

ARES CAPITAL CORP
Form 10-Q
November 05, 2012
[Table of Contents](#)

**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, 2012

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

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)

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 ☒

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.

Class	Outstanding at November 5, 2012
Common stock, \$0.001 par value	248,314,628

Table of Contents

ARES CAPITAL CORPORATION

INDEX

Part I. Financial Information

Item 1. Financial Statements

Consolidated Balance Sheet as of September 30, 2012 (unaudited) and December 31, 2011 2

Consolidated Statement of Operations for the three and nine months ended September 30, 2012 (unaudited) and September 30, 2011 (unaudited) 3

Consolidated Schedule of Investments as of September 30, 2012 (unaudited) and December 31, 2011 4

Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2012 (unaudited) 39

Consolidated Statement of Cash Flows for the nine months ended September 30, 2012 (unaudited) and September 30, 2011 (unaudited) 40

Notes to Consolidated Financial Statements (unaudited) 41

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 66

Item 3. Quantitative and Qualitative Disclosures About Market Risk 90

Item 4. Controls and Procedures 91

Part II. Other Information

Item 1. Legal Proceedings 92

Item 1A. Risk Factors 92

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 92

Item 3. Defaults Upon Senior Securities 92

Item 4. Mine Safety Disclosures 92

Item 5. Other Information 92

Item 6. Exhibits 93

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

(in thousands, except per share data)

	September 30, 2012 (unaudited)	As of December 31, 2011
ASSETS		
Investments at fair value		
Non-controlled/non-affiliate investments	\$ 3,831,312	\$ 3,060,084
Non-controlled affiliate company investments	314,304	267,324
Controlled affiliate company investments	1,790,549	1,767,098
Total investments at fair value (amortized cost of \$5,850,108 and \$5,108,663, respectively)	5,936,165	5,094,506
Cash and cash equivalents	105,463	120,782
Interest receivable	114,861	99,078
Receivable for open trades	45,116	550
Other assets	99,582	72,521
Total assets	\$ 6,301,187	\$ 5,387,437
LIABILITIES		
Debt	\$ 2,212,650	\$ 2,073,602
Management and incentive fees payable	111,719	92,496
Accounts payable and other liabilities	46,271	47,691
Interest and facility fees payable	21,821	26,383
Total liabilities	2,392,461	2,240,172
Commitments and contingencies (Note 6)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.001 per share, 400,000 common shares authorized		
248,315 and 205,130 common shares issued and outstanding, respectively	248	205
Capital in excess of par value	4,089,457	3,390,354
Accumulated overdistributed net investment income	(26,769)	(10,449)
Accumulated net realized loss on investments, foreign currency transactions, extinguishment of debt and other assets	(240,267)	(218,688)
Net unrealized gain (loss) on investments	86,057	(14,157)
Total stockholders' equity	3,908,726	3,147,265
Total liabilities and stockholders' equity	\$ 6,301,187	\$ 5,387,437
NET ASSETS PER SHARE	\$ 15.74	\$ 15.34

See accompanying notes to consolidated financial statements.

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

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME:				
From non-controlled/non-affiliate company investments:				
Interest	\$ 84,767	\$ 69,604	\$ 234,127	\$ 191,940
Capital structuring service fees	20,324	20,006	40,769	38,412
Dividend income	3,821	4,886	11,144	7,094
Management and other fees	334	427	994	1,055
Other income	2,156	1,611	9,371	3,727
Total investment income from non-controlled/non-affiliate company investments	111,402	96,534	296,405	242,228
From non-controlled affiliate company investments:				
Interest	6,185	7,909	16,444	26,800
Capital structuring service fees		730	895	730
Dividend income	147	549	786	4,008
Management and other fees	63	63	189	439
Other income	38	233	332	871
Total investment income from non-controlled affiliate company investments	6,433	9,484	18,646	32,848
From controlled affiliate company investments:				
Interest	53,686	44,032	164,994	124,732
Capital structuring service fees	9,251	7,314	26,838	20,020
Dividend income	5,432	5,907	15,627	15,708
Management and other fees	4,310	3,677	12,968	10,723
Other income	58	417	387	1,104
Total investment income from controlled affiliate company investments	72,737	61,347	220,814	172,287
Total investment income	190,572	167,365	535,865	447,363
EXPENSES:				
Interest and credit facility fees	35,702	30,971	103,496	89,739
Incentive fees	34,139	10,159	83,258	82,846
Base management fees	22,316	18,317	63,113	52,461
Professional fees	1,923	4,799	9,157	12,945
Administrative fees	2,269	2,017	6,806	6,901
Other general and administrative	2,726	2,061	8,001	7,890
Total expenses	99,075	68,324	273,831	252,782
NET INVESTMENT INCOME BEFORE INCOME TAXES	91,497	99,041	262,034	194,581

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Income tax expense, including excise tax	2,037	683	7,635	4,637
NET INVESTMENT INCOME	89,460	98,358	254,399	189,944
REALIZED AND UNREALIZED GAINS (LOSSES) FROM INVESTMENTS:				
Net realized gains (losses):				
Non-controlled/non-affiliate company investments	26,134	(28,731)	(8,444)	29,458
Non-controlled affiliate company investments	51	33,120	122	31,104
Controlled affiliate company investments	1,482	44,420	(10,579)	44,442
Net realized gains (losses)	27,667	48,809	(18,901)	105,004
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	14,293	(22,672)	53,515	(43,244)
Non-controlled affiliate company investments	2,425	(34,454)	16,556	(37,214)
Controlled affiliate company investments	2,710	(49,402)	30,143	6,156
Net unrealized gains (losses)	19,428	(106,528)	100,214	(74,302)
Net realized and unrealized gains (losses) from investments	47,095	(57,719)	81,313	30,702
REALIZED LOSSES ON EXTINGUISHMENT OF DEBT			(2,678)	(19,318)
NET INCREASE IN STOCKHOLDERS EQUITY RESULTING FROM OPERATIONS				
	\$ 136,555	\$ 40,639	\$ 333,034	\$ 201,328
BASIC AND DILUTED EARNINGS PER COMMON SHARE (Note 9)				
	\$ 0.59	\$ 0.20	\$ 1.49	\$ 0.98
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (Note 9)				
	233,126	205,130	224,049	204,770

See accompanying notes to consolidated financial statements.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of September 30, 2012****(dollar amounts in thousands)****(unaudited)**

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC (9)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 133	\$ 30(2)	
CIC Flex, LP (9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,362	3,593(2)	
Covestia Capital Partners, LP (9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	1,135(2)	
Dynamic India Fund IV, LLC (9)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	3,509(2)	
Firstlight Financial Corporation (6)(9)	Investment company	Senior subordinated loan (\$51,760 par due 12/2016)	5.00% PIK	12/31/2006	44,153	51,760(2)	
		Class A common stock (10,000 shares)		12/31/2006	10,000	6,325(2)	
		Class B common stock (30,000 shares)		12/31/2006	30,000	(2)	
					84,153	58,085	
HCI Equity, LLC (7)(8)(9)	Investment company	Member interest (100.00% interest)		4/1/2010	452	363(2)	
Imperial Capital Private Opportunities, LP (9)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	6,131	6,286(2)	
Ivy Hill Middle Market Credit Fund, Ltd. (7)(8)(9)	Investment company	Class B deferrable interest notes (\$25,000 par due 11/2018)	6.44% (Libor + 6.00%/Q)	11/20/2007	25,000	24,750	
Kodiak Funding, LP (9)	Investment partnership	Limited partnership interest (1.52% interest)		4/1/2010	841	566	
Partnership Capital Growth Fund I, L.P. (9)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006	1,656	4,228(2)	
Partnership Capital Growth Fund III, L.P. (9)	Investment partnership	Limited partnership interest (2.50% interest)		10/5/2011	1,930	1,774(2)	
Piper Jaffray Merchant Banking Fund I, L.P. (9)	Investment partnership	Limited partnership interest (2.00% interest)		8/16/2012	195	185(2)	
Senior Secured Loan Fund LLC (7)(10)(20)	Co-investment vehicle	Subordinated certificates (\$1,205,499 par due 12/2020)	8.42% (Libor + 8.00%/Q)	10/30/2009	1,194,949	1,229,950	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

VSC Investors LLC (9)	Investment company	Membership interest (1.95% interest)		1/24/2008	682	1,121(2)	
					1,324,365	1,335,575	34.17%
Healthcare-Services							
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	1,205(2)	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (6)	Healthcare analysis services	Senior secured loan (\$7,584 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,584	7,129(2)(19)	
		Senior secured loan (\$7,190 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,190	6,759(3)(19)	
		Class A common stock (9,679 shares)		6/15/2007	4,000	3,864(2)	
		Class C common stock (1,546 shares)		6/15/2007		617(2)	
					18,774	18,369	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,015(2)	
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured loan (\$15,436 par due 3/2018)	9.75% (Libor + 8.75%/Q)	9/15/2010	15,436	15,436(2)(19)	
		Senior secured loan (\$43,231 par due 3/2018)	9.75% (Libor + 8.75%/Q)	9/15/2010	43,231	43,231(3)(19)	
		Senior secured loan (\$4,912 par due 3/2018)	9.75% (Libor + 8.75%/Q)	9/15/2010	4,912	4,912(4)(19)	
		Senior secured loan (\$55,804 par due 3/2018)	9.75% (Libor + 8.75%/Q)	3/16/2012	55,804	55,804(2)(19)	
		Senior secured loan (\$15,719 par due 3/2018)	9.75% (Libor + 8.75%/Q)	3/16/2012	15,719	15,719(3)(19)	
					135,102	135,102	
MW Dental Holding Corp.	Dental services	Senior secured revolving loan (\$2,000 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	2,000	2,000(2)(19)	
		Senior secured loan (\$49,948 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	49,948	49,948(2)(19)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured loan (\$49,377 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	49,377	49,377(3)(19)	
		Senior secured loan (\$9,925 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	9,925	9,925(4)(19)	
					111,250	111,250(2)	
Napa Management Services Corporation	Anesthesia management services provider	Secured secured revolving loan (\$2,400 par due 4/2016)	7.50% (Libor + 6.00%/M)	4/15/2011	2,400	2,400(2)(19)	
		Senior secured loan (\$21,682 par due 4/2016)	7.50% (Libor + 6.00%/Q)	4/15/2011	21,404	21,682(2)(19)	
		Senior secured loan (\$28,500 par due 4/2016)	7.50% (Libor + 6.00%/Q)	4/15/2011	28,500	28,500(3)(19)	
		Common units (5,000 units)		4/15/2011	5,000	6,264(2)	
					57,304	58,846	
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(2)	
		Senior subordinated loan (\$50,000 par due 6/2017)	13.50%	6/21/2010	50,000	50,000(3)	
		Common stock (2,500,000 shares)		6/21/2010	2,500	3,237(2)	
					53,079	53,816	
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	(2)	
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Series A preferred stock (1,594,457 shares)		7/30/2008	11,156	10,875(2)	
		Common stock (16,106 shares)		7/30/2008	100	(2)	
					11,256	10,875	
PG Mergersub, Inc. and PGA Holdings, Inc.	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	Junior secured loan (\$45,000 par due 10/2018)	8.25% (Libor + 7.00%/Q)	4/19/2012	45,000	45,000(2)(19)	
		Preferred stock (333 shares)		3/12/2008	125	15(2)	
		Common stock (16,667 shares)		3/12/2008	167	767(2)	
					45,292	45,782	
PRA Holdings, Inc.	Drug testing services			12/14/2007	11,759	11,761(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior secured loan (\$12,000 par due 12/2014)	4.39% (Libor + 4.00%/Q)			
		Senior secured loan (\$11,330 par due 12/2014)	4.39% (Libor + 4.00%/Q)	12/14/2007	11,106	11,104(4)
					22,865	22,865
RCHP, Inc.	Operator of general acute care hospitals	Junior secured loan (\$15,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	15,000	15,000(2)(19)
		Junior secured loan (\$50,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	50,000	50,000(3)(19)
					65,000	65,000
Reed Group, Ltd.	Medical disability management services provider	Senior secured revolving loan (\$155 par due 12/2013)	11.50% (Libor + 9.00% Cash/Q)	4/1/2010	116	147(2)(19)
		Senior secured revolving loan (\$1,327 par due 12/2013)	9.50% (Libor + 7.00% Cash/Q)	4/1/2010	990	1,261(2)(19)
		Senior secured loan (\$12,753 par due 12/2013)	9.50% (Libor + 7.00% Cash/Q)	4/1/2010	9,503	12,115(2)(19)
		Senior secured loan (\$28,641 par due 12/2013)		4/1/2010	16,658	10,108(2)(18)
		Equity interests		4/1/2010	203	37(2)
					27,470	23,668
Respicardia, Inc.	Developer of implantable therapies to improve cardiovascular health	Senior secured loan (\$6,000 par due 7/2015)	11.00%	6/28/2012	5,965	6,000(2)
		Warrants to purchase up to 99,094 shares of Series C Preferred Stock		6/28/2012	38	38(2)
					6,003	6,038
Soteria Imaging Services, LLC (6)	Outpatient medical imaging provider	Junior secured loan (\$2,794 par due 11/2010)		4/1/2010	2,272	1,350(2)(18)

