008	11,156	8,550
		Common stock (16,106 shares)		7/30/2008	100	
					30,875	28,169
PG Mergersub, Inc. and PGA Holdings, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Senior secured loan (\$9,131 par due 11/2015)	6.75% (Libor + 5.00%/Q)	11/3/2010	9,106	9,131(3)(16)
		Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,954	4,000
		Preferred stock (333 shares)		3/12/2008	125	14
		Common stock (16,667 shares)		3/12/2008	167	705
					13,352	13,850
PRA Holdings, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.35% (Libor + 4.00%/Q)	12/14/2007	11,011	11,103(2)
		Senior secured loan (\$12,000 par due 12/2014)	4.35% (Libor + 4.00%/Q)	12/14/2007	11,657	11,760(3)
					22,668	22,863

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As of September 30, 2011

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Reed Group, Ltd.	Medical disability management services provider	Senior secured revolving loan (\$1,250 par due 12/2013)		4/1/2010	1,097	1,062(15)	
		Senior secured loan (\$10,755 par due 12/2013)		4/1/2010	9,129	9,142(15)	
		Senior secured loan (\$20,576 par due 12/2013)		4/1/2010	15,918	4,242(15)	
		Equity interests		4/1/2010	203		
					26,347	14,446	
Soteria Imaging Services, LLC (6)	Outpatient medical imaging provider	Junior secured loan (\$1,275 par due 11/2010)	14.50%	4/1/2010	1,134	914	
		Junior secured loan (\$1,822 par due 11/2010)	12.50%	4/1/2010	1,640	1,305	
		Preferred member units (1,823,179 units)		4/1/2010			
					2,774	2,219	
Sunquest Information Systems, Inc.	Laboratory software solutions provider	Junior secured loan (\$75,000 par due 6/2017)	9.75% (Libor + 8.50%/Q)	12/16/2010	75,000	74,250(16)	
		Junior secured loan (\$50,000 par due 6/2017)	9.75% (Libor + 8.50%/Q)	12/16/2010	50,000	49,500(2)(16)	
					125,000	123,750	
U.S. Renal Care, Inc.	Dialysis provider	Senior secured loan (\$7,462 par due 12/2016)	5.50% (Libor + 4.00%/Q)	6/9/2011	7,425	7,164(16)	
		Senior subordinated loan (\$50,314 par due 6/2017)	11.25% Cash, 2.00% PIK	5/24/2010	50,314	50,314(2)(4)	
					57,739	57,478	
Vantage Oncology, Inc.	Radiation oncology care provider	Common stock (62,157 shares)		2/3/2011	4,670	6,005	
					576,304	559,112	18.02%
Business Services							
Aviation Properties Corporation (7)	Aviation services	Common stock (100 shares)		4/1/2010			
BenefitMall Holdings Inc. (7)	Employee benefits broker services company	Senior subordinated loan (\$40,326 par due 6/2014)	18.00%	4/1/2010	40,326	40,326	
		Common stock (39,274,290 shares)		4/1/2010	53,510	53,871	
		Warrants		4/1/2010			

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					93,836	94,197
CitiPostal Inc. (7)	Document storage and management services	Senior secured revolving loan (\$1,950 par due 12/2013)	6.50% (Libor + 4.50%/Q)	4/1/2010	1,950	1,950(16)
		Senior secured revolving loan (\$1,250 par due 12/2013)	6.75% (Base Rate + 3.25%/Q)	4/1/2010	1,250	1,250(16)
		Senior secured loan (\$492 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	492	492(4)
		Senior secured loan (\$50,437 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	50,437	50,437(2)(4)
		Senior subordinated loan (\$14,108 par due 12/2015)		4/1/2010	13,038	2,880(15)
		Common stock (37,024 shares)		4/1/2010		
					67,167	57,009
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated note (\$4,000 par due 9/2015)	9.00%	9/30/2011	4,000	4,000
		Member interest (3.17%)		4/1/2010		
					4,000	4,000
Cornerstone Records Management, LLC	Physical records storage and management service provider	Senior secured loan (\$16,277 par due 8/2016)	8.50% (Libor + 7.00%/M)	8/12/2011	16,277	15,951(16)
Coverall North America, Inc. (7)	Commercial janitorial service provider	Subordinated notes (\$9,386 par due 2/2016)	10.00% Cash, 2.00% PIK	2/22/2011	9,386	9,386(4)

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As of September 30, 2011

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Diversified Collections Services, Inc.	Collections services	Senior secured loan (\$34,000 par due 9/2012)	13.75% (Libor + 11.75%/M)	6/25/2010	34,000	34,000(2)(16)	
		Senior secured loan (\$5,719 par due 3/2012)	7.50% (Libor + 5.50%/M)	6/25/2010	5,719	5,719(3)(16)	
		Senior secured loan (\$2,000 par due 9/2012)	13.75% (Libor + 11.75%/M)	6/25/2010	2,000	2,000(3)(16)	
		Preferred stock (14,927 shares)		5/18/2006	169	304	
		Common stock (478,816 shares)		4/1/2010	1,478	3,091	
		Common stock (114,004 shares)		2/5/2005	295	1,171	
					43,661	46,285	
Impact Innovations Group, LLC	IT consulting and outsourcing services	Member interest (50.00% interest)		4/1/2010		200	
Interactive Technology Solutions, LLC	IT services provider	Senior secured loan (\$7,391 par due 6/2015)	8.75% (Base Rate + 5.50%/Q)	10/21/2010	7,391	7,391(16)	
		Senior secured loan (\$8,281 par due 6/2015)	8.75% (Base Rate + 5.50%/Q)	10/21/2010	8,281	8,281(3)(16)	
					15,672	15,672	
Investor Group Services, LLC (6)	Business consulting for private equity and corporate clients	Senior secured revolving loan (\$500 par due 6/2013)	5.75% (Libor + 5.50%/M)	6/22/2006	500	500	
		Limited liability company membership interest (10.00% interest)		6/22/2006		649	
					500	1,149	
Microstar Logistics LLC	Keg management solutions provider	Junior secured loan (\$85,000 par due 8/2016)	10.00% (Libor + 9.00%/Q)	8/5/2011	85,000	85,000(16)	
Multi-Ad Services, Inc. (6)	Marketing services and software provider	Preferred units (1,725,280 units)		4/1/2010	788	1,379	
		Common units (1,725,280 units)		4/1/2010			
					788	1,379	
MVL Group, Inc. (7)	Marketing research provider	Senior secured loan (\$22,772 par due 7/2012)	12.00%	4/1/2010	22,772	22,772	
		Senior subordinated loan (\$35,619 par due 7/2012)	12.00% Cash, 2.50% PIK	4/1/2010	35,050	35,619(4)	
			10.00%	4/1/2010		12	