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Preferred member units (1,823,179 units)		4/1/2010		(2)	
SurgiQuest, Inc.	Medical device company	Senior secured loan (\$7,000 par due 10/2016)	10.00%	9/28/2012	2,272 7,000	1,350 7,000(2)	
		Warrants to purchase up to 54,672 shares of Series D-4 convertible preferred stock		9/28/2012		(2)	
					7,000	7,000	
Vantage Oncology, Inc.	Radiation oncology care provider	Common stock (62,157 shares)		2/3/2011	4,670	3,256(2)	
					572,451	565,437	14.47%
Education							
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	Senior secured loan (\$8,549 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	8,549	8,549(2)(19)	
		Senior secured loan (\$53,828 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	53,828	53,828(3)(19)	
		Senior secured loan (\$4,855 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	4,855	4,855(4)(19)	
					67,232	67,232	
Campus Management Corp. and Campus Management Acquisition Corp. (6)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	12,945(2)	
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior secured loan (\$15,714 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	15,714	15,714(2)(15)(19)	
		Junior secured loan (\$32,814 par due 12/2015)	15.46% (Libor + 11.46% Cash, 4.00% PIK /Q)	12/10/2010	32,814	29,534(2)	
		Junior secured loan (\$9,877 par due 12/2015)	15.44% (Libor + 11.44% Cash, 4.00% PIK /Q)	12/10/2010	9,877	8,889(2)	
		Warrants to purchase up to 578,427 shares		12/10/2010		(2)	
					58,405	54,137	
eInstruction Corporation	Developer, manufacturer and retailer of educational products	Junior secured loan (\$17,000 par due 7/2014)		4/1/2010	15,257	(2)(18)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior subordinated loan (\$30,740 par due 1/2015)		4/1/2010	24,151	(2)(18)
		Common stock (2,406 shares)		4/1/2010	926	(2)
					40,334	
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation (6)	Developer, manufacturer and retailer of educational products	Preferred stock (99,492 shares)		8/1/2011	10,149	11,090(2)
		Common stock (50,800 shares)		8/1/2011	51	1,372(2)
					10,200	12,462
Infilaw Holding, LLC	Operator of three for-profit law schools	Senior secured loan (\$2 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	2	2(2)(19)
		Senior secured loan (\$28,311 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	28,311	28,311(3)(19)
		Series A preferred units (124,890 units)	9.50% (Libor + 8.50%/Q)	8/25/2011	124,890	124,890(2)(19)
					153,203	153,203
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Series B preferred stock (1,750,000 shares)		8/5/2010	5,000	6,883(2)
		Series C preferred stock (2,512,586 shares)		6/7/2010	689	1,146(2)
		Common stock (20 shares)		6/7/2010		(2)
					5,689	8,029
Lakeland Tours, LLC	Educational travel provider	Senior secured revolving loan (\$12,375 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	12,375	12,375(2)(19)

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured revolving loan (\$6,722 par due 12/2016)	6.75% (Base Rate + 3.50%/Q)	10/4/2011	6,722	6,722(2)(19)	
		Senior secured loan (\$50,753 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	50,612	50,753(2)(14)(19)	
		Senior secured loan (\$9,135 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	9,109	9,135(3)(19)	
		Senior secured loan (\$40,362 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	40,249	40,362(3)(14)(19)	
		Senior secured loan (\$1,827 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	1,822	1,827(4)(19)	
		Senior secured loan (\$8,072 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	8,049	8,072(4)(14)(19)	
		Common stock (5,000 shares)		10/4/2011	5,000	4,670(2)	
					133,938	133,916	
R3 Education, Inc. and EIC Acquisitions Corp.	Medical school operator	Senior secured loan (\$2,468 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	2,468	6,825(2)(19)	
		Senior secured loan (\$7,162 par due 4/2013)	13.00% PIK	12/8/2009	5,837	19,806(2)	
		Preferred stock (8,800 shares)		7/30/2008	2,200	1,760(2)	
		Common membership interest (26.27% interest)		9/21/2007	15,800	27,284(2)	
		Warrants to purchase up to 27,890 shares		12/8/2009		(2)	
					26,305	55,675	
					505,826	497,599	12.70%
Services-Other							
Capital Investments and Ventures Corp.	SCUBA diver training and certification provider	Senior secured loan (\$85,000 par due 8/2018)	8.50% (Libor + 7.25%/Q)	8/9/2012	85,000	85,000(2)(19)	
CCC Information Services Inc.	Developer and marketer of information and software solutions to the automobile claims industry	Senior secured loan (\$40,000 par due 11/2015)	5.75% (Libor + 4.25%/Q)	8/20/2012	39,710	40,000(2)(19)	
		Senior subordinated loan (\$65,000 par due 2/2016)	10.50%	8/20/2012	65,158	65,000(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Competitor Group, Inc.	Endurance sports media and event operator	Senior secured loan (\$29,304 par due 1/2017)	9.50% (Libor + 8.00%/M)	1/30/2012	104,868 29,304	105,000 29,304(2)(19)
		Senior secured loan (\$4,937 par due 1/2017)	9.50% (Libor + 8.00%/M)	1/30/2012	4,937	4,937(4)(19)
Massage Envy, LLC	Massage and spa services franchisor				34,241	34,241
		Senior secured revolving loan (\$300 par due 9/2018)	8.50% (Libor + 7.25%/Q)	9/27/2012	300	300(2)(19)
		Senior secured loan (\$81,000 par due 9/2018)	8.50% (Libor + 7.25%/Q)	9/27/2012	81,000	81,000(2)(19)
McKenzie Sports Products, LLC	Designer, manufacturer and distributor of taxidermy forms and supplies	Common stock (3,000,000 shares)		9/27/2012	3,000	3,000(2)
					84,300	84,300
		Senior secured revolving loan (\$389 par due 3/2017)	7.00% (Libor + 5.50%/Q)	3/30/2012	389	389(2)(19)
		Senior secured revolving loan (\$61 par due 3/2017)	7.75% (Base Rate + 4.50%/M)	3/30/2012	61	61(2)(19)
		Senior secured loan (\$21,784 par due 3/2017)	7.00% (Libor + 5.50%/S)	3/30/2012	21,784	21,784(2)(19)
		Senior secured loan (\$161 par due 3/2017)	7.75% (Base Rate + 4.50%/M)	3/30/2012	161	161(2)(19)
		Senior secured loan (\$9,902 par due 3/2017)	7.00% (Libor + 5.50%/S)	3/30/2012	9,902	9,902(4)(19)
		Senior secured loan (\$73 par due 3/2017)	7.75% (Base Rate + 4.50%/M)	3/30/2012	73	73(4)(19)
The Dwyer Group (6)	Operator of multiple franchise concepts primarily related to home maintenance or repairs				32,370	32,370
		Senior subordinated loan (\$25,303 par due 6/2018)	12.00% Cash, 1.50% PIK	12/22/2010	25,303	25,303(2)
		Series A preferred units (13,292,377 units)	8.00% PIK	12/22/2010	6,212	13,027(2)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
					31,515	38,330	
Wash Multifamily Laundry Systems, LLC (fka Web Services Company, LLC)	Laundry service and equipment provider	Senior secured loan (\$27,312 par due 8/2014)	7.00% (Base Rate + 3.75%/Q)	6/26/2012	27,219	27,312(2)(19)	
		Junior secured loan (\$40,000 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	40,000	40,000(2)(19)	
		Junior secured loan (\$50,000 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	50,000	50,000(3)(19)	
					117,219	117,312	
					489,513	496,553	12.7%
Restaurants and Food Services							
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$1,468 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	1,468	1,468(2)(19)	
		Senior secured revolving loan (\$260 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	260	260(2)(19)	
		Senior secured loan (\$9,232 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	9,232	9,232(2)(19)	
		Senior secured loan (\$11,072 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	11,075	11,072(3)(19)	
		Promissory note (\$14,897,360 par due 11/2016)	12.00% PIK	11/27/2006	15,435	18,216(2)	
		Warrants to purchase up to 0.61 shares		6/1/2006		4,994(2)	
					37,470	45,242	
Benihana, Inc.	Restaurant owner and operator	Senior secured revolving loan (\$862 par due 2/2018)	9.25% (Libor + 8.00%/Q)	8/21/2012	862	862(2)(19)	
		Senior secured loan (\$31,769 par due 2/2018)	9.25% (Libor + 8.00%/Q)	8/21/2012	31,769	31,769(2)(19)	
					32,631	32,631	
Hojeij Branded Foods, Inc.	Airport restaurant operator	Senior secured revolving loan (\$900 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	900	900(2)(19)	
		Senior secured loan (\$19,000 par due 2/2017)	9.00% (Libor + 8.00%/Q)	2/15/2012	18,397	19,000(2)(19)	
		Warrants to purchase up to 7.5% of membership interest		2/15/2012		89(2)	
				2/15/2012	669	1,287(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Warrants to purchase up to 324 shares of Class A common stock			19,966	21,276
Orion Foods, LLC (fka Hot Stuff Foods, LLC) (7)	Convenience food service retailer	Senior secured revolving loan (\$9,800 par due 9/2014)	10.75% (Base Rate + 7.50%/M)	4/1/2010	9,800	9,800(2)(19)
		Senior secured loan (\$33,587 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	33,587	33,587(3)(19)
		Junior secured loan (\$37,552 par due 9/2014)		4/1/2010	25,068	16,672(2)(18)
		Preferred units (10,000 units)		10/28/2010		(2)
		Class A common units (25,001 units)		4/1/2010		(2)
		Class B common units (1,122,452 units)		4/1/2010		(2)
					68,455	60,059
OTG Management, Inc.	Airport restaurant operator	Senior secured revolving loan (\$2,437 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	2,437	2,437(2)(19)
		Senior secured loan (\$24,687 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	24,687	24,687(2)(19)
		Junior secured loan (\$36,142 par due 8/2016)	14.50% (Libor + 13.00%/Q)	8/9/2011	36,142	36,142(2)(19)
		Junior secured loan (\$6,000 par due 8/2016)	15.25% (Base Rate + 12.00%/Q)	8/9/2011	6,000	6,000(2)(19)
		Common units (3,000,000 units)		1/5/2011	3,000	3,079(2)
		Warrants to purchase up to 189,857 shares of common stock		6/19/2008	100	5,360(2)
					72,366	77,705
Restaurant Holding Company, LLC	Fast food restaurant operator	Senior secured loan (\$20,554 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/15/2012	20,197	20,554(2)(19)
		Senior secured loan (\$41,446 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/15/2012	40,694	41,446(3)(19)

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured loan (\$9,538 par due 2/2017)	9.00% (Libor + 7.50%/M)	2/15/2012	9,365	9,538(4)(19)	
					70,256	71,538	
S.B. Restaurant Company	Restaurant owner and operator	Preferred stock (46,690 shares)		4/1/2010		(2)	
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010		(2)	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Junior secured loan (\$50,250 par due 5/2015)	11.00%	5/23/2008	49,464	50,250(2)	
		Junior secured loan (\$50,000 par due 5/2015)	11.00%	5/23/2008	49,678	50,000(3)	
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	7,500	7,579(2)	
					106,642	107,829	
					407,786	416,280	10.65%
Business Services							
Cast & Crew Payroll, LLC	Payroll and accounting services provider to the entertainment industry	Senior secured loan (\$54,312 par due 6/2017)	8.50% (Libor + 7.00%/Q)	6/13/2012	54,312	54,312(2)(16)(19)	
		Senior secured loan (\$9,875 par due 6/2017)	8.50% (Libor + 7.00%/Q)	6/13/2012	9,875	9,875(4)(16)(19)	
					64,187	64,187	
CIBT Investment Holdings, LLC	Expedited travel document processing services	Class A shares (2,500 shares)		12/15/2011	2,500	3,314(2)	
CitiPostal Inc. (7)	Document storage and management services	Senior secured revolving loan (\$1,000 par due 12/2013)	6.75% (Base Rate + 3.25%/Q)	4/1/2010	1,000	1,000(2)(19)	
		Senior secured loan (\$521 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	521	521(2)	
		Senior secured loan (\$53,325 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	53,325	53,325(3)	
		Senior subordinated loan (\$16,554 par due 12/2015)		4/1/2010	13,038	2,392(2)(18)	
		Common stock (37,024 shares)		4/1/2010			
					67,884	57,238	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Command Alkon, Inc.	Software solutions provider to the ready-mix concrete industry	Junior secured loan (\$29,130 par due 3/2018)	9.75% (Libor + 8.50%/Q)	9/28/2012	29,130	29,130(2)(19)
Cornerstone Records Management, LLC	Physical records storage and management service provider	Senior secured loan (\$18,573 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/12/2011	18,573	17,828(2)(19)
Coverall North America, Inc.	Commercial janitorial service provider	Subordinated notes (\$9,577 par due 2/2016)	10.00% Cash, 2.00% PIK	2/22/2011	9,577	9,577(2)
Diversified Collections Services, Inc.	Collections services	Common stock (478,816 shares)		4/1/2010	1,191	8,285(2)
		Common stock (128,931 shares)		2/5/2005	241	2,231(2)
					1,432	10,516
HCP Acquisition Holdings, LLC (7)	Healthcare compliance advisory services	Class A units (12,287,082 units)		6/26/2008	12,347	3,014(2)
Impact Innovations Group, LLC	IT consulting and outsourcing services	Member interest (50.00% interest)		4/1/2010		200
Investor Group Services, LLC (6)	Business consulting for private equity and corporate clients	Limited liability company membership interest (10.00% interest)		6/22/2006		1,032
Itel Laboratories, Inc.	Data services provider for building materials to property insurance industry	Senior secured loan (\$22,294 par due 6/2018)	6.25% (Libor + 5.00%/Q)	6/29/2012	22,294	22,294(2)(19)
		Preferred units (1,798,391 units)		6/29/2012	1,000	1,030(2)
Multi-Ad Services, Inc. (6)	Marketing services and software provider				23,294	23,324
		Preferred units (1,725,280 units)		4/1/2010	788	2,334(2)
		Common units (1,725,280 units)		4/1/2010		(2)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
					788	2,334	
MVL Group, Inc. (7)	Marketing research provider	Senior secured revolving loan (\$940 par due 6/2012)	6.75% (Base Rate + 3.50%/M)	6/28/2012	940	940(2)	
		Senior secured revolving loan (\$1,600 par due 6/2012)	4.94% (Libor + 4.50%/Q)	6/28/2012	1,600	1,600(2)	
		Senior secured loan (\$22,772 par due 7/2012)	15.00%	4/1/2010	22,772	22,772(2)	
		Senior subordinated loan (\$36,535 par due 7/2012)		4/1/2010	34,636	10,098(2)(18)	
		Junior subordinated loan (\$185 par due 7/2012)		4/1/2010		(2)(18)	
		Common stock (560,716 shares)		4/1/2010		(2)	
					59,948	35,410	
Pillar Processing LLC and PHL Investors, Inc. (6)	Mortgage services	Senior secured loan (\$9,414 par due 11/2018)		7/31/2008	9,222	9,414(2)(18)	
		Senior secured loan (\$7,375 par due 5/2019)		11/20/2007	6,936	615(2)(18)	
		Class A common stock (576 shares)		7/31/2012	3,768	(2)	
					19,926	10,029	
Powersport Auctioneer Holdings, LLC	Powersport vehicle auction operator	Common Units (1,972 units)		3/2/2012	1,000	921(2)	
Prommis Fin Co.	Bankruptcy and foreclosure processing services	Class B common units (1,727 units)		6/12/2012		(2)	
Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)		4/1/2010	3,487	2,625(2)(18)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	122(2)	
Strident Holding, Inc.	Recovery audit services provider to commercial and governmental healthcare payors	Senior secured loan (\$17,955 par due 7/2018)	6.50% (Libor + 5.25%/Q)	7/26/2012	17,955	17,955(2)(19)	
Summit Business Media Parent Holding Company LLC	Business media consulting services	Limited liability company membership interest (45.98% interest)		5/20/2011		864(2)	
Tradesmen International, Inc.	Construction labor support	Junior secured loan (\$3,118 par due 5/2014)	13.00% Cash, 1.00% PIK	4/1/2010	2,649	3,118(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Warrants to purchase up to 771,036 shares		4/1/2010	7,956	
					2,649	11,074
Tripwire, Inc.	IT security software provider	Senior secured loan (\$50,000 par due 5/2018)	6.00% (Libor + 4.75%/Q)	5/23/2011	50,000	50,000(3)(19)
		Senior secured loan (\$10,000 par due 5/2018)	6.00% (Libor + 4.75%/Q)	5/23/2011	10,000	10,000(4)(19)
		Class B common stock (2,655,638 shares)		5/23/2011	30	64(2)
		Class A common stock (2,970 shares)		5/23/2011	2,970	6,332(2)
					63,000	66,396
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010		(2)
VSS-Tranzact Holdings, LLC (6)	Management consulting services	Series B preferred units (854 units)		11/7/2011	867	964
		Common membership interest (8.54% interest)		10/26/2007	10,204	804
		Warrants to purchase up to 4,206 units		11/7/2011		396
					11,071	2,164
					408,998	369,254
						9.45%
Financial Services						
AllBridge Financial, LLC (7)	Asset management services	Equity interests		4/1/2010	8,435	10,035(2)
Callidus Capital Corporation (7)	Asset management services	Common stock (100 shares)		4/1/2010	3,000	1,012
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(2)
		Senior secured loan (\$32,000 par due 12/2015)	12.00%	11/29/2010	32,000	32,000(2)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Equity interests		11/29/2010	53,374	20,456(2)	
					99,374	66,456	
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$28,000 par due 5/2018)	12.75%	5/10/2012	28,000	28,000(2)	
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated loan (\$3,000 par due 9/2015)	9.00%	9/30/2011	3,000	3,000(2)	
Financial Pacific Company	Commercial finance leasing	Preferred stock (6,500 shares)	8.00% PIK	10/13/2010	5,284	10,069(2)	
		Common stock (650,000 shares)		10/13/2010		(2)	
					5,284	10,069	
Imperial Capital Group LLC	Investment services	2006 Class B common units (2,526 units)		5/10/2007	3	3(2)	
		2007 Class B common units (315 units)		5/10/2007		(2)	
		Class A common units (7,710 units)		5/10/2007	14,997	18,661(2)	
					15,000	18,664	
Ivy Hill Asset Management, L.P. (7)(9)	Asset management services	Member interest (100.00% interest)		6/15/2009	112,876	211,614	
					274,969	348,850	8.92%
Consumer Products-Non-durable							
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior secured revolving loan (\$4,750 par due 10/2013)	6.25% (Libor + 5.00%/M)	4/1/2010	4,750	4,750(2)(19)	
		Senior secured loan (\$21,941 par due 10/2013)	13.44%	4/1/2010	21,634	20,844(2)	
					26,384	25,594	
Implus Footcare, LLC	Provider of footwear and other accessories	Preferred stock (455 shares)	6.00% PIK	10/31/2011	4,800	4,800(2)	
		Common stock (455 shares)		10/31/2011	455	213(2)	
					5,255	5,013	
Insight Pharmaceuticals Corporation (6)	OTC drug products manufacturer	Junior secured loan (\$25,000 par due 8/2017)	13.25% (Libor + 11.75%/Q)	8/26/2011	24,764	24,500(3)(19)	
		Class A common stock (155,000 shares)		8/26/2011	6,035	8,162(2)	
		Class B common stock (155,000 shares)		8/26/2011	6,035	8,162(2)	
					36,834	40,824	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of over-the-counter healthcare products	Senior secured revolving loan (\$11,500 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	11,500	10,580(2)(19)
		Senior secured loan (\$39,578 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	39,362	36,412(3)(19)
		Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		(2)
		Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		67(2)
					50,862	47,059
Oak Parent, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$54,994 par due 4/2018)	8.00% (Libor + 7.00%/Q)	4/2/2012	54,753	54,994(2)(19)
		Senior secured loan (\$9,648 par due 4/2018)	8.00% (Libor + 7.00%/Q)	4/2/2012	9,606	9,648(4)(19)
The Step2 Company, LLC	Toy manufacturer				64,359	64,642
		Junior secured loan (\$27,000 par due 4/2015)	10.00%	4/1/2010	26,006	27,000(2)
		Junior secured loan (\$32,375 par due 4/2015)	10.00% Cash, 6.00% PIK	4/1/2010	31,330	28,489(2)
		Common units (1,116,879 units)		4/1/2010	24	93(2)
		Warrants to purchase up to 3,157,895 units		4/1/2010		265(2)
The Thymes, LLC (7)	Cosmetic products manufacturer				57,360	55,847
		Preferred units (6,283 units)	8.00% PIK	6/21/2007	6,074	7,070
		Common units (5,400 units)		6/21/2007		

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
					6,074	7,070	
Woodstream Corporation	Pet products manufacturer	Senior secured loan (\$3,000 par due 8/2014)	6.50% (Libor + 5.00%/Q)	4/18/2012	3,000	3,000(2)(19)	
		Senior secured loan (\$15,000 par due 8/2014)	6.50% (Libor + 5.00%/Q)	4/18/2012	15,000	15,000(4)(19)	
		Senior subordinated loan (\$45,000 par due 2/2015)	12.00%	1/22/2010	41,318	45,000(2)	
		Common stock (4,254 shares)		1/22/2010	1,222	3,201(2)	
					60,540	66,201	
					307,668	312,250	7.99%
Automotive Services							
Driven Holdings, LLC	Automotive aftermarket car care franchisor	Preferred stock (247,500 units)		12/16/2011	2,475	2,601(2)	
		Common stock (25,000 units)		12/16/2011	25	44(2)	
					2,500	2,645	
Eckler Industries, Inc.	Restoration parts and accessories provider for classic automobiles	Senior secured revolving loan (\$1,400 par due 7/2017)	8.25% (Base Rate + 5.00%/M)	7/12/2012	1,400	1,400(2)(19)	
		Senior secured loan (\$52,735 par due 7/2017)	7.25% (Libor + 6.00%/M)	7/12/2012	52,735	52,735(2)(19)	
		Series A preferred stock (1,800 shares)		7/12/2012	1,800	1,800(2)	
		Common stock (20,000 shares)		7/12/2012	200	200(2)	
					56,135	56,135	
Service King Paint & Body, LLC	Collision repair site operators	Senior secured loan (\$111,500 par due 8/2017)	8.50% (Libor + 7.25%/Q)	8/20/2012	111,500	111,500(2)(17)(19)	
		Senior secured loan (\$10,000 par due 8/2017)	5.50% (Libor + 4.25%/Q)	8/20/2012	10,000	10,000(2)(19)	
		Membership interest		8/20/2012	5,000	5,000(2)	
					126,500	126,500	
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(2)(19)	
		Preferred stock (4,200 shares)	16.50% PIK	9/30/2010	2,852	4,200(2)	
		Common stock (10,200 shares)		9/30/2010		28,945(2)	
					37,352	67,645	
					222,487	252,925	6.47%

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Containers-Packaging

ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$22,500 par due 8/2016)	9.25% (Base Rate + 6.00%/Q)	8/31/2011	22,500	22,500(2)(19)
		Senior secured loan (\$112 par due 8/2016)	8.00% (Libor + 7.00%/M)	8/31/2011	112	112(2)(19)
		Senior secured loan (\$335 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	335	335(2)(19)
		Senior secured loan (\$42,959 par due 8/2016)	8.04% (Libor + 7.00%/Q)	8/31/2011	42,959	42,959(2)(19)
		Senior secured loan (\$382 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	382	382(3)(19)
		Senior secured loan (\$49,108 par due 8/2016)	8.04% (Libor + 7.00%/Q)	8/31/2011	49,108	49,108(3)(19)
		Senior secured loan (\$38 par due 8/2016)	8.00% (Libor + 7.00%/M)	8/31/2011	38	38(4)(19)
		Senior secured loan (\$115 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	115	115(4)(19)
		Senior secured loan (\$14,757 par due 8/2016)	8.04% (Libor + 7.00%/Q)	8/31/2011	14,757	14,757(4)(19)
Microstar Logistics LLC	Keg management solutions provider				130,306	130,306
		Junior secured loan (\$52,500 par due 8/2016)	10.00% (Libor + 9.00%/Q)	8/5/2011	52,500	52,500(2)(19)
		Junior secured loan (\$50,000 par due 8/2016)	10.00% (Libor + 9.00%/Q)	8/5/2011	50,000	50,000(3)(19)
Pregis Corporation, Pregis Intellipack Corp. and Pregis Innovative Packaging Inc.	Provider of a broad range of highly-customized, tailored protective				102,500	102,500
		Senior secured loan (\$5 par due 3/2017)	8.50% (Base Rate + 5.25%/Q)	4/25/2012	5	5(2)(19)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
	packaging solutions	Senior secured loan (\$992 par due 3/2017)	7.75% (Libor + 6.25%/Q)	4/25/2012	992	992(2)(19)	
					997	997	
					233,803	233,803	5.98%
Manufacturing							
Cambrios Technologies Corporation	Developer and manufacturer of nanotechnology-based solutions for electronic devices and computers	Senior secured loan (\$5,000 par due 9/2015)	12.00%	8/7/2012	4,987	5,000(2)	
		Warrants to purchase up to 400,000 shares of Series D-4 convertible preferred stock		8/2/2012	13	13(2)	
					5,000	5,013	
Component Hardware Group, Inc.	Commercial equipment	Junior secured loan (\$3,178 par due 12/2014)	7.00% Cash, 3.00% PIK	8/4/2010	3,178	3,178(2)	
		Senior subordinated loan (\$11,002 par due 12/2014)	7.50% Cash, 5.00% PIK	4/1/2010	7,968	11,002(2)	
		Warrants to purchase up to 1,462,500 shares of common stock		8/4/2010		4,457(2)	
					11,146	18,637	
MWI Holdings, Inc.	Highly engineered springs, fasteners, and other precision components	Senior secured loan (\$38,274 par due 6/2017)	10.00% (Libor + 8.00%/Q)	6/15/2011	38,274	38,274(2)(19)	
		Senior secured loan (\$10,000 par due 6/2017)	10.00% (Libor + 8.00%/Q)	6/15/2011	10,000	10,000(4)(19)	
					48,274	48,274(2)	
NetShape Technologies, Inc.	Metal precision engineered components	Senior secured revolving loan (\$519 par due 2/2013)	3.97% (Libor + 3.75%/M)	4/1/2010	67	439(2)	
Pelican Products, Inc.	Flashlight manufacturer	Senior secured loan (\$7,980 par due 7/2018)	7.00% (Libor + 5.50%/Q)	7/13/2012	7,980	7,980(2)(19)	
		Junior secured loan (\$32,000 par due 6/2019)	11.50% (Libor + 10.00%/Q)	7/13/2012	32,000	32,000(2)(19)	
					39,980	39,980	
Protective Industries, Inc. dba Caplugs	Plastic protection products	Senior secured revolving loan (\$233 par due 5/2016)	6.00% (Base Rate + 2.75%/M)	5/23/2011	233	231(2)(19)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior secured revolving loan (\$933 par due 5/2016)	5.50% (Libor + 4.00%/M)	5/23/2011	933	925(2)(19)	
		Senior subordinated loan (\$759 par due 5/2018)	8.00% Cash, 7.25% PIK	5/23/2011	759	759(2)	
		Preferred stock (2,379,361 shares)		5/23/2011	2,307	4,589(2)	
					4,232	6,504	
Saw Mill PCG Partners LLC	Metal precision engineered components manufacturer	Common units (1,000 units)		1/30/2007	1,000	(2)	
Sigma International Group, Inc.	Water treatment parts	Junior secured loan (\$4,163 par due 4/2014)	10.00% (Libor + 5.00% Cash, 5.00% PIK /Q)	7/8/2011	4,163	3,330(2)(19)	
SSH Environmental Industries, Inc. and SSH Non-Destructive Testing, Inc.	Magnetic sensors and supporting sensor products	Senior secured loan (\$11,746 par due 12/2016)	9.00% (Libor + 7.50%/Q)	3/23/2012	11,532	11,746(2)(19)	
WP CPP Holdings, LLC	Precision engineered castings	Senior secured loan (\$10,716 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	10,671	10,716(2)(19)	
		Senior secured loan (\$27 par due 10/2017)	9.25% (Base Rate + 6.00%/Q)	10/11/2011	27	27(2)(19)	
		Senior secured loan (\$49,624 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	49,394	49,624(3)(19)	
		Senior secured loan (\$125 par due 10/2017)	9.25% (Base Rate + 6.00%/Q)	10/11/2011	125	125(3)(19)	
		Senior secured loan (\$9,950 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	9,907	9,950(4)(19)	
		Senior secured loan (\$25 par due 10/2017)	9.25% (Base Rate + 6.00%/Q)	10/11/2011	25	25(4)(19)	
					70,149	70,467	
					195,543	204,390	5.23%