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		Junior subordinated loan (\$144 par due 7/2012)				
		Common stock (560,716 shares)		4/1/2010		
					57,822	58,403
Pillar Processing 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
		Senior secured loan (\$5,500 par due 5/2014)	14.50%	7/31/2008	5,500	5,500(2)
		Senior secured loan (\$7,253 par due 11/2013)	5.73% (Libor + 5.50%/M)	11/20/2007	7,253	7,253(2)
		Senior secured loan (\$4,527 par due 11/2013)	5.73% (Libor + 5.50%/M)	11/20/2007	4,527	4,527(3)
		Common stock (85 shares)			3,768	2,729
					22,923	21,884
Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC	Bankruptcy and foreclosure processing services	Senior subordinated loan (\$17,126 par due 2/2014)		2/9/2007	16,788	5,819(15)
		Senior subordinated loan (\$27,576 par due 2/2014)		2/9/2007	27,032	9,371(2)(15)
		Preferred units (30,000 units)		4/11/2006	3,000	
					46,820	15,190

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Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)		4/1/2010	4,463	3,404(15)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	192	
Summit Business Media Parent Holding Company LLC	Business media consulting services	Limited liability company membership interest (45.98% interest)		5/20/2011		754	
Tradesmen International, Inc.	Construction labor support	Junior secured loan (\$14,014 par due 5/2014)	13.00% Cash, 1.00% PIK	4/1/2010	10,718	14,014(4)	
		Warrants to purchase up to 771,036 shares		4/1/2010		3,411	
					10,718	17,425	
Tripwire, Inc.	IT security software provider	Senior secured loan (\$30,000 par due 5/2018)	10.50% (Libor + 9.25%/Q)	5/23/2011	30,000	30,000(16)	
		Senior secured loan (\$50,000 par due 5/2018)	10.50% (Libor + 9.25%/Q)	5/23/2011	50,000	50,000(2)(16)	
		Class A common stock (2,970 shares)		5/23/2011	2,970	2,976	
		Class B common stock (2,655,638 shares)		5/23/2011	30	30	
					83,000	83,006	
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010			
VSS-Tranzact Holdings, LLC (6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,204	2,108	
					572,487	532,594	17.16%
Education							
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	Senior secured revolving loan (\$1,000 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	1,000	1,000(16)	
		Senior secured loan (\$31,466 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	31,466	31,466(16)	
		Senior secured loan (\$49,012 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	49,012	49,012(2)(16)	

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					81,478	81,478
Campus Management Corp. and Campus Management Acquisition Corp. (6)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	13,231
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior secured loan (\$18,571 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	18,571	18,571(16)
		Junior secured loan (\$31,506 par due 12/2015)	15.25% (Libor + 11.00% Cash, 4.00% PIK /Q)	12/10/2010	31,506	31,191(4)
		Junior secured loan (\$9,485 par due 12/2015)	15.29% (Libor + 11.00% Cash, 4.00% PIK /Q)	12/10/2010	9,485	9,391(4)
		Warrants to purchase up to 578,427 shares		12/10/2010		389
					59,562	59,542
eInstruction Corporation	Developer, manufacturer and retailer of educational products	Junior secured loan (\$17,000 par due 7/2014)	7.74% (Libor + 7.50%/M)	4/1/2010	15,002	12,580
		Senior subordinated loan (\$26,209 par due 1/2015)		4/1/2010	24,151	13,425(15)
		Common stock (2,406 shares)		4/1/2010	926	
					40,079	26,005
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation (6)	Developer, manufacturer and retailer of educational products	Preferred stock (99,492 shares)	12.00% PIK	8/1/2011	10,149	10,149(4)
		Common stock (50,800 shares)		8/1/2011	51	51

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					10,200	10,200	
Infilaw Holding, LLC	Law school operator	Senior secured loan (\$30,000 par due 8/2016)	10.75% (Base Rate + 7.50%/Q)	8/25/2011	30,000	30,000(16)	
		Series A preferred units (131,000 units)	10.75% (Base Rate + 7.50%/Q)	8/25/2011	131,000	128,380(16)	
					161,000	158,380	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Series B preferred stock (1,750,000 shares)		8/5/2010	5,000	5,926	
		Series C preferred stock (2,512,586 shares)		6/7/2010	689		
		Common stock (20 shares)		6/7/2010		5,689	5,926
JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured loan (\$20,302 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	20,302	20,302(16)	
		Senior secured loan (\$9,833 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	9,833	9,833(3)(16)	
					30,135	30,135	
R3 Education, Inc. and EIC Acquisitions Corp. (8)	Medical school operator	Senior secured loan (\$9,261 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	9,261	15,091(16)	
		Senior secured loan (\$3,663 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	3,663	5,969(3)(16)	
		Senior secured loan (\$4,331 par due 4/2013)	9.00% (Libor + 6.00%/Q)	5/24/2007	4,331	7,058(16)	
		Senior secured loan (\$6,304 par due 4/2013)	13.00% PIK	12/8/2009	3,542	10,273(4)	
		Preferred stock (8,800 shares)		7/30/2008	2,200	1,100	
		Common membership interest (26.27% interest)		9/21/2007	15,800	18,433	
		Warrants to purchase up to 27,890 shares		12/8/2009			
				38,797	57,924		
				437,460	442,821	14.27%	
Restaurants and Food Services							
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$2,010)	6.50% (Libor + 3.50%/Q)	11/27/2006	2,010	2,010(16)	