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Energy							
EquiPower Resources Holdings, LLC	Gas-fired power generation facilities operator	Junior secured loan (\$22,500 par due 6/2019)	10.00% (Libor + 8.50%/Q)	6/27/2012	22,062	22,050(2)(19)	
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	57,873	56,050(2)(19)	
Panda Sherman Power, LLC	Developer and operator of a gas turbine power plant	Senior secured loan (\$32,500 par due 9/2018)	9.00% (Libor + 7.50%/M)	9/14/2012	32,500	32,500(2)(19)	
Panda Temple Power, LLC	Developer and operator of a gas turbine power plant	Senior secured loan (\$60,000 par due 7/2018)	11.50% (Libor + 10.00%/Q)	7/17/2012	58,100	60,000(2)(19)	
USG Nevada LLC	Geothermal, renewable energy, developer for electrical power and direct uses	Junior secured loan (\$7,500 par due 10/2012)	9.47% (Libor + 9.00%/Q)	11/10/2011	7,500	7,500(2)	
					178,035	178,100	4.56%
Aerospace and Defense							
ILC Industries, LLC	Designer and manufacturer of protective cases and technically advanced lighting systems	Senior secured loan (\$24,937 par due 7/2018)	7.50% (Libor + 6.00%/Q)	7/13/2012	24,453	24,937(2)(19)	
PRV Aerospace, LLC	Aerospace precision components manufacturer	Senior secured loan (\$8,479 par due 5/2018)	6.50% (Libor + 5.25%/S)	5/15/2012	8,398	8,479(4)(19)	
		Senior secured loan (\$21 par due 5/2018)	7.50% (Base Rate + 4.25%/Q)	5/15/2012	21	21(4)(19)	
		Junior secured loan (\$68,000 par due 5/2019)	10.50% (Libor + 9.25%/S)	5/10/2012	68,000	68,000(2)(19)	
					76,419	76,500	
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	101	101(2)	
		Common stock (1,885,195 shares)		1/17/2008	2,291	2,446(2)	
					2,392	2,547	
					103,264	103,984	2.66%
Consumer Products- Durable							
Bushnell Inc.	Sports optics manufacturer	Junior secured loan (\$48,825 par due 2/2016)	9.00% (Libor + 7.50%/Q)	4/1/2010	43,957	47,849(2)(19)	
		Junior secured loan (\$43,675 par due 2/2016)	9.50% (Libor + 8.00%/Q)	4/30/2012	43,675	43,238(2)(19)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

					87,632	91,087	
PG-ACP Co-Invest, LLC	Supplier of medical uniforms, specialized medical footwear and accessories	Class A membership units (1,000,000 units)		8/29/2012	1,000	1,000(2)	
					88,632	92,087	2.36%
Telecommunications							
American Broadband Communications, LLC, American Broadband Holding Company and Cameron Holdings of NC, Inc.	Broadband communication services	Senior secured loan (\$7,901 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	7,901	7,901(2)(19)	
		Senior subordinated loan (\$10,686 par due 11/2014)	12.00% Cash, 2.00% PIK	9/1/2010	10,686	10,260(2)	
		Senior subordinated loan (\$23,157 par due 11/2014)	10.00% Cash, 4.00% PIK	11/7/2007	23,157	22,230(2)	
		Senior subordinated loan (\$33,930 par due 11/2014)	12.00% Cash, 2.00% PIK	11/7/2007	33,930	32,573(3)	
		Warrants to purchase up to 378 shares		11/7/2007		690(2)	
		Warrants to purchase up to 200 shares		9/1/2010		365(2)	
					75,674	74,019	
Dialog Telecom LLC	Broadband communication services	Senior secured loan (\$16,476 par due 12/2013)	12.00% (Libor + 10.50% Cash, 1.50% PIK /Q)	6/20/2011	16,476	16,476(2)(19)	
Startec Equity, LLC (7)	Communication services	Member interest		4/1/2010		(2)	
					92,150	90,495	2.32%

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Grocery							
Grocery Outlet Inc.	Value grocery retailer	Senior secured loan (\$25,070 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	25,070	25,070(2)(19)	
		Senior secured loan (\$859 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	859	859(2)(19)	
		Senior secured loan (\$47,619 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	47,619	47,619(3)(19)	
		Senior secured loan (\$1,631 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	1,631	1,631(3)(19)	
		Senior secured loan (\$9,524 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	9,524	9,524(4)(19)	
		Senior secured loan (\$326 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	326	326(4)(19)	
					85,029	85,029	
					85,029	85,029	2.18%
Retail							
Direct Buy Holdings, Inc. and Direct Buy Investors, LP (6)	Membership based buying club franchisor and operator	Limited partnership interest (66,667 shares)		4/1/2010	2,594	(2)	
		Limited partnership interest (83,333 shares)		11/30/2007	8,333	(2)	
					10,927		
Fulton Holdings Corp.	Airport restaurant operator	Senior secured loan (\$40,000 par due 5/2016)	12.50%	5/28/2010	40,000	40,000(3)(12)	
		Common stock (19,672 shares)		5/28/2010	1,967	1,871	
					41,967	41,871	
Things Remembered Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$10,000 par due 5/2018)	8.00% (Libor + 6.50%/Q)	5/24/2012	10,000	10,000(2)(19)	
		Senior secured loan (\$15,000 par due 5/2018)	8.00% (Libor + 6.50%/Q)	5/24/2012	15,000	15,000(4)(19)	
					25,000	25,000	
					77,894	66,871	1.71%
Oil and Gas							
Geotrace Technologies, Inc.	Reservoir processing, development	Warrants to purchase up to 69,978 shares of common stock		4/1/2010	88	(2)	
		Warrants to purchase up to 210,453 shares of preferred stock		4/1/2010	2,805	1,572(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

UL Holding Co., LLC and Universal Lubricants, LLC (6)	Petroleum product manufacturer	Junior secured loan (\$2,926 par due 12/2014)	9.31% (Libor + 7.31% Cash, 2.00% PIK /Q)	4/30/2012	2,893 2,926	1,572 2,926(2)
		Junior secured loan (\$2,010 par due 12/2014)	9.24% (Libor + 7.24% Cash, 2.00% PIK /Q)	4/30/2012	2,010	2,010(2)
		Junior secured loan (\$4,907 par due 12/2014)	12.00% Cash, 2.00% PIK	4/30/2012	4,907	4,907(2)
		Junior secured loan (\$5,051 par due 12/2014)	12.00% Cash, 3.00% PIK	4/30/2012	5,051	5,051(2)
		Junior secured loan (\$18,611 par due 12/2014)	12.00% Cash, 2.00% PIK	4/30/2012	18,611	18,611(3)
		Junior secured loan (\$14,651 par due 12/2014)	9.32% (Libor + 7.32% Cash, 2.00% PIK /Q)	4/30/2012	14,651	14,651(3)
		Junior secured loan (\$10,702 par due 12/2014)	9.31% (Libor + 7.31% Cash, 2.00% PIK /Q)	4/30/2012	10,702	10,702(3)
		Class A common units (10,782 units)		6/17/2011	108	35(2)
		Class B-5 common units (599,200 units)		4/25/2008	5,472	1,933(2)
		Class B-4 common units (50,000 units)		6/17/2011	500	161(2)
		Class C common units (618,091 units)		4/25/2008		1,994(2)
						64,938
				67,831	64,553	1.65%

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Printing, Publishing and Media							
Earthcolor Group, LLC	Printing management services	Limited liability company interests (9.30%)		5/18/2012			
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,141 par due 10/2013)	9.00% (Libor + 6.00%/Q)	3/2/2006	1,141	1,107(2)(19)	
		Senior secured revolving loan (\$284 par due 10/2013)	9.00% (Base Rate + 5.00%/M)	3/2/2006	284	276(2)(19)	
		Senior secured loan (\$7,371 par due 10/2013)	10.00% (Libor + 9.00% Cash, 1.00% PIK /Q)	3/2/2006	7,080	7,224(2)(19)	
		Preferred stock (9,344 shares)		3/2/2006	2,000	(2)	
					10,505	8,607	
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	Senior secured loan (\$21,428 par due 3/2017)	9.00% (Libor + 7.50%/Q)	9/29/2006	21,428	21,428(2)(19)	
		Senior secured loan (\$9,952 par due 3/2017)	9.00% (Libor + 7.50%/Q)	9/29/2006	9,952	9,952(4)(19)	
		Preferred stock (10,663 shares)		9/29/2006	1,066	3,181(2)	
		Common stock (15,393 shares)		9/29/2006	3	8(2)	
					32,449	34,569	
					42,954	43,176	1.10%
Environmental Services							
AWTP, LLC (7)	Water treatment services	Junior secured loan (\$4,212 par due 6/2015)	10.00%	4/18/2011	4,212	4,212(2)	
		Junior secured loan (\$6,045 par due 6/2015)	15.00% PIK	4/18/2011	6,045	6,045(2)	
		Membership interests (90% interest)		4/18/2011		3,715(2)	
					10,257	13,972	
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC.	Operator of municipal recycling facilities	Preferred stock (1,000 shares)		3/1/2011	8,839	3,219(2)	
Waste Pro USA, Inc	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	23,300(2)	
					31,359	40,491	1.04%
Transportation							
PODS Funding Corp.	Storage and warehousing	Junior subordinated loan (\$39,945 par due 5/2017)	12.75% Cash, 2.75% PIK	11/29/2011	39,945	39,945(2)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares	4/1/2010			
				39,945	39,945	1.02%
Commercial Real Estate Finance						
10th Street, LLC (6)	Real estate holding company	Senior subordinated loan (\$24,957 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	24,957	24,957(2)
		Member interest (10.00% interest)		4/1/2010	594	485
		Option (25,000 units)		4/1/2010	25	25
					25,576	25,467
American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$2,500 par due 12/2025)		4/1/2010	1,071	2,061(18)
Cleveland East Equity, LLC	Hotel operator	Real estate equity interests		4/1/2010	1,026	3,277
Commons R-3, LLC	Real estate developer	Real estate equity interests		4/1/2010		
Crescent Hotels & Resorts, LLC and affiliates (7)	Hotel operator	Senior subordinated loan (\$2,236 par due 9/2011)		4/1/2010		(2)(18)
		Senior subordinated loan (\$2,092 par due 6/2017)		4/1/2010		(2)(18)
		Common equity interest		4/1/2010		
		Limited liability company membership interest (100% interest)		6/19/2012		(2)
Hot Light Brands, Inc. (7)	Real estate holding company	Senior secured loan (\$33,731 par due 2/2011)		4/1/2010	2,439	1,961(2)(18)
		Common stock (93,500 shares)		4/1/2010		(2)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
					2,439	1,961	
NPH, Inc.	Hotel property	Real estate equity interests		4/1/2010	5,291	6,064	
					35,403	38,830	0.99%
Food and Beverage							
Apple & Eve, LLC and US Juice Partners, LLC (6)	Juice manufacturer	Senior secured revolving loan (\$500 par due 10/2013)	13.00% (Libor + 10.00%/M)	10/5/2007	500	500(2)(19)	
		Senior secured loan (\$21,467 par due 10/2013)	13.00% (Libor + 10.00%/M)	10/5/2007	21,467	21,467(2)(19)	
		Senior secured loan (\$4,804 par due 10/2013)	13.00% (Libor + 10.00%/M)	10/5/2007	4,804	4,804(4)(19)	
		Senior units (50,000 units)		10/5/2007	5,000	1,161	
					31,771	27,932	
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated loan (\$8,885 par due 2/2013)	16.00% PIK	2/6/2008	8,885	8,885(2)	
		Preferred stock (6,258 shares)		9/1/2006	2,567	1,583(2)	
					11,452	10,468	
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	(2)	
		Class A-1 common stock (2,157 shares)		4/1/2010		(2)	
					980		
					44,203	38,400	0.98%
Health Clubs							
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$11,500 par due 10/2013)	4.72% (Libor + 4.50%/M)	10/11/2007	11,500	11,500(2)(13)	
Curves International Holdings, Inc.	Health club franchisor	Limited partnership interest (4,152,165 shares)		7/31/2012	4,152	4,152(2)	
		Limited partnership interest (1,847,835 shares)		7/31/2012	1,848	1,848(2)	
					6,000	6,000	
					17,500	17,500	0.45%
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	3,788(2)	
					2,500	3,788	0.09%
					\$ 5,850,108	\$ 5,936,165	151.87%

-
- (1) Other than our investments listed in footnote 7 below (subject to the limitations set forth therein), we do not Control any of our portfolio companies, for purposes of 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 (i.e., securities with the right to elect directors) 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, 2012 represented 152% of the Company's net assets or 94% of the Company's total assets, are subject to legal restrictions on sales.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

- (2) These assets are pledged as collateral for the Revolving Credit Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than the Company's obligations under the Revolving Credit Facility (see Note 5 to the consolidated financial statements).
- (3) These assets are owned by the Company's consolidated 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).
- (4) These assets are owned by the Company's consolidated subsidiary Ares Capital JB Funding LLC (ACJB), are pledged as collateral for the SMBC 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 ACJB's obligations under the SMBC Funding Facility (see Note 5 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 a 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, 2012 in which the issuer was an Affiliated company (but not a portfolio company that we Control) are as follows:

Company	Purchases (cost)	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	\$	\$	\$	\$ 2,408	\$	\$	\$	\$	\$ (44)
Apple & Eve, LLC and US Juice Partners, LLC	\$ 500	\$ 5,573	\$	\$ 2,672	\$	\$	\$ 35	\$	\$ (2,166)
Campus Management Corp. and Campus Management Acquisition Corp	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,849
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$ 150	\$	\$ 876	\$	\$	\$	\$	\$ (5,801)
The Dwyer Group	\$	\$	\$	\$ 2,097	\$ 162	\$ 660	\$ 85	\$	\$ 4,217
ELC Acquisition Corp. and ELC Holdings Corporation	\$	\$	\$	\$	\$	\$	\$ 6	\$	\$ 3,308
Firstlight Financial Corporation	\$	\$ 28,890	\$	\$ 1,780	\$	\$	\$ 188	\$ 110	\$ 17,253
Insight Pharmaceuticals Corporation	\$	\$	\$	\$ 2,545	\$	\$	\$	\$	\$ (2,318)
Investor Group Services, LLC	\$	\$	\$	\$	\$	\$ 126	\$ 13	\$	\$ 173
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 506
Pillar Processing LLC and PHL Holding Co.	\$	\$ 2,691	\$	\$	\$	\$	\$ 9	\$	\$ 797
Soteria Imaging Services, LLC	\$	\$ 218	\$	\$	\$	\$	\$	\$ 12	\$ (299)
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,097
UL Holding Co., LLC	\$ 43,128	\$ 13,619	\$	\$ 4,066	\$ 733	\$	\$ 185	\$	\$ (2,016)

- (7) As defined in the Investment Company Act, we are deemed to be both an Affiliated Person and 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, 2012 in which the issuer was both an Affiliated company and a portfolio company that we are deemed to 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	\$	\$ 9	\$	\$	\$	\$ 1	\$	\$	\$ (19)
Allied Capital REIT, Inc.	\$	\$	\$ 375	\$	\$	\$ 41	\$	\$ 147	\$ (314)
AllBridge Financial, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,262

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Aviation Properties Corporation	\$	\$	\$	\$	\$	\$	\$	291	\$
AWTP, LLC	\$	\$	\$	\$	960	\$	\$	25	\$ 5,364
BenefitMall Holdings, Inc.	\$	\$	40,326	\$ 53,510	\$ 2,440	\$	\$	167	\$ 12,903 \$ (6,479)
Callidus Capital Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$ 236
Ciena Capital LLC	\$	\$	\$	\$	3,562	\$	\$	\$	\$ 404
Citipostal, Inc.	\$	\$	2,200	\$	5,763	\$	\$	105	\$ 817
Crescent Hotels & Resorts, LLC and affiliates	\$	\$	\$	2,843	\$ 20	\$	\$	\$	(5,473) \$ 5,595
HCI Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (192)
HCP Acquisition Holdings, LLC	\$	1,254	\$	\$	\$	\$	\$	\$	\$ (3,163)
Hot Light Brands, Inc.	\$	\$	1,508	\$	\$	\$	\$	\$	\$ (223)
Huddle House Inc.	\$	\$	20,801	\$	\$ 678	\$	\$	187	\$ (1,404) \$ 1,701
Ivy Hill Asset Management, L.P.	\$	\$	\$	\$	\$	\$	14,648	\$	\$ 17,017
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$	\$	30,515	\$ 3,469	\$	\$	\$	1,655 \$ 1,265
LVCg Holdings, LLC	\$	\$	\$	6,600	\$	\$	\$	\$	(6,590) \$ 6,600
Making Memories Wholesale, Inc.	\$	\$	2,229	\$	\$	\$	\$	\$	(12,281) \$ 12,476
MVL Group, Inc.	\$	2,540	\$ 1,101	\$	\$ 3,557	\$	\$	\$	\$ (23,099)
Orion Foods, LLC	\$	6,500	\$ 1,659	\$	\$ 6,073	\$	\$	606	\$ (12,768)
Senior Secured Loan Fund LLC*	\$	178,631	\$ 17,937	\$	\$ 135,200	\$ 26,838	\$	\$ 12,076	\$ 173 \$ 10,078
Stag-Parkway, Inc.	\$	\$	\$	\$	3,272	\$	\$ 573	\$ 189	\$ 13,654
Startec Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
The Thymes, LLC	\$	\$	\$	\$	\$	\$	364	\$	\$ (69)

* 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP (even though these voting securities do not afford the Company the right to elect directors of the SSLP or any other special rights), the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise).

Table of Contents

- (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) 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 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 provided a comment letter in respect of the Concept Release and 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) and subsequent discussions with the Staff, 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.
- (11) 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.
- (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 5.00% on \$17 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (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 \$12 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.

Table of Contents

- (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 4.00% on \$41 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (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 1.13% on \$20 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (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 2.75% on \$15 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (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 3.00% on \$67 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (18) Loan was on non-accrual status as of September 30, 2012.
- (19) Loan includes interest rate floor feature.
- (20) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates 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.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****As of December 31, 2011****(dollar amounts in thousands)**

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Investment Funds and Vehicles							
AGILE Fund I, LLC (6)(8)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 216	\$ 132	
CIC Flex, LP (8)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	2,533	3,130	
Covestia Capital Partners, LP (8)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	1,111	
Dynamic India Fund IV, LLC (8)	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	4,728	
Firstlight Financial Corporation (5)(8)	Investment company	Senior subordinated loan (\$71,542 par due 12/2016)	1.00% PIK	12/31/2006	71,269	67,947	
		Class A common stock (10,000 shares)		12/31/2006	10,000		
		Class B common stock (30,000 shares)		12/31/2006	30,000		
					111,269	67,947	
HCI Equity, LLC (6)(7)(8)	Investment company	Member interest (100.00% interest)		4/1/2010	808	730	
Imperial Capital Private Opportunities, LP (8)	Investment partnership	Limited partnership interest (80.00% interest)		5/10/2007	6,643	5,120	
Ivy Hill Middle Market Credit Fund, Ltd. (6)(7)(8)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.25% (Libor + 6.00%/Q)	11/20/2007	40,000	38,000	
		Subordinated notes (\$16 par due 11/2018)	15.00%	11/20/2007	15,515	16,000	
					55,515	54,000	
Kodiak Funding, LP (8)	Investment partnership	Limited partnership interest (1.52% interest)		4/1/2010	868	823	
Novak Biddle Venture Partners III, L.P. (8)	Investment partnership	Limited partnership interest (2.47% interest)		4/1/2010	221	196	
Partnership Capital Growth Fund I, L.P. (8)	Investment partnership	Limited partnership interest (25.00% interest)		6/16/2006	1,791	3,726	
Partnership Capital Growth Fund III, L.P. (8)	Investment partnership	Limited partnership interest (2.50% interest)		10/5/2011	1,322	1,250	
Senior Secured Loan Fund LLC (6)(9)(17)	Co-investment vehicle	Subordinated certificates	8.38% (Libor + 8.00%/Q)	10/30/2009	1,034,254	1,059,178	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		(\$1,044,977 par due 12/2020)				
VSC Investors LLC (8)	Investment company	Membership interest (1.95% interest)		1/24/2008	1,139	997
					1,222,460	1,203,068
						38.23%
Healthcare-Services						
BenefitMall Holdings Inc. (6)	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	59,990
		Warrants		4/1/2010		
					93,836	100,316
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	1,158
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (5)	Healthcare analysis services	Senior secured loan (\$7,245 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,245	6,883(2)(16)
		Senior secured loan (\$18 par due 3/2017)	8.75% (Base Rate + 5.50%/Q)	3/15/2011	18	17(2)(16)
		Senior secured loan (\$7,642 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,642	7,260(3)(16)
		Senior secured loan (\$19 par due 3/2017)	8.75% (Base Rate + 5.50%/Q)	3/15/2011	19	18(3)(16)
		Class A common stock (9,679 shares)		6/15/2007	4,000	8,745
		Class C common stock (1,546 shares)		6/15/2007		1,397
					18,924	24,320

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,403	
Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured loan (\$12,638 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	12,638	12,638(16)	
		Senior secured loan (\$44,393 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	44,393	44,393(2)(16)	
		Senior secured loan (\$8,257 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/15/2010	8,257	8,257(3)(16)	
					65,288	65,288	
MW Dental Holding Corp.	Dental services	Senior secured revolving loan (\$1,700 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	1,700	1,700(16)	
		Senior secured loan (\$15,384 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	15,384	15,384(16)	
		Senior secured loan (\$49,750 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	49,750	49,750(2)(16)	
		Senior secured loan (\$2,686 par due 4/2017)	8.50% (Libor + 7.00%/M)	4/12/2011	2,686	2,686(3)(16)	
					69,520	69,520	
Napa Management Services Corporation	Anesthesia management services provider	Senior secured loan (\$10,892 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	10,563	10,892(16)	
		Senior secured loan (\$29,437 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	29,437	29,437(2)(16)	
		Senior secured loan (\$7,752 par due 4/2016)	8.50% (Libor + 7.00%/Q)	4/15/2011	7,752	7,752(3)(16)	
		Common units (5,000 units)		4/15/2011	5,000	5,513	
					52,752	53,594	
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	2,985	
					53,079	53,564	
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	3,073	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Series A preferred stock (1,594,457 shares)		7/30/2008	11,156	9,218
		Common stock (16,106 shares)		7/30/2008	100	
						11,256
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 (\$9,108 par due 11/2015)	6.75% (Libor + 5.00%/Q)	11/3/2010	9,085	9,108(3)(16)
		Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,956	4,000
		Preferred stock (333 shares)		3/12/2008	125	15
		Common stock (16,667 shares)		3/12/2008	167	754
						13,333

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
PRA Holdings, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.56% (Libor + 4.00%/Q)	12/14/2007	11,034	11,103(2)	
		Senior secured loan (\$12,000 par due 12/2014)	4.56% (Libor + 4.00%/Q)	12/14/2007	11,682	11,760(3)	
					22,716	22,863	
RCHP, Inc.	Operator of general acute care hospitals	Junior secured loan (\$15,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	15,000	15,000(16)	
		Junior secured loan (\$50,000 par due 5/2019)	11.50% (Libor + 10.00%/Q)	11/4/2011	50,000	50,000(2)(16)	
					65,000	65,000	
Reed Group, Ltd.	Medical disability management services provider	Senior secured revolving loan (\$1,650 par due 12/2013)		4/1/2010	1,497	1,402(15)	
		Senior secured loan (\$10,755 par due 12/2013)		4/1/2010	9,129	9,142(15)	
		Senior secured loan (\$20,777 par due 12/2013)		4/1/2010	15,918	2,431(15)	
		Equity interests		4/1/2010	203		
					26,747	12,975	
Soteria Imaging Services, LLC (5)	Outpatient medical imaging provider	Junior secured loan (\$1,189 par due 11/2010)	14.50%	4/1/2010	1,057	808	
		Junior secured loan (\$1,699 par due 11/2010)	12.50%	4/1/2010	1,529	1,154	
		Preferred member units (1,823,179 units)		4/1/2010			
					2,586	1,962	
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 (\$7,444 par due 12/2016)	5.50% (Libor + 4.00%/Q)	6/9/2011	7,407	7,295(16)	
		Senior subordinated loan (\$50,569 par due 6/2018)	11.25% Cash, 2.00% PIK	5/24/2010	50,569	50,569(2)	
					57,976	57,864	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Vantage Oncology, Inc.	Radiation oncology care provider	Common stock (62,157 shares)		2/3/2011	4,670	5,057
					687,797	684,802
						21.76%
Education						
American Academy Holdings, LLC	Provider of education, training, certification, networking, and consulting services to medical coders and other healthcare professionals	Senior secured revolving loan (\$100 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	100	100(16)
		Senior secured loan (\$26,199 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	26,199	26,199(16)
		Senior secured loan (\$53,468 par due 3/2016)	9.50% (Libor + 8.50%/Q)	3/18/2011	53,468	53,468(2)(16)
					79,767	79,767
Campus Management Corp. and Campus Management Acquisition Corp. (5)	Education software developer	Preferred stock (485,159 shares)		2/8/2008	10,520	11,096
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior secured loan (\$17,857 par due 12/2014)	6.25% (Libor + 5.25%/Q)	12/10/2010	17,857	17,857(16)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Junior secured loan (\$31,835 par due 12/2015)	15.40% (Libor + 11.00% Cash, 4.00% PIK /Q)	12/10/2010	31,835	31,835	
		Junior secured loan (\$9,582 par due 12/2015)	15.46% (Libor + 11.00% Cash, 4.00% PIK /Q)	12/10/2010	9,582	9,582	
		Warrants to purchase up to 578,427 shares		12/10/2010		258	
					59,274	59,532	
eInstruction Corporation	Developer and manufacturer of educational software products	Junior secured loan (\$17,000 par due 7/2014)	12.00% (Base Rate + 8.25%/M)	4/1/2010	15,396	12,410	
		Senior subordinated loan (\$27,281 par due 1/2015)		4/1/2010	24,151	1,467(15)	
		Common stock (2,406 shares)		4/1/2010	926		
					40,473	13,877	
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation (5)	Developer, manufacturer and distributor of educational products	Preferred stock (99,492 shares)		8/1/2011	10,149	9,154	
		Common stock (50,800 shares)		8/1/2011	51		
					10,200	9,154	
Infilaw Holding, LLC	Operator of for-profit law schools	Senior secured loan (\$29,925 par due 8/2016)	9.50% (Libor + 8.50%/Q)	8/25/2011	29,925	29,925(2)(16)	
		Series A preferred units (131,000 units)	10.75% (Base Rate + 7.50%/Q)	8/25/2011	131,000	131,000(16)	
					160,925	160,925	
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.	Private school operator	Series B preferred stock (1,750,000 shares)		8/5/2010	5,000	6,153	
		Series C preferred stock (2,512,586 shares)		6/7/2010	689	303	
		Common stock (20 shares)		6/7/2010			
					5,689	6,456	
JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured revolving loan (\$2,225 par due 12/2014)	12.75% (Base Rate + 9.50%/Q)	12/31/2009	2,225	2,225(16)	
		Senior secured loan (\$20,056 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	20,056	20,056(16)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior secured loan (\$9,714 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	9,714	9,714(3)(16)
					31,995	31,995
Lakeland Tours, LLC	Educational travel provider	Senior secured revolving loan (\$3,750 par due 12/2016)	6.75% (Base Rate + 3.50%/Q)	10/4/2011	3,750	3,750(16)
		Senior secured loan (\$64,338 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	64,136	64,338(13)(16)
		Senior secured loan (\$15,362 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	15,314	15,362(16)
		Senior secured loan (\$40,362 par due 12/2016)	10.00% (Libor + 8.50%/Q)	10/4/2011	40,231	40,362(2)(13)(16)
		Senior secured loan (\$9,638 par due 12/2016)	6.00% (Libor + 4.50%/Q)	10/4/2011	9,606	9,638(2)(16)
		Common stock (5,000 shares)		10/4/2011	5,000	5,000
					138,037	138,450