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		par due 11/2013)				
		Senior secured revolving loan (\$608 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	608	608(16)
		Senior secured loan (\$66 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	66	66(16)
		Senior secured loan (\$7,449 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	7,449	7,449(16)
		Senior secured loan (\$11,315 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	11,318	11,315(2)(16)
		Senior secured loan (\$9,434 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	9,434	9,434(3)(16)
		Promissory note (\$14,897 par due 11/2016)		6/1/2006	14,886	8,562
		Warrants to purchase up to 0.61 shares		6/1/2006		
					45,771	39,444
Fulton Holdings Corp.	Airport restaurant operator	Senior secured loan (\$40,000 par due 5/2016)	12.50%	5/28/2010	40,000	40,000(2)
		Common stock (19,672 shares)		5/28/2010	1,967	1,776
					41,967	41,776

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Huddle House, Inc. (7)	Restaurant owner and operator	Senior subordinated loan (\$20,765 par due 12/2015)	12.00% Cash, 3.00% PIK	4/1/2010	20,481	19,772(4)	
		Common stock (358,279 shares)		4/1/2010			
					20,481	19,772	
Orion Foods, LLC (fka Hot Stuff Foods, LLC) (7)	Convenience food service retailer	Senior secured revolving loan (\$3,300 par due 9/2014)	10.75% (Base Rate + 7.50%/M)	4/1/2010	3,300	3,300(16)	
		Senior secured loan (\$34,027 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	34,027	34,027(16)	
		Junior secured loan (\$37,552 par due 9/2014)	14.00%	4/1/2010	25,976	28,163	
		Preferred units (10,000 units)		10/28/2010			
		Class A common units (25,001 units)		4/1/2010			
		Class B common units (1,122,452 units)		4/1/2010			
					63,303	65,490	
OTG Management, Inc.	Airport restaurant operator	Senior secured revolving loan (\$937 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	937	937(16)	
		Senior secured loan (\$19,687 par due 8/2016)	8.50% (Libor + 7.00%/M)	8/9/2011	19,687	19,687(16)	
		Junior secured loan (\$34,285 par due 8/2016)	14.50% (Libor + 13.00%/Q)	8/9/2011	34,285	34,285(16)	
		Common units (3,000,000 units)		1/5/2011	3,000	3,175	
		Warrants to purchase up to 100,866 shares of common stock		6/19/2008	100	5,527	
					58,009	63,611	
PMI Holdings, Inc.	Restaurant owner and operator	Senior secured loan (\$9,022 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,022	9,022(2)(16)	
		Senior secured loan (\$36 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	36	36(2)(16)	
		Senior secured loan (\$9,022 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,022	9,022(3)(16)	
		Senior secured loan (\$36 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	36	36(3)(16)	

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					18,116	18,116	
S.B. Restaurant Company	Restaurant owner and operator	Senior secured loan (\$34,712 par due 7/2012)	13.00% (Libor + 9.00% Cash, 2.00% PIK /Q)	4/1/2010	29,970	34,712(4)(16)	
		Preferred stock (46,690 shares)		4/1/2010		117	
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010			
					29,970	34,829	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Junior secured loan (\$80,250 par due 5/2015)	11.00%	5/23/2008	78,800	80,250	
		Junior secured loan (\$30,000 par due 5/2015)	11.00%	5/23/2008	30,000	30,000(2)	
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	7,500	5,957	
					116,300	116,207	
					393,917	399,245	12.87%
Financial Services							
AllBridge Financial, LLC (7)	Asset management services	Equity interests		4/1/2010	11,395	12,607	
Callidus Capital Corporation (7)	Asset management services	Common stock (100 shares)		4/1/2010	6,000	2,798	

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Ciena Capital LLC (7)	Real estate and small business loan servicer	Senior secured revolving loan (\$14,000 par due 12/2013)	6.00%	11/29/2010	14,000	14,000	
		Senior secured loan (\$32,000 par due 12/2015)	12.00%	11/29/2010	32,000	32,000	
		Equity interests		11/29/2010	53,374	30,400	
					99,374	76,400	
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$19,500 par due 6/2015)	15.00%	4/1/2010	19,500	19,500	
Compass Group Diversified Holdings, LLC (10)	Middle market business manager	Senior secured revolving loan (\$16,176 par due 12/2012)	2.73% (Libor + 2.50%/M)	4/1/2010	16,176	16,176	
Financial Pacific Company	Commercial finance leasing	Preferred stock (6,500 shares)	8.00% PIK	10/13/2010	7,020	8,028(4)	
		Common stock (650,000 shares)		10/13/2010			
					7,020	8,028	
Imperial Capital Group, LLC	Investment services	Class A common units (15,420 units)		5/10/2007	14,997	19,944	
		2006 Class B common units (5,052 units)		5/10/2007	3	4	
		2007 Class B common units (630 units)		5/10/2007			
					15,000	19,948	
Ivy Hill Asset Management, L.P. (7)(9)	Asset management services	Member interest (100.00% interest)		6/15/2009	112,876	186,823	
					287,341	342,280	11.03%
Aerospace and Defense							
AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (\$209,475 par due 7/2017)	7.25% (Libor + 5.75%/M)	7/22/2011	209,475	202,667(16)	
		Senior secured loan (\$49,875 par due 7/2017)	7.25% (Libor + 5.75%/M)	7/22/2011	49,875	48,254(2)(16)	
					259,350	250,921	
Wyle Laboratories, Inc. and Wyle Holdings, Inc.	Provider of specialized engineering, scientific and technical services	Senior preferred stock (775 shares)	8.00% PIK	1/17/2008	93	93(4)	
		Common stock (1,885,195 shares)		1/17/2008	2,291	1,873	
					2,384	1,966	
					261,734	252,887	8.15%