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
R3 Education, Inc. and EIC Acquisitions Corp. (7)	Medical school operator	Senior secured loan (\$6,162 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	6,162	11,508(16)	
		Senior secured loan (\$4,819 par due 4/2013)	9.00% (Libor + 6.00%/Q)	9/21/2007	4,819	8,996(3)(16)	
		Senior secured loan (\$6,509 par due 4/2013)	13.00% PIK	12/8/2009	4,030	12,149	
		Preferred stock (8,800 shares)		7/30/2008	2,200	1,650	
		Common membership interest (26.27% interest)		9/21/2007	15,800	23,207	
		Warrants to purchase up to 27,890 shares		12/8/2009			
					33,011	57,510	
					569,891	568,762	18.07%
Restaurants and Food Services							
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$2,010 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	2,010	2,010(16)	
		Senior secured revolving loan (\$258 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	258	258(16)	
		Senior secured loan (\$7,305 par due 11/2013)	6.50% (Libor + 3.50%/Q)	11/27/2006	7,305	7,305(16)	
		Senior secured loan (\$64 par due 11/2013)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	64	64(16)	
		Senior secured loan (\$11,277 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	11,280	11,277(2)(16)	
		Senior secured loan (\$9,402 par due 11/2014)	12.50% (Libor + 9.50%/Q)	11/27/2006	9,402	9,402(3)(16)	
		Promissory note (\$14,897,360 par due 11/2016)		6/1/2006	14,886	10,905	
		Warrants to purchase up to 0.61 shares		6/1/2006			
					45,205	41,221	
Huddle House, Inc. (6)	Restaurant owner and operator	Senior subordinated loan (\$20,924 par due 12/2015)	12.00% Cash, 3.00% PIK	4/1/2010	20,641	18,939	
		Common stock (358,279 shares)		4/1/2010			
					20,641	18,939	
				4/1/2010	3,300	3,300(16)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Orion Foods, LLC (fka Hot Stuff Foods, LLC) (6)	Convenience food service retailer	Senior secured revolving loan (\$3,300 par due 9/2014)	10.75% (Base Rate + 7.50%/M)			
		Senior secured loan (\$33,917 par due 9/2014)	10.00% (Libor + 8.50%/Q)	4/1/2010	33,917	33,917(2)(16)
		Junior secured loan (\$37,552 par due 9/2014)	14.00%	4/1/2010	26,111	30,483
		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		
					63,328	67,700
OTG Management, Inc.	Airport restaurant operator	Senior secured revolving loan (\$1,875 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	1,875	1,875(16)
		Senior secured revolving loan (\$937 par due 8/2016)	9.25% (Base Rate + 6.00%/M)	8/9/2011	937	937(16)

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured loan (\$17,187 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/9/2011	17,187	17,187(16)	
		Junior secured loan (\$29,285 par due 8/2016)	14.50% (Libor + 13.00%/M)	8/9/2011	29,285	29,285(16)	
		Common units (3,000,000 units)		1/5/2011	3,000	2,610	
		Warrants to purchase up to 100,866 shares of common stock		6/19/2008	100	4,544	
					52,384	56,438	
PMI Holdings, Inc.	Restaurant owner and operator	Senior secured revolving loan (\$2,500 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	2,500	2,500(16)	
		Senior secured revolving loan (\$250 par due 5/2015)	10.25% (Base Rate + 7.00%/Q)	5/5/2010	250	250(16)	
		Senior secured loan (\$9,008 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,008	9,008(2)(16)	
		Senior secured loan (\$4 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	4	4(2)(16)	
		Senior secured loan (\$9,008 par due 5/2015)	10.00% (Libor + 8.00%/M)	5/5/2010	9,008	9,008(3)(16)	
		Senior secured loan (\$4 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	4	4(3)(16)	
					20,774	20,774	
S.B. Restaurant Company	Restaurant owner and operator	Senior secured loan (\$34,575 par due 7/2012)	13.00% (Libor + 9.00% Cash, 2.00% PIK /Q)	4/1/2010	31,283	34,575(16)	
		Preferred stock (46,690 shares)		4/1/2010		117	
		Warrants to purchase up to 257,429 shares of common stock		4/1/2010			
					31,283	34,692	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Junior secured loan (\$70,250 par due 5/2015)	11.00%	5/23/2008	68,885	70,250	
		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	6,211	
					106,385	106,461	
					340,000	346,225	11.00%

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Business Services						
Acentia (fka Interactive Technology Solutions, LLC)	IT services provider	Senior secured loan (\$7,332 par due 6/2015)	8.75% (Base Rate + 5.50%/Q)	10/21/2010	7,332	7,332(16)
		Senior secured loan (\$8,214 par due 6/2015)	8.75% (Base Rate + 5.50%/Q)	10/21/2010	8,214	8,214(3)(16)
					15,546	15,546
Aviation Properties Corporation (6)	Aviation services	Common stock (100 shares)		4/1/2010		
CIBT Investment Holdings, LLC	Travel documents services	Class A shares (2,500 shares)		12/15/2011	2,500	2,500
CitiPostal Inc. (6)	Document storage and management services	Senior secured revolving loan (\$3,200 par due 12/2013)	6.75% (Base Rate + 3.25%/Q)	4/1/2010	3,200	3,200(16)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior secured loan (\$499 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	499	499	
		Senior secured loan (\$51,161 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	51,161	51,161(2)	
		Senior subordinated loan (\$14,698 par due 12/2015)		4/1/2010	13,038	1,574(15)	
		Common stock (37,024 shares)		4/1/2010			
					67,898	56,434	
Cornerstone Records Management, LLC	Physical records storage and management service provider	Senior secured loan (\$18,377 par due 8/2016)	8.50% (Libor + 7.00%/Q)	8/12/2011	18,377	18,193(16)	
Coverall North America, Inc. (6)	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	
Diversified Collections Services, Inc.	Collections services	Senior secured loan (\$34,000 par due 9/2012)	14.00% (Base Rate + 10.75%/M)	6/25/2010	34,000	34,000(2)(16)	
		Senior secured loan (\$5,263 par due 3/2012)	7.75% (Base Rate + 4.50%/M)	6/25/2010	5,263	5,263(3)(16)	
		Senior secured loan (\$2,000 par due 9/2012)	14.00% (Base Rate + 10.75%/M)	6/25/2010	2,000	2,000(3)(16)	
		Preferred stock (14,927 shares)		5/18/2006	169	328	
		Common stock (478,816 shares)		4/1/2010	1,478	3,274	
		Common stock (114,004 shares)		2/5/2005	295	918	
					43,205	45,783	
HCP Acquisition Holdings, LLC (6)	Healthcare compliance advisory services	Class A units (11,092,585 units)		6/26/2008	11,093	4,923	
Impact Innovations Group, LLC	IT consulting and outsourcing services	Member interest (50.00% interest)		4/1/2010		200	
Investor Group Services, LLC (5)	Business consulting for private equity and corporate clients	Limited liability company membership interest (10.00% interest)		6/22/2006		859	
Multi-Ad Services, Inc. (5)	Marketing services and software provider	Preferred units (1,725,280 units)		4/1/2010	788	1,828	
		Common units (1,725,280 units)		4/1/2010			
					788	1,828	
MVL Group, Inc. (6)	Marketing research provider	Senior secured loan (\$22,772 par due 7/2012)	12.00%	4/1/2010	22,772	22,772	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior subordinated loan (\$35,851 par due 7/2012)	12.00% Cash, 2.50% PIK	4/1/2010	35,283	33,844
		Junior subordinated loan (\$144 par due 7/2012)	10.00%	4/1/2010		
		Common stock (560,716 shares)		4/1/2010		
					58,055	56,616
Pillar Processing LLC and PHL Holding Co. (5)	Mortgage services	Senior secured loan (\$7,375 par due 5/2014)		7/31/2008	7,375	1,250(15)
		Senior secured loan (\$7,142 par due 11/2013)		11/20/2007	7,064	6,571(15)
		Senior secured loan (\$4,458 par due 11/2013)		11/20/2007	4,409	4,101(3)(15)
		Common stock (85 shares)			3,768	
					22,616	11,922

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
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 (\$44,926 par due 2/2014)		2/9/2007	43,819	5,273(15)	
		Preferred units (30,000 units)		4/11/2006	3,000		
					46,819	5,273	
Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)		4/1/2010	4,222	3,389(15)	
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	157	
Summit Business Media Parent Holding Company LLC	Business media consulting services	Limited liability company membership interest (45.98% interest)		5/20/2011		566	
Tradesmen International, Inc.	Construction labor support	Junior secured loan (\$10,050 par due 5/2014)	13.00% Cash, 1.00% PIK	4/1/2010	7,872	10,050	
		Warrants to purchase up to 771,036 shares		4/1/2010		5,002	
					7,872	15,052	
Tripwire, Inc.	IT security software provider	Senior secured loan (\$30,000 par due 5/2018)	8.50% (Libor + 7.25%/Q)	5/23/2011	30,000	30,000(16)	
		Senior secured loan (\$50,000 par due 5/2018)	8.50% (Libor + 7.25%/Q)	5/23/2011	50,000	50,000(2)(16)	
		Class B common stock (2,655,638 shares)		5/23/2011	30	38	
		Class A common stock (2,970 shares)		5/23/2011	2,970	3,754	
					83,000	83,792	
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010			
VSS-Tranzact Holdings, LLC (5)	Management consulting services	Series B preferred units (854 units)		11/7/2011	867	768	
		Common membership interest (8.54% interest)		10/26/2007	10,204	200	
		Warrants to purchase up to 4,206 units		11/7/2011		98	
					11,071	1,066	
					402,698	333,485	10.60%

Financial Services

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

AllBridge Financial, LLC (6)	Asset management services	Equity interests		4/1/2010	11,395	11,733
Callidus Capital Corporation (6)	Asset management services	Common stock (100 shares)		4/1/2010	3,000	776
Ciena Capital LLC (6)	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	20,051
					99,374	66,051
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

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated loan (\$3,750 par due 9/2015)	9.00%	9/30/2011	3,750	3,550	
Financial Pacific Company	Commercial finance leasing	Preferred stock (6,500 shares)	8.00% PIK	10/13/2010	6,500	7,822	
		Common stock (650,000 shares)		10/13/2010			
					6,500	7,822	
Imperial Capital Group, LLC	Investment services	Class A common units (7,710 units)		5/10/2007	14,997	20,445	
		2006 Class B common units (2,526 units)		5/10/2007	3	4	
		2007 Class B common units (315 units)		5/10/2007			
					15,000	20,449	
Ivy Hill Asset Management, L.P. (6)(8)	Asset management services	Member interest (100.00% interest)		6/15/2009	112,876	194,597	
					271,395	324,478	10.31%
Consumer Products-Non-durable							
Augusta Sportswear, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$26 par due 7/2015)	9.50% (Base Rate + 6.25%/Q)	9/3/2010	26	26(3)(16)	
		Senior secured loan (\$8,819 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	8,819	8,819(3)(16)	
					8,845	8,845	
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior secured loan (\$21,941 par due 10/2013)	13.44%	4/1/2010	21,435	21,941	
Implus Footcare, LLC	Provider of footwear and other accessories	Preferred stock (455 shares)	6.00% PIK	10/31/2011	4,591	4,591	
		Common stock (455 shares)		10/31/2011	455	455	
					5,046	5,046	
Insight Pharmaceuticals Corporation (5)	OTC drug products manufacturer	Junior secured loan (\$25,000 par due 8/2017)	13.25% (Libor + 11.75%/Q)	8/26/2011	24,740	24,000(2)(16)	
		Class A common stock (155,000 shares)		8/26/2011	6,035	9,559	
		Class B common stock (155,000 shares)		8/26/2011	6,035	9,559	
					36,810	43,118	
Making Memories Wholesale, Inc. (6)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$2,250 par due 8/2014)		8/21/2009	2,229	963(15)	
		Senior secured loan (\$9,625 par due 8/2014)		8/21/2009	7,193	(15)	
				8/21/2009	3,874	(15)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		Senior secured loan (\$5,973 par due 8/2014)		8/21/2009		
		Common stock (100 shares)			13,296	963
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of over-the-counter healthcare products	Senior secured revolving loan (\$10,000 par due 6/2016)	13.00% (Libor + 12.00%/M)	6/30/2011	10,000	9,700(16)
		Senior secured loan (\$41,437 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	41,178	40,194(2)(16)
		Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		1,504	
					51,178	51,398	
The Step2 Company, LLC	Toy manufacturer	Junior secured loan (\$27,000 par due 4/2015)	10.00%	4/1/2010	25,764	27,000	
		Junior secured loan (\$31,178 par due 4/2015)	10.00% Cash, 5.00% PIK	4/1/2010	29,879	28,060	
		Common units (1,116,879 units)		4/1/2010	24	25	
		Warrants to purchase up to 3,157,895 units		4/1/2010		72	
					55,667	55,157	
The Thymes, LLC (6)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	6,111	6,420	
		Common units (5,400 units)		6/21/2007		754	
					6,111	7,174	
Woodstream Corporation	Pet products manufacturer	Senior subordinated loan (\$45,000 par due 2/2015)	12.00%	1/22/2010	40,444	44,100	
		Common stock (4,254 shares)		1/22/2010	1,222	2,280	
					41,666	46,380	
					240,054	240,022	7.63%
Containers-Packaging							
ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$71,318 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	71,318	69,891(16)	
		Senior secured loan (\$49,873 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	49,873	48,875(2)(16)	
					121,191	118,766	
Microstar Logistics LLC	Keg management solutions provider	Junior secured loan (\$60,000 par due 8/2016)	10.00% (Libor + 9.00%/Q)	8/5/2011	60,000	60,000(16)	
		Junior secured loan (\$50,000 par due 8/2016)	10.00% (Libor + 9.00%/Q)	8/5/2011	50,000	50,000(2)(16)	
					110,000	110,000	
					231,191	228,766	7.27%
Aerospace and Defense							
AP Global Holdings, Inc.	Safety and security equipment	Senior secured loan (\$134,475 par due	7.25% (Libor + 5.75%/M)	7/22/2011	134,475	132,794(14)(16)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

manufacturer		7/2017)				
		Senior secured loan	7.25% (Libor +	7/22/2011	49,875	49,252(2)(16)
		(\$49,875 par due	5.75%/M)			
		7/2017)			184,350	182,046
Wyle Laboratories, Inc.	Provider of	Senior preferred stock	8.00% PIK	1/17/2008	95	95
and Wyle Holdings, Inc.	specialized	(775 shares)				
	engineering, scientific					
	and technical services					
		Common stock		1/17/2008	2,291	1,920
		(1,885,195 shares)				
					2,386	2,015
					186,736	184,061
						5.85%
Manufacturing						
Component Hardware	Commercial	Junior secured loan	7.00% Cash,	8/4/2010	3,106	3,106
Group, Inc.	equipment	(\$3,106 par due	3.00% PIK			
		12/2014)				

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
		Senior subordinated loan (\$10,596 par due 12/2014)	7.50% Cash, 5.00% PIK	4/1/2010	6,932	10,596	
		Warrants to purchase up to 1,462,500 shares of common stock		8/4/2010		3,181	
					10,038	16,883	
HOPPY Holdings Corp.	Automotive and recreational vehicle aftermarket products	Senior secured loan (\$13,988 par due 6/2016)	5.00% (Libor + 3.75%/M)	6/3/2011	13,988	13,289(16)	
MWI Holdings, Inc.	Highly engineered springs, fasteners, and other precision components	Senior secured loan (\$29,914 par due 6/2017)	10.00% (Libor + 8.00%/Q)	6/15/2011	29,914	29,914(16)	
NetShape Technologies, Inc.	Metal precision engineered components manufacturer	Senior secured revolving loan (\$91 par due 2/2013)	3.96% (Libor + 3.75%/M)	4/1/2010	44	69	
		Senior secured revolving loan (\$778 par due 2/2013)	4.33% (Libor + 3.75%/Q)	4/1/2010	374	587	
					418	656	
Protective Industries, Inc.	Plastic protection products	Senior secured loan (\$14 par due 5/2017)	6.25% (Base Rate + 3.00%/M)	5/23/2011	14	14(16)	
		Senior secured loan (\$5,589 par due 5/2017)	5.75% (Libor + 4.25%/M)	5/23/2011	5,589	5,421(16)	
		Senior subordinated loan (\$720 par due 5/2018)	8.00% Cash, 7.25% PIK	5/23/2011	720	720	
		Preferred stock (2,379,361 shares)		5/23/2011	2,307	3,101	
					8,630	9,256	
Saw Mill PCG Partners LLC	Metal precision engineered components	Common units (1,000 units)		1/30/2007	1,000		
Sigma International Group, Inc. (7)	Water treatment parts	Junior secured loan (\$4,048 par due 4/2014)	10.00% (Libor + 3.50% Cash, 5.00% PIK /A)	7/8/2011	4,048	3,036(16)	
WP CPP Holdings, LLC	Precision engineered castings	Senior secured loan (\$20,822 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	20,720	20,406(16)	
		Senior secured loan (\$50,000 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	49,745	49,000(2)(16)	
					70,465	69,406	
					138,501	142,440	4.53%
Services-Other							
The Dwyer Group (5)			14.50%	12/22/2010	17,100	17,100	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$17,100 par due 12/2016)				
		Series A preferred units (13,292,377 units)	8.00% PIK	12/22/2010	14,413	17,011
					31,513	34,111
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	4,723	4,850(3)(16)
		Junior secured loan (\$36,900 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	36,900	36,900(16)
		Junior secured loan (\$50,000 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	50,000	50,000(2)(16)
		Junior secured loan (\$3,100 par due 8/2015)	10.88% (Libor + 9.38%/Q)	1/25/2011	3,100	3,100(3)(16)
					94,723	94,850
					126,236	128,961
						4.10%

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Telecommunications							
American Broadband Communications, LLC, American Broadband Holding Company and Cameron Holdings of NC, Inc.	Broadband communication services	Senior secured loan (\$8,754 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	8,754	8,754(3)(16)	
		Senior subordinated loan (\$10,529 par due 11/2014)	12.00% Cash, 2.00% PIK	11/7/2007	10,529	10,529	
		Senior subordinated loan (\$22,150 par due 11/2014)	12.00% Cash, 4.00% PIK	9/1/2010	22,150	22,150	
		Senior subordinated loan (\$33,429 par due 11/2014)	12.00% Cash, 2.00% PIK	2/8/2008	33,429	33,429(2)	
		Warrants to purchase up to 378 shares		11/7/2007		6,286	
		Warrants to purchase up to 200 shares		9/1/2010		3,326	
					74,862	84,474	
Dialog Telecom LLC	Broadband communication services	Senior secured loan (\$16,412 par due 12/2012)	12.08% (Libor + 7.50% Cash, 4.00% PIK /Q)	6/20/2011	16,412	16,412(16)	
Startec Equity, LLC (6)	Communication services	Member interest		4/1/2010			
					91,274	100,886	3.21%
Grocery							
Grocery Outlet Inc.	Value grocery retailer	Senior secured revolving loan (\$3,100 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	3,100	3,100(16)	
		Senior secured loan (\$91,500 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	91,500	91,500(16)	
					94,600	94,600	
					94,600	94,600	3.01%
Retail							
Direct Buy Holdings, Inc. and Direct Buy Investors, LP (5)	Membership based buying club franchisor and operator	Limited partnership interest (66,667 shares)		4/1/2010	2,594		
		Limited partnership interest (83,333 shares)		11/30/2007	8,333		
					10,927		
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)(11)	
		Common stock (19,672 shares)		5/28/2010	1,967	1,618	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

				41,967	41,618	
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Common stock (1,218,481 shares)		8/8/2006	4,909	12,556
Things Remembered Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$21,433 par due 3/2014)	9.00% (Base Rate + 7.00%/M)	9/28/2006	21,414	21,433(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	2,172
		Warrants to purchase up to 859 shares of preferred stock		3/19/2009		2,324
					31,716	38,460
					89,519	92,634
						2.94%

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
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	57,775	56,050(16)	
USG Nevada LLC	Geothermal, renewable energy, developer for electrical power and direct uses	Junior secured loan (\$7,500 par due 6/2012)	3.94% (Libor + 3.50%/Q)	11/9/2011	7,500	7,500	
					65,275	63,550	2.02%
Automotive Services							
Driven Holdings, LLC	Automotive aftermarket car care franchisor	Preferred stock (247,500 units)		12/16/2011	2,475	2,475	
		Common stock (25,000 units)		12/16/2011	25	25	
					2,500	2,500	
Stag-Parkway, Inc. (6)	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	2,368	4,200	
		Common stock (10,200 shares)		9/30/2010		14,807	
					36,868	53,507	
					39,368	56,007	1.78%
Commercial Real Estate							
Finance							
10th Street, LLC (5)	Real estate holding company	Senior subordinated loan (\$24,213 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	24,213	24,213	
		Member interest (10.00% interest)		4/1/2010	594	529	
		Option (25,000 units)		4/1/2010	25	25	
					24,832	24,767	
Allied Capital REIT, Inc. (6)	Real estate investment trust	Real estate equity interests		4/1/2010	50	50	
		Real estate equity interests		4/1/2010	325	639	
					375	689	
American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$2,000 par due 12/2025)		4/1/2010	1,611	1,967(15)	
Aquila Binks Forest Development, LLC	Real estate developer	Commercial mortgage loan (\$13,477 par due 12/2014)		4/1/2010	11,900	4,013(15)	
		Real estate equity interests		4/1/2010			

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

				11,900	4,013
Cleveland East Equity, LLC	Hotel operator	Real estate equity interests	4/1/2010	1,026	2,507
Commons R-3, LLC	Real estate developer	Real estate equity interests	4/1/2010		
Crescent Hotels & Resorts, LLC and affiliates (6)	Hotel operator	Senior secured loan (\$433 par due 6/2010)	10.00% 4/1/2010	433	444
		Senior subordinated loan (\$9,071 par due 1/2012)	4/1/2010	1,475	138(15)
		Senior subordinated loan (\$9,399 par due 6/2017)	4/1/2010	2,410	241(15)
		Senior subordinated loan (\$10,967 par due 9/2012)	4/1/2010	2,051	202(15)
		Senior subordinated loan (\$261 par due 3/2013)	4/1/2010	263	9(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	1,073

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Hot Light Brands, Inc. (6)	Real estate holding company	Senior secured loan (\$35,239 par due 2/2011)		4/1/2010	3,945	3,692(15)	
		Common stock (93,500 shares)		4/1/2010			
					3,945	3,692	
NPH, Inc.	Hotel property	Real estate equity interests		4/1/2010	5,291	7,959	
					55,647	46,667	1.48%
Food and Beverage							
Apple & Eve, LLC and US Juice Partners, LLC (5)	Juice manufacturer	Senior secured revolving loan (\$2,000 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	2,000	2,000(16)	
		Senior secured revolving loan (\$2,500 par due 10/2013)	12.00% (Base Rate + 8.00%/Q)	10/5/2007	2,500	2,500(16)	
		Senior secured loan (\$13,325 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	13,325	13,325(16)	
		Senior secured loan (\$14,019 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	14,019	14,019(3)(16)	
		Senior units (50,000 units)		10/5/2007	5,000	3,326	
					36,844	35,170	
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	
		Preferred stock (6,258 shares)		9/1/2006	2,500	1,519	
					10,115	9,134	
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	568	
		Class A-1 common stock (2,157 shares)		4/1/2010			
					980	568	
					47,939	44,872	1.43%
Consumer Products-Durable							
Bushnell Inc.	Sports optics manufacturer	Junior secured loan (\$41,325 par due 2/2014)	7.08% (Libor + 6.50%/Q)	4/1/2010	33,467	37,192	
					33,467	37,192	1.18%
Transportation							
PODS Funding Corp.	Storage and warehousing	Junior subordinated loan (\$37,020 par due 5/2017)	10.50% Cash, 5.00% PIK	11/29/2011	37,020	37,020	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
					37,020	37,020	1.18%
Environmental Services							
AWTP, LLC (6)	Water treatment services	Junior secured loan (\$4,109 par due 6/2015)	5.00% Cash, 5.00% PIK	4/18/2011	4,109	4,109	
		Junior secured loan (\$896 par due 6/2015)	15.00% PIK	4/18/2011	896	623	
		Junior secured loan (\$4,518 par due 6/2015)	15.00% PIK	4/18/2011	4,518	3,142(3)	
		Membership interests (90% interest)		4/18/2011			
					9,523	7,874	
RE Community Holdings II, Inc. and Pegasus Community Energy, LLC.	Operator of municipal recycling facilities	Preferred stock (1,000 shares)	12.50% PIK	3/1/2011	8,311	8,283	
Waste Pro USA, Inc	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	20,540	
					30,097	36,697	1.17%

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

Company(1)	Business Description	Investment	Interest (4)(10)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Oil and Gas							
Geotrace Technologies, Inc.	Reservoir processing, development	Warrants to purchase up to 69,978 shares of common stock		4/1/2010	88		
		Warrants to purchase up to 210,453 shares of preferred stock		4/1/2010	2,805	172	
					2,893	172	
UL Holding Co., LLC	Petroleum product manufacturer	Junior secured loan (\$2,098 par due 12/2012)	9.31% (Libor + 8.88%/Q)	12/24/2007	2,098	2,098	
		Junior secured loan (\$4,073 par due 12/2012)	14.00%	12/24/2007	4,073	4,073	
		Junior secured loan (\$2,000 par due 12/2012)	9.45% (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 (\$2,926 par due 12/2012)	14.00%	12/24/2007	2,926	2,926(2)	
		Junior secured loan (\$835 par due 12/2012)	9.31% (Libor + 8.88%/Q)	12/24/2007	835	835(3)	
		Junior secured loan (\$1,801 par due 12/2012)	14.00%	12/24/2007	1,801	1,801(3)	
		Junior secured loan (\$10,728 par due 12/2012)	9.32% (Libor + 8.88%/Q)	12/24/2007	10,728	10,728(3)	
		Class A common units (8,982 units)		6/17/2011	90	46	
		Class B-4 common units (50,000 units)		4/25/2008	500	255	
		Class B-5 common units (499,000 units)		6/17/2011	4,990	2,541	
		Class C common units (549,491 units)		4/25/2008		2,798	
					35,041	35,101	
					37,934	35,273	1.12%
Chemicals, Plastic and Rubber							
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$3,603 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	3,603	3,603	
		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)	

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

		11/2013)			
		Senior secured loan (\$5,246 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	5,246 5,246(2)
		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)
					35,207 35,207
					35,207 35,207 1.12%
Printing, Publishing and Media					
EarthColor, Inc. (6)	Printing management services	Common stock (89,435 shares)		4/1/2010	
LVCG Holdings LLC (6)	Commercial printer	Membership interests (56.53% interest)		10/12/2007	6,600

Table of Contents

As of December 31, 2011

(dollar amounts in thousands)

				Acquisition	Amortized		Percentage		
Company(1)	Business Description	Investment	Interest (4)(10)	Date	Cost	Fair Value	of Net Assets		
National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$1,141 par due 10/2013)	9.00% (Libor + 6.00%/M)	3/2/2006	1,141	1,027(16)			
		Senior secured revolving loan (\$1,031 par due 10/2013)	9.00% (Base Rate + 5.00%/M)	3/2/2006	1,031	928(16)			
		Senior secured loan (\$20 par due 10/2013)	10.00% (Libor + 6.00% Cash, 1.00% PIK/Q)	3/2/2006	20	18(16)			
		Senior secured loan (\$7,520 par due 10/2013)	10.00% (Libor + 6.00% Cash, 1.00% PIK/Q)	3/2/2006	7,217	6,919(3)(16)			
		Senior secured loan (\$181 par due 10/2013)	10.00% (Base Rate + 5.00% Cash, 1.00% PIK/M)	3/2/2006	174	166(3)(16)			
		Preferred stock (9,344 shares)		3/2/2006	2,000				
					11,583	9,058			
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	Preferred stock (21,711 shares)		9/29/2006	2,171	5,339			
		Common stock (15,393 shares)		9/29/2006	3	13			
							2,174	5,352	
							20,357	14,410	0.46%
Health Clubs									
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$11,500 par due 10/2013)	4.80% (Libor + 4.50%/M)	10/11/2007	11,500	11,270(3)(12)			
							11,500	11,270	0.36%
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	3,151			
							2,500	3,151	0.10%
							\$ 5,108,663	\$ 5,094,506	161.87%

- (1) Other than our investments listed in footnote 6 below, we do not Control any of our portfolio companies, for purposes of 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 (i.e., securities with the right to elect directors) and/or had the power to exercise control over the

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

management or policies of such portfolio company. All of our portfolio company investments, which as of December 31, 2011 represented 162% of the Company's net assets or 95% of the Company's total assets, are subject to legal restrictions on sales.