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Consumer Products - Non-durable						
Augusta Sportswear, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$9,113 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	9,113	9,113(3)(16)
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior secured loan (\$21,941 par due 10/2013)	13.44%	4/1/2010	21,372	21,941
Insight Pharmaceuticals Corporation (6)	OTC drug products manufactuer	Junior secured loan (\$25,000 par due 8/2017)	13.25% (Libor + 11.75%/Q)	8/26/2011	24,733	24,000(16)
		Class A common stock (155,000 shares)		8/26/2011	6,035	9,302
		Class B common stock (155,000 shares)		8/26/2011	6,035	9,302
					36,803	42,604
Making Memories Wholesale, Inc. (7)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$2,250 par due 8/2014)		8/21/2009	2,229	2,052(15)
		Senior secured loan (\$9,625 par due 8/2014)		8/21/2009	7,193	(15)
		Senior secured loan (\$5,861 par due 8/2014)		8/21/2009	3,874	(15)
		Common stock (100 shares)		8/21/2009		
					13,296	2,052

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of OTC healthcare products	Senior secured revolving loan (\$13,300 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	13,300	12,901(16)	
		Senior secured loan (\$41,969 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	41,695	40,710(2)(16)	
		Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		238	
		Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		1,509	
					54,995	55,358	
The Step2 Company, LLC	Toy manufacturer	Junior secured loan (\$27,000 par due 4/2015)	10.00%	4/1/2010	25,696	27,000	
		Junior secured loan (\$30,776 par due 4/2015)	10.00% Cash, 5.00% PIK	4/1/2010	29,172	27,773(4)	
		Common units (1,116,879 units)		4/1/2010	24		
		Warrants to purchase up to 3,157,895 units		4/1/2010			
					54,892	54,773	
The Thymes, LLC (7)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	6,200	6,632(4)	
		Common units (5,400 units)		6/21/2007		195	
					6,200	6,827	
Woodstream Corporation	Pet products manufacturer	Senior subordinated loan (\$45,000 par due 2/2015)	12.00%	1/22/2010	40,175	43,200	
		Common stock (4,254 shares)		1/22/2010	1,222	2,090	
					41,397	45,290	
					238,068	237,958	7.67%
Containers and Packaging							
ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$153,500 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	153,500	149,662(16)	
		Senior secured loan (\$23,000 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	23,000	22,425(2)(16)	
					176,500	172,087	

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					176,500	172,087	5.55%
Services-Other							
Growing Family, Inc. and GFH Holdings, LLC (6)	Photography services	Senior secured loan (\$9,645 par due 12/2014)	6.50% (Libor + 6.00%/Q)	7/01/2011	9,424	8,719(16)	
		Series D preferred units (8,750 units)		7/01/2011			
		Common stock (552,430 shares)		3/16/2007	872		
		Warrants to purchase up to 11,313,678 shares		7/01/2011			
					10,296	8,719	
PODS Funding Corp.	Storage and warehousing	Senior subordinated loan (\$25,125 par due 6/2015)	15.00%	12/23/2009	25,125	25,125	
		Senior subordinated loan (\$7,582 par due 12/2015)	16.64% PIK	12/23/2009	6,405	7,582(4)	
					31,530	32,707	
The Dwyer Group (6)	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$17,100 par due 12/2016)	14.50%	12/22/2010	17,100	17,100	
		Series A preferred units (13,292,377 units)	8.00% PIK	12/22/2010	14,131	15,396(4)	
					31,231	32,496	

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United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
Wash Multifamily Laundry Systems, LLC (fka Web Services Company, LLC)	Laundry service and equipment provider	Senior secured loan (\$4,850 par due 8/2014)	7.00% (Base Rate + 3.75%/Q)	6/15/2009	4,712	4,850(3)	
		Junior secured loan (\$36,900 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	36,900	36,531(16)	
		Junior secured loan (\$50,000 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	50,000	49,500(2)(16)	
		Junior secured loan (\$3,100 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	3,100	3,069(3)(16)	
					94,712	93,950	
					167,769	167,872	5.41%
Telecommunications							
American Broadband Communications, LLC, American Broadband Holding Company and Cameron Holdings of NC, Inc.	Broadband communication services	Senior secured loan (\$12,675 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	12,183	12,548(2)(16)	
		Senior secured loan (\$8,930 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	8,930	8,841(3)(16)	
		Senior subordinated loan (\$10,476 par due 11/2014)	12.00% Cash, 2.00% PIK	11/7/2007	10,476	10,476(4)	
		Senior subordinated loan (\$26,799 par due 11/2014)	12.00% Cash, 4.00% PIK	9/1/2010	26,799	26,799(4)	
		Senior subordinated loan (\$33,263 par due 11/2014)	12.00% Cash, 2.00% PIK	2/8/2008	33,263	33,263(2)(4)	
		Warrants to purchase up to 378 shares		11/7/2007		6,165	
		Warrants to purchase up to 200 shares		9/1/2010		3,262	
					91,651	101,354	
Dialog Telecom LLC	Broadband communication services	Senior secured loan (\$16,259 par due 12/2012)	12.00% (Libor + 5.50% Cash, 6.00% PIK /Q)	6/20/2011	16,259	16,259(4)(16)	
Startec Equity, LLC (7)	Communication services	Member interest		4/1/2010			
					107,910	117,613	3.79%
Environmental Services							
AWTP, LLC (7)	Water treatment services	Junior secured loan (\$4,058 par due 6/2015)	5.00% Cash, 5.00% PIK	4/18/2011	4,058	4,058(4)	

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		Junior secured loan (\$863 par due 6/2015)	15.00% PIK	4/18/2011	863	661(4)	
		Junior secured loan (\$4,353 par due 6/2015)	15.00% PIK	4/18/2011	4,353	3,331(3)(4)	
		Membership interests (90% interest)		4/18/2011			
					9,274	8,050	
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC.	Operator of municipal recycling facilities	Senior secured loan (\$36,700 par due 3/2016)	11.50% (Libor + 9.75%/Q)	3/1/2011	36,700	36,700(2)(16)	
		Senior secured loan (\$8,300 par due 3/2016)	11.50% (Libor + 9.75%/Q)	3/1/2011	8,300	8,300(3)(16)	
		Preferred stock (1,000 shares)	12.50% PIK	3/1/2011	8,059	8,047(4)	
					53,059	53,047	
Sigma International Group, Inc. (8)	Water treatment parts manufacturer	Junior secured loan (\$4,000 par due 4/2014)	10.00% (Libor + 3.50% Cash, 5.00% PIK /A)	7/8/2011	4,000	3,000(4)(16)	
Waste Pro USA, Inc	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	19,621	
					78,596	83,718	2.70%
Manufacturing							
Component Hardware Group, Inc.	Commercial equipment manufacturer	Junior secured loan (\$3,083 par due 12/2014)	7.00% Cash, 3.00% PIK	8/4/2010	3,083	3,083(4)	

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(unaudited)

Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior subordinated loan (\$10,463 par due 12/2014)	7.50% Cash, 5.00% PIK	4/1/2010	6,618	10,463(4)	
		Warrants to purchase up to 1,462,500 shares of common stock		8/4/2010		2,942	
					9,701	16,488	
HOPPY Holdings Corp.	Manufacturer of automotive and recreational vehicle aftermarket products	Senior secured loan (\$14,550 par due 6/2016)	5.25% (Libor + 4.00%/Q)	6/3/2011	14,550	13,823(16)	
NetShape Technologies, Inc.	Metal precision engineered components manufacturer	Senior secured revolving loan (\$849 par due 2/2013)	4.08% (Libor + 3.75%/Q)	4/1/2010	398	527	
Saw Mill PCG Partners LLC	Metal precision engineered components manufacturer	Common units (1,000 units)		1/30/2007	1,000		
UL Holding Co., LLC	Petroleum product manufacturer	Junior secured loan (\$2,098 par due 12/2012)	9.14% (Libor + 8.88%/Q)	12/24/2007	2,098	2,098	
		Junior secured loan (\$4,091 par due 12/2012)	14.00%	12/24/2007	4,091	4,091	
		Junior secured loan (\$2,000 par due 12/2012)	9.24% (Libor + 8.88%/Q)	6/17/2011	2,000	2,000	
		Junior secured loan (\$5,000 par due 12/2012)	15.00%	8/13/2010	5,000	5,000	
		Junior secured loan (\$2,933 par due 12/2012)	14.00%	12/24/2007	2,933	2,933(2)	
		Junior secured loan (\$835 par due 12/2012)	9.14% (Libor + 8.88%/Q)	12/24/2007	835	835(3)	
		Junior secured loan (\$1,810 par due 12/2012)	14.00%	12/24/2007	1,810	1,810(3)	
		Junior secured loan (\$10,755 par due 12/2012)	9.15% (Libor + 8.88%/Q)	12/24/2007	10,755	10,755(3)	
		Class A common units (8,982 units)		6/17/2011	90	41	
		Class B-4 common units (50,000 units)		4/25/2008	500	229	
		Class B-5 common units (499,000 units)		6/17/2011	4,990	2,285	
				4/25/2008		2,517	

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		Class C common units (549,491 units)			35,102	34,594	
					60,751	65,432	2.11%
Energy							
La Paloma Generating Company, LLC	Natural gas fired, combined cycle plant operator	Junior secured loan (\$59,000 par due 8/2018)	10.25% (Libor + 8.75%/Q)	8/9/2011	57,744	57,525(16)	
					57,744	57,525	1.85%
Food and Beverage							
Apple & Eve, LLC and US Juice Partners, LLC (6)	Juice manufacturer	Senior secured revolving loan (\$3,000 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	3,000	3,000(16)	
		Senior secured loan (\$13,363 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	13,363	13,363(16)	
		Senior secured loan (\$14,060 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	14,060	14,060(3)(16)	
		Senior units (50,000 units)			5,000	3,921	
					35,423	34,344	
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated loan (\$7,615 par due 2/2013)	16.00% PIK	2/6/2008	7,615	7,615(4)	
		Preferred stock (6,258 shares)		9/1/2006	2,500	1,500	
					10,115	9,115	

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	728	
		Class A-1 common stock (2,157 shares)		4/1/2010			
					980	728	
Fleischmann's Vinegar Company, Inc.	Leading manufacturer, supplier, and distributor of industrial vinegar products	Senior secured loan (\$12,540 par due 5/2016)	8.75% (Libor + 7.25%/Q)	6/1/2011	12,540	12,540(16)	
					59,058	56,727	1.83%
Wholesale Distribution							
BECO Holding Company, Inc.	Wholesale distributor of first response fire protection equipment and related parts	Common stock (25,000 shares)		7/30/2010	2,500	2,589	
Stag-Parkway, Inc. (7)	Automotive aftermarket components supplier	Senior secured loan (\$34,500 par due 12/2014)	12.50% (Libor + 11.00%/Q)	9/30/2010	34,500	34,500(16)	
		Preferred stock (4,200 shares)	16.50% PIK	9/30/2010	3,013	4,200(4)	
		Common stock (10,200 shares)		9/30/2010		12,765	
					37,513	51,465	
					40,013	54,054	1.74%
Retail							
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Common stock (1,218,481 shares)		8/8/2006	4,909	11,633	
Things Remembered Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$26,433 par due 3/2014)	9.00% (Base Rate + 7.00%/M)	9/28/2006	26,409	26,433(16)	
		Senior secured loan (\$8,226 par due 3/2014)	9.00% (Base Rate + 7.00%/M)	9/28/2006	8,302	8,226(3)(16)	
		Class B preferred stock (73 shares)		3/19/2009		2,056	
		Preferred stock (80 shares)		9/28/2006	1,800	2,249	
		Common stock (800 shares)		9/28/2006	200	465	
		Warrants to purchase up to 859 shares of preferred stock		3/19/2009		497	
					36,711	39,926	
					41,620	51,559	1.66%
Commercial Real Estate Finance							

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10th Street, LLC (6)	Real estate holding company	Senior subordinated loan (\$23,964 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	23,964	23,964(4)
		Member interest (10.00% interest)		4/1/2010	594	
		Option (25,000 units)		4/1/2010	25	556
					24,583	24,520
Allied Capital REIT, Inc. (7)	Real estate investment trust	Real estate equity interests		4/1/2010		428
		Real estate equity interests		4/1/2010	50	
					50	428
American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$2,000 par due 12/2025)		4/1/2010	1,611	1,727(15)
Aquila Binks Forest Development, LLC	Real estate developer	Commercial mortgage loan (\$13,118 par due 12/2014)		4/1/2010	11,541	5,022(15)
		Real estate equity interests		4/1/2010		
					11,541	5,022
Cleveland East Equity, LLC	Hotel operator	Real estate equity interests		4/1/2010	1,026	2,508

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Commons R-3, LLC	Real estate developer	Real estate equity interests		4/1/2010			
Crescent Hotels & Resorts, LLC and affiliates (7)	Hotel operator	Senior secured loan (\$433 par due 6/2010)	10.00%	4/1/2010	433	444	
		Senior subordinated loan (\$8,891 par due 1/2012)		4/1/2010	1,475	372(15)	
		Senior subordinated loan (\$12,408 par due 6/2017)		4/1/2010	2,410	650(15)	
		Senior subordinated loan (\$10,967 par due 9/2012)		4/1/2010	2,051	546(15)	
		Senior subordinated loan (\$261 par due 3/2013)		4/1/2010	263	24(15)	
		Senior subordinated loan (\$2,236 par due 9/2011)		4/1/2010		(15)	
		Preferred equity interest		4/1/2010		39	
		Common equity interest		4/1/2010	35		
					6,667	2,075	
DI Safford, LLC	Hotel operator	Commercial mortgage loan (\$5,423 par due 5/2032)		4/1/2010	2,667	2,400(15)	
Hot Light Brands, Inc. (7)	Real estate holding company	Senior secured loan (\$35,239 par due 2/2011)		4/1/2010	3,945	3,770(15)	
		Common stock (93,500 shares)		4/1/2010			
					3,945	3,770	
MGP Park Place Equity, LLC	Office building operator	Commercial mortgage loan (\$6,500 par due 5/2011)		4/1/2010		(15)	
NPH, Inc.	Hotel property	Real estate equity interests		4/1/2010	5,291	7,970	
					57,381	50,420	1.62%
Consumer Products - Durable							
Bushnell Inc.	Sports optics manufacturer	Junior secured loan (\$41,325 par due 2/2014)	6.75% (Libor + 6.50%/Q)	4/1/2010	32,367	35,126	
Direct Buy Holdings, Inc. and Direct Buy Investors, LP (6)	Membership based buying club franchisor and operator	Junior secured note (\$32,000 par due 2/2017)		1/21/2011	30,761	10,082(15)	
		Limited partnership interest (66,667 shares)		4/1/2010	2,594		

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		Limited partnership interest (83,333 shares)		11/30/2007	8,333		
					41,688	10,082	
					74,055	45,208	1.46%
Chemicals, Plastics and Rubber							
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$3,576 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	3,576	3,576(4)	
		Senior secured loan (\$9,967 par due 11/2013)	10.25% (Base Rate + 3.50%/M)	6/29/2011	9,967	9,967(16)	
		Senior secured loan (\$6,639 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	6,639	6,639(16)	
		Senior secured loan (\$5,207 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	5,207	5,207(2)(4)	
		Senior secured loan (\$8,227 par due 11/2013)	8.25% (Libor + 4.25%/M)	5/22/2006	8,227	8,227(3)(16)	
		Senior secured loan (\$915 par due 11/2013)	10.25% (Base Rate + 3.50%/M)	6/29/2011	915	915(3)(16)	
		Senior secured loan (\$610 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	610	610(3)(16)	
					35,141	35,141	
Protective Industries, Inc.	Manufacturer of plastic protection products	Senior secured loan (\$5,603 par due 5/2017)	5.75% (Libor + 4.25%/M)	5/23/2011	5,603	5,435(16)	
		Senior subordinated loan (\$707 par due 5/2018)	8.00% Cash, 7.25% PIK	5/23/2011	707	707(4)	
		Preferred stock (2,379,361 shares)		5/23/2011	2,307	2,307	
					8,617	8,449	

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Company(1)	Business Description	Investment	Interest(5)(12)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
					43,758	43,590	1.40%
Automotive Services							
Driven Brands, Inc. (6)	Automotive aftermarket car care franchisor	Senior secured loan (\$3,200 par due 10/2014)	6.50% (Libor + 5.00%/M)	5/12/2010	3,131	3,200(3)(16)	
		Senior secured loan (\$201 par due 10/2014)	7.00% (Base Rate + 3.75%/M)	5/12/2010	197	201(3)(16)	
		Common stock (3,772,098 shares)		4/1/2010	4,939	7,543	
					8,267	10,944	
Penn Detroit Diesel Allison, LLC (7)	Diesel engine manufacturer	Member interest (70,249 shares)		4/1/2010	15,993	21,601	
					24,260	32,545	1.05%
Printing, Publishing and Media							
EarthColor, Inc. (7)	Printing management services	Common stock (89,435 shares)		4/1/2010			
LVCG Holdings LLC (7)	Commercial printer	Membership interests (56.53% interest)		10/12/2007	6,600		
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,141 par due 10/2012)	9.00% (Libor + 6.00%/Q)	3/2/2006	1,141	982(16)	
		Senior secured revolving loan (\$1,128 par due 10/2012)	9.00% (Base Rate + 5.00%/M)	3/2/2006	1,128	970(16)	
		Senior secured loan (\$7,629 par due 10/2012)	16.00% (Libor + 6.00% Cash, 5.00% PIK /Q)	3/2/2006	7,315	7,171(3)(4)(16)	
		Senior secured loan (\$70 par due 10/2012)	15.00% (Base Rate + 5.00% Cash, 5.00% PIK /M)	3/2/2006	67	66(3)(4)(16)	
		Preferred stock (9,344 shares)		3/2/2006	2,000		
					11,651	9,189	
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	Preferred stock (21,711 shares)		9/29/2006	2,171	4,172	
		Common stock (15,393 shares)		9/29/2006	3	10	
					2,174	4,182	

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					20,425	13,371	0.43%
Health Clubs							
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$11,500 par due 10/2013)	4.74% (Libor + 4.50%/M)	10/11/2007	11,500	11,270(3)	
					11,500	11,270	0.36%
Housing- Building Materials							
HB&G Building Products, Inc.	Synthetic and wood product manufacturer	Senior subordinated loan (\$9,627 par due 3/2013)		10/8/2004	8,991	1,003(15)	
					10/8/2004	753	
					10/8/2004	653	
					10,397	1,003	
					10,397	1,003	0.03%
Oil and Gas							
Geotrace Technologies, Inc.	Reservoir processing, development	Warrants to purchase up to 69,978 shares of common stock		4/1/2010	88		
					4/1/2010	2,805	
						2,893	
						2,893	0.00%
					\$ 4,803,420	\$ 4,755,153	153.23%

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- (1) Other than our investments listed in footnote 7 below, we do not Control any of our portfolio companies, as defined in the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, 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, which as of September 30, 2011 represented 153% of the Company s net assets or 94% of the Company s total assets, are subject to legal restrictions on sales.

The investments not otherwise pledged as collateral in respect of the Debt Securitization (as defined below) or the Revolving Funding Facility (as defined below) by the respective obligors thereunder are pledged as collateral by the Company and certain of its other subsidiaries for the Revolving Credit Facility (as defined below)(except for a limited number of exceptions as provided in the credit agreement governing the Revolving Credit Facility).

- (2) These assets are owned by the Company s wholly owned subsidiary Ares Capital CP Funding LLC (Ares Capital CP), are pledged as collateral for the Revolving 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 Revolving Funding Facility (see Note 5 to the consolidated financial statements).
- (3) Pledged as collateral for the Debt Securitization.
- (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.
- (6) As defined in the Investment Company Act, we are deemed to be 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 nine months ended September 30, 2011 in which the issuer was an Affiliated company (but not a portfolio company that we Control) are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
10th Street, LLC	\$	\$	\$	\$ 2,309	\$	\$	\$	\$	\$ (45)
Apple & Eve, LLC and US Juice Partners, LLC	\$ 3,000	\$ 2,839	\$	\$ 2,554	\$	\$	\$ 25	\$	\$ (1,114)
BB&T Capital Partners/Windsor Mezzanine Fund, LLC	\$	\$ 2,640	\$ 9,260	\$	\$	\$	\$	\$ 3,902	\$ (3,805)
Carador, PLC	\$	\$	\$ 9,033	\$	\$	\$ 160	\$	\$ (2,989)	\$ 3,699
Campus Management Corp. and Campus Management Acquisition Corp.	\$ 571	\$	\$	\$	\$	\$	\$	\$	\$ (1,174)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$ 75	\$ 8,763	\$ 648	\$	\$ 2,589	\$	\$ 1,561	\$ (679)
Direct Buy Holdings, Inc. and Direct Buy Investors, LP	\$ 38,800	\$ 80,315	\$ 9,946	\$ 2,637	\$	\$	\$	\$ 2,770	\$ (30,025)
Driven Brands, Inc.	\$	\$ 237	\$	\$ 202	\$	\$	\$	\$ 13	\$ 1,205
DSI Renal, Inc.	\$	\$ 77,774	\$ 19,684	\$ 7,919	\$	\$	\$ 33	\$ 27,522	\$ (21,565)
The Dwyer Group	\$	\$	\$ 11,708	\$ 2,854	\$	\$ 853	\$	\$	\$ 1,266
ELC Acquisition Corp. and ELC Holdings Corporation	137,200	135,661		1,056		200	19		
Firstflight Financial Corporation	\$	\$ 2,988	\$	\$ 501	\$	\$	\$ 188	\$ 12	\$ 4,348
Growing Family, Inc. and GFH Holdings, LLC	\$	\$ 34	\$	\$ 551	\$	\$	\$ 6	\$ 1	\$ 4,414
Industrial Container Services, LLC	\$ 3,304	\$ 8,491	\$ 1,800	\$ 69	\$	\$	\$ 121	\$ 19,880	\$ (13,403)
Insight Pharmaceuticals Corporation	\$ 24,730	\$ 56,080	\$	\$ 3,569	\$ 730	\$	\$ 765	\$	\$ 4,439

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Investor Group Services, LLC	\$	500	\$	\$	\$	1	\$	\$	206	\$	5	\$	\$	85	
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	13	
Pillar Processing LLC and PHL Holding Co.	\$	\$	12,144	\$	\$	1,606	\$	\$	\$	\$	148	\$	\$	(2,972)	
Primis Marketing Group, Inc. and Primis Holdings, LLC	\$	\$	154	\$	14,068	\$	\$	\$	\$	\$	\$	\$	(14,068)	\$	14,120
Regency Healthcare Group, LLC	\$	\$	\$	\$	2,007	\$	\$	\$	\$	\$	\$	\$	380	\$	335
Soteria Imaging Services, LLC	\$	\$	1,231	\$	\$	324	\$	\$	\$	\$	\$	\$	50	\$	81
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	(4,367)
Universal Environmental Services, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Universal Trailer Corporation	\$	\$	\$	\$	7,930	\$	\$	\$	\$	\$	\$	\$	(7,930)	\$	7,930

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- (7) As defined in the Investment Company Act, we are deemed to be 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 nine months ended September 30, 2011 in which the issuer was both an Affiliated company and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
AGILE Fund I, LLC	\$	\$ 7	\$	\$	\$	\$ 4	\$	\$	\$ (68)
Allied Capital REIT, Inc.	\$	\$ 115	\$	\$	\$	\$	\$	\$ 585	\$ (190)
AllBridge Financial, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (506)
Aviation Properties Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$
AWTP, LLC	\$ 2,926	\$	\$	\$ 445	\$	\$	\$	\$	\$ (1,225)
BenefitMall Holdings, Inc.	\$	\$	\$	\$ 5,505	\$	\$	\$ 375	\$	\$ 3,421
Border Foods, Inc.	\$	\$ 28,526	\$ 34,818	\$ 1,401	\$	\$	\$	\$ 5,174	\$ 3,601
Callidus Capital Corporation	\$ 6,000	\$	\$	\$	\$	\$	\$	\$	\$ (3,448)
Ciena Capital LLC	\$	\$	\$	\$ 2,353	\$	\$	\$	\$	\$ (16,663)
Citipostal, Inc.	\$ 2,850	\$ 2,802	\$	\$ 5,454	\$	\$	\$ 265	\$	\$ (9,654)
Coverall North America, Inc.	\$	\$ 30,907	\$	\$ 642	\$	\$	\$ 75	\$ (7,640)	\$ 7,624
Crescent Hotels & Resorts, LLC and affiliates	\$	\$	\$	\$ 202	\$	\$	\$	\$	\$ (1,664)
EarthColor, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$
HCI Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (278)
HCP Acquisition Holdings, LLC	\$ 677	\$	\$	\$	\$	\$	\$	\$	\$ (1,310)
Hot Light Brands, Inc.	\$	\$ 929	\$	\$	\$	\$	\$	\$	\$ 70
Huddle House Inc.	\$	\$	\$	\$ 2,323	\$	\$	\$ 563	\$	\$ 3,121
Industrial Air Tool, LP and affiliates	\$	\$	\$ 13,419	\$	\$	\$ 370	\$ 185	\$ 581	\$ (1,517)
Ivy Hill Asset Management, L.P.	\$ 9,419	\$	\$	\$	\$	\$ 14,286	\$	\$	\$ 41,169
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$	\$	\$ 3,589	\$	\$	\$	\$	\$ 1,499
Knightsbridge CLO 2007-1 Ltd.	\$	\$	\$ 14,852	\$ 1,019	\$	\$	\$	\$ 3,724	\$ 307
Knightsbridge CLO 2008-1 Ltd.	\$	\$	\$	\$ 2,045	\$	\$	\$	\$	\$ 3,262
LVCG Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
Making Memories Wholesale, Inc.	\$ 1,750	\$ 345	\$	\$ 23	\$	\$	\$ 2	\$	\$ (5,880)
MVL Group, Inc.	\$	\$	\$	\$ 6,431	\$	\$	\$	\$	\$ (505)
Orion Foods, LLC	\$ 3,300	\$ 220	\$	\$ 7,828	\$	\$	\$ 609	\$	\$ (9,017)
Penn Detroit Diesel Allison, LLC	\$	\$ 4,077	\$	\$	\$	\$	\$ 375	\$ 1,095	\$ 3,621
Reflexite Corporation	\$	\$ 9,281	\$ 27,435	\$ 1,129	\$	\$	\$ 39	\$ 40,923	\$ (3,088)
Senior Secured Loan Fund LLC*	\$ 239,967	\$	\$	\$ 81,073	\$ 20,020	\$	\$ 9,152	\$	\$ (5,128)
Stag-Parkway, Inc.	\$	\$	\$	\$ 3,270	\$	\$ 685	\$ 187	\$	\$ (1,907)
Startec Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
The Thymes, LLC	\$	\$ 947	\$	\$	\$	\$ 363	\$	\$	\$ 509

* Together with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE"), we co-invest through the Senior Secured Loan Fund LLC d/b/a the Senior Secured Loan Program (the "SSLP"). The SSLP is capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by GE and the Company; therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for

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purposes of the Investment Company Act or otherwise).

- (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) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act 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.
- (10) Public company with outstanding equity with a market value in excess of \$250 million 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.
- (11) In the first quarter of 2011, the staff of the Securities and Exchange Commission (the Staff) informally communicated to certain business development companies the Staff's belief that certain entities, which would be classified as an investment company under the Investment Company Act but for the exception from the definition of investment company set forth in

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Rule 3a-7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) of the Investment Company Act). Subsequently, in August 2011 the Securities and Exchange Commission issued a concept release (the Concept Release) which states that [a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which Congress intended BDCs primarily to invest and requested comment on whether or not a 3a-7 issuer should be considered an eligible portfolio company . Ares Capital continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a business development company to treat as eligible portfolio companies entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release), Ares Capital has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified these entities in our schedule of investments as non-qualifying assets should the Staff ultimately disagree with Ares Capital s position.

- (12) 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 on the date presented.
- (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 5.00% on \$40 million aggregate principal amount outstanding of the portfolio company s senior term debt previously syndicated by us.
- (14) 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 million aggregate principal amount outstanding of the portfolio company s senior term debt previously syndicated by us.
- (15) Loan was on non-accrual status as of September 30, 2011.
- (16) Loan includes interest rate floor feature.
- (17) In addition to the interest earned based on the contractual stated interest rate of this security, the notes entitle us to receive a portion of the excess cash flow from the SSLP s loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.

See accompanying notes to consolidated financial statements.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

As of December 31, 2010

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest(5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC(7)(9)	Investment partnership						