The investments not otherwise pledged as collateral for the Debt Securitization or the Revolving Funding Facility (each as defined in Note 5 to the consolidated financial statements) 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 in Note 5 to the consolidated financial statements) (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 consolidated 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) Investments without an interest rate are non-income producing.
- (5) As defined in the Investment Company Act, we are deemed to be an "Affiliated Person" of a 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 year ended December 31, 2011 in which the issuer was an Affiliated company (but not a portfolio company that we "Control") are as follows:

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

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	\$	\$	\$	\$ 3,096	\$	\$	\$	\$	\$ (48)
Apple & Eve, LLC and US Juice Partners, LLC	\$ 5,500	\$ 3,918	\$	\$ 3,478	\$	\$	\$ 35	\$	\$ (1,709)
BB&T Capital Partners/Windsor Mezzanine Fund, LLC	\$	\$ 2,640	\$ 9,260	\$	\$	\$	\$	\$ 3,902	\$ (3,804)
Carador, PLC	\$	\$	\$ 9,033	\$	\$	\$ 160	\$	\$ (2,989)	\$ 3,700
Campus Management Corp. and Campus Management Acquisition Corp.	\$ 571	\$	\$	\$	\$	\$	\$	\$	\$ (3,308)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$ 75	\$ 8,763	\$ 943	\$	\$ 2,590	\$	\$ 1,561	\$ (1,364)
Direct Buy Holdings, Inc. and Direct Buy Investors, LP	\$ 38,800	\$ 80,315	\$ 40,695	\$ 2,637	\$	\$	\$	\$ (17,661)	\$ (9,356)
Driven Brands, Inc.	\$	\$ 3,569	\$ 4,939	\$ 255	\$	\$	\$	\$ 4,510	\$ (1,473)
DSI Renal, Inc.	\$	\$ 77,774	\$ 19,684	\$ 7,919	\$	\$	\$ 33	\$ 27,522	\$ (21,565)
The Dwyer Group	\$	\$	\$ 11,708	\$ 3,479	\$	\$ 1,135	\$	\$	\$ 2,598
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation	\$ 137,200	\$ 135,661	\$	\$ 1,056	\$	\$ 203	\$ 22	\$	\$ (1,046)
Firstlight Financial Corporation	\$	\$ 2,988	\$	\$ 681	\$	\$	\$ 250	\$ 12	\$ 16,197
Growing Family, Inc. and GFH Holdings, LLC	\$	\$ 34	\$ 10,296	\$ 615	\$	\$	\$ 13	\$ (1,545)	\$ 5,991
Industrial Container Services, LLC	\$ 3,304	\$ 8,491	\$ 1,800	\$ 69	\$	\$	\$ 109	\$ 19,881	\$ (13,403)
Insight Pharmaceuticals Corporation	\$ 24,730	\$ 56,080	\$	\$ 4,424	\$ 730	\$	\$ 765	\$	\$ 4,944
Investor Group Services, LLC	\$ 500	\$ 500	\$	\$ 3	\$	\$ 206	\$ 9	\$	\$ 295
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 462
Pillar Processing LLC and PHL Holding Co.	\$	\$ 12,450	\$	\$ 1,584	\$	\$	\$ 147	\$	\$ (12,628)
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	\$	\$ 1,419	\$	\$ 321	\$	\$	\$	\$ 72	\$ 12
VSS-Tranzact Holdings, LLC	\$ 867	\$	\$	\$	\$	\$	\$	\$	\$ (6,275)
Universal Environmental Services, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$
Universal Trailer Corporation	\$	\$	\$ 7,930	\$	\$	\$	\$	\$ (7,930)	\$ 7,930

- (6) As defined in the Investment Company Act, we are deemed to be both an Affiliated Person and to 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, 2011 in which the issuer was both an Affiliated company and a portfolio company that we are deemed to 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	\$	\$ 36	\$	\$	\$	\$ 10	\$	\$	\$ (37)
Allied Capital REIT, Inc.	\$ 325	\$ 115	\$	\$	\$	\$	\$	\$ 585	\$ (255)
AllBridge Financial, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (1,379)

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Aviation Properties Corporation													
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
AWTP, LLC	\$	2,926	\$	\$	751	\$	\$	\$	\$	(1,648)			
BenefitMall Holdings, Inc.	\$	\$	\$	\$	7,360	\$	\$	500	\$	9,541			
Border Foods, Inc.	\$	\$	28,526	\$	34,818	\$	\$	\$	5,174	\$	3,601		
Callidus Capital Corporation	\$	6,000	\$	3,000	\$	\$	\$	\$	\$	(2,470)			
Ciena Capital LLC	\$	\$	\$	\$	3,549	\$	\$	\$	\$	(27,011)			
Citipostal, Inc.	\$	2,850	\$	2,802	\$	7,356	\$	\$	353	\$	(10,960)		
Coverall North America, Inc.	\$	\$	30,907	\$	\$	642	\$	\$	\$	(12,334)	\$	7,624	
Crescent Hotels & Resorts, LLC and affiliates													
	\$	\$	\$	\$	213	\$	\$	\$	\$	\$	(2,666)		
EarthColor, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
HCI Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	(263)		
HCP Acquisition Holdings, LLC													
	\$	1,048	\$	\$	\$	\$	\$	\$	\$	\$	(1,196)		
Hot Light Brands, Inc.	\$	\$	929	\$	\$	\$	\$	\$	\$	\$	(8)		
Huddle House Inc.	\$	\$	\$	\$	3,123	\$	\$	\$	750	\$	2,129		
Industrial Air Tool, LP and affiliates													
	\$	\$	\$	13,419	\$	\$	1,170	\$	185	\$	581	(1,517)	
Ivy Hill Asset Management, L.P.													
	\$	9,419	\$	\$	\$	\$	19,048	\$	\$	\$	48,943		
Ivy Hill Middle Market Credit Fund, Ltd.													
	\$	\$	\$	\$	4,879	\$	\$	\$	\$	\$	1,899		
Knightsbridge CLO 2007-1 Ltd.													
	\$	\$	\$	14,852	\$	1,019	\$	\$	\$	3,724	\$	307	
Knightsbridge CLO 2008-1 Ltd.													
	\$	\$	36,996	\$	\$	2,568	\$	\$	\$	1,254	\$	3,108	
LVCG Holdings, LLC													
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
Making Memories Wholesale, Inc.													
	\$	1,750	\$	345	\$	34	\$	\$	2	\$	(7,090)		
MVL Group, Inc.													
	\$	\$	\$	\$	8,452	\$	\$	\$	\$	\$	(2,525)		
Orion Foods, LLC													
	\$	3,300	\$	330	\$	10,265	\$	\$	811	\$	(6,832)		
Penn Detroit Diesel Allison, LLC													
	\$	\$	4,077	\$	15,993	\$	\$	\$	500	\$	18,388	(1,987)	
Reflexite Corporation													
	\$	\$	9,281	\$	27,435	\$	1,130	\$	\$	39	\$	40,923	(3,088)
Senior Secured Loan Fund LLC*													
	\$	496,816	\$	\$	\$	118,420	\$	41,592	\$	13,307	\$	688	
Stag-Parkway, Inc.													
	\$	\$	\$	\$	4,372	\$	\$	925	\$	249	\$	780	
Startec Equity, LLC													
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
The Thymes, LLC													
	\$	\$	1,162	\$	\$	\$	\$	490	\$	\$	\$	945	

* 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP (even though these voting securities do not afford the Company the right to elect directors of the SSLP or any other special rights), the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise).

Table of Contents

- (7) 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.
- (8) 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.
- (9) 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 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 provided a comment letter in respect of the Concept Release and 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) and subsequent discussions with the Staff, 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.
- (10) 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.
- (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 5.00% on \$18 million aggregate principal amount outstanding 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 \$12 million aggregate principal amount outstanding of the portfolio company's senior term debt previously syndicated by us.
- (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 4.00% on \$45 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 1.25% on \$74 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 December 31, 2011.
- (16) Loan includes interest rate floor feature.
- (17) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates 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.

Table of Contents**ARES CAPITAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****For the Nine Months Ended September 30, 2012****(in thousands, except per share data)****(unaudited)**

	Common Stock		Capital in		Accumulated		Accumulated		Net Unrealized		Total	
	Shares	Amount	Excess of	Par Value	Overdistributed	Net Investment	Extinguishment of	Foreign Currency	Gain (Loss) on	Investments	Stockholders	Equity
Balance at December 31, 2011	205,130	\$ 205	\$	3,390,354	\$	(10,449)	\$	(218,688)	\$	(14,157)	\$	3,147,265
Issuance of common stock in add-on offerings (net of offering and underwriting costs)	42,297	42		679,745								679,787
Shares issued in connection with dividend reinvestment plan	888	1		14,633								14,634
Issuance of the Convertible Notes (see Note 5)				4,725								4,725
Net increase in stockholders' equity resulting from operations					254,399		(21,579)		100,214			333,034
Dividends declared (\$1.17 per share)					(270,719)							(270,719)
Balance at September 30, 2012	248,315	\$ 248	\$	4,089,457	\$	(26,769)	\$	(240,267)	\$	86,057	\$	3,908,726

See accompanying notes to consolidated financial statements.

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

(in thousands)

	For the nine months ended	
	September 30, 2012	September 30, 2011
	(unaudited)	(unaudited)
OPERATING ACTIVITIES:		
Net increase in stockholders' equity resulting from operations	\$ 333,034	\$ 201,328
Adjustments to reconcile net increase in stockholders' equity resulting from operations:		
Realized losses from extinguishment of debt	2,678	19,318
Net realized (gains) losses on investments	18,901	(105,004)
Net unrealized (gains) losses on investments	(100,214)	74,302
Net accretion of discount on investments	(10,393)	(11,188)
Increase in accrued payment-in-kind interest and dividends	(19,436)	(25,522)
Collections of payment-in-kind interest and dividends	7,835	51,213
Amortization of debt issuance costs	9,730	9,653
Accretion of discount on notes payable	8,203	8,570
Depreciation	601	674
Proceeds from sales and repayments of investments	1,309,054	1,911,497
Purchases of investments	(2,101,964)	(2,369,031)
Changes in operating assets and liabilities:		
Interest receivable	(16,103)	(11,831)
Other assets	8,295	(5,751)
Management and incentive fees payable	19,223	31,446
Accounts payable and accrued expenses	(1,133)	2,459
Interest and facility fees payable	(4,562)	(791)
Net cash used in operating activities	(536,251)	(218,658)
FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	679,787	
Borrowings on debt	2,117,100	2,018,888
Repayments and repurchases of debt	(1,981,531)	(1,570,356)
Debt issuance costs	(38,052)	(24,180)
Dividends paid	(256,372)	(203,300)
Net cash provided by financing activities	520,932	221,052
CHANGE IN CASH AND CASH EQUIVALENTS	(15,319)	2,394
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	120,782	100,752
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 105,463	\$ 103,146
Supplemental Information:		
Interest paid during the period	\$ 86,680	\$ 66,098
Taxes, including excise tax, paid during the period	\$ 9,355	\$ 8,818
Dividends declared during the period	\$ 270,719	\$ 215,005

See accompanying notes to consolidated financial statements.

Table of Contents

ARES CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2012

(unaudited)

(in thousands, except per share data, percentages and as otherwise indicated;

for example, with the words million, billion or otherwise)

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, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act). The Company has elected to be treated as a regulated investment company, or 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.

On April 1, 2010, we consummated our 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). 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.

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 historically made and controlled portfolio company equity investments, became part of our portfolio.

We are externally managed by Ares Capital Management LLC (Ares Capital Management or our investment adviser), a wholly owned subsidiary 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 our administrator), a wholly owned subsidiary of Ares Management, provides the administrative services necessary for us to operate.

Interim financial statements are prepared in accordance with United States generally accepted accounting principles (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 presented, 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, 2012.

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 consolidated subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications that, 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.

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.

Table of Contents

Investments

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized.

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, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12 month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 50% of our portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, our independent accountants review our valuation process as part of their overall integrated audit.

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 (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), 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 any similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider 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, as described herein. 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 could 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 unrealized gains or losses reflected in the valuations currently assigned.

Our board of directors undertakes a multi-step valuation process each quarter, as described below:

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

- 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 our investment adviser's management and investment professionals, and then valuation recommendations are presented to our board of directors.
- The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, with respect to the valuations of a minimum of 50% of our portfolio at fair value.
- Our board of directors discusses valuations and ultimately determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on, among other things, the input of our investment adviser, audit committee and, where applicable, independent third-party valuation firms.

See Note 7 for more information on our valuation process.

Table of Contents

Interest and Dividend Income Recognition

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to 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 and unpaid 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.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

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.

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 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 include 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.

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) Fair 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 fluctuations 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.

Table of Contents

Equity Offering Expenses

The Company's offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the related debt instrument 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. To qualify as a RIC, the Company must, among other things, timely distribute to its stockholders at least 90% of its 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 from such income 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 such taxable income is earned.

Certain of our consolidated subsidiaries are also subject to U.S. federal and state income taxes.

Dividends to Common Stockholders

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by our board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed, 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

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

shares of our common stock, rather than receiving the cash dividend. We intend to use primarily newly issued shares to implement the dividend reinvestment plan (so long as we are trading at a premium to net asset value). 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. However, we reserve the right to issue new shares of our common stock in connection with our obligations under the dividend reinvestment plan even if our shares are trading below net asset value.

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 May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 was issued concurrently with International Financial Reporting Standards No. 13 (IFRS 13), Fair Value Measurements, to provide largely identical guidance about fair value measurement and disclosure requirements as is currently required under ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820). The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or GAAP. For GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. ASU 2011-04 eliminates the concepts of in-use and in-exchange when measuring fair value of all financial instruments. For Level 3 fair value measurements, the ASU requires that our disclosure include quantitative information about significant unobservable inputs, a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and the interrelationship between inputs, and a description of our valuation process. Public companies are required to apply ASU 2011-04 prospectively for interim and annual periods beginning after December 15, 2011. The Company has evaluated the impact of the adoption of ASU 2011-04 on its financial statements and disclosures and determined the adoption of ASU 2011-04 has had no material effect on the Company's financial condition and results of operations. See Note 7 for the disclosure required by ASU 2011-04.

Table of Contents

3. AGREEMENTS

Investment Advisory and Management Agreement

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 and management 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.

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. The first 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 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. Our 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, unrealized capital appreciation, unrealized capital depreciation or income tax expense related to realized gains. 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/or 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 1.75% per quarter. If market credit spreads rise, we may be able to invest our funds in debt instruments that provide for a higher return, which may 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. To the extent we have retained pre-incentive fee net investment income that has been used to calculate this part of the incentive fee, it 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 our 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 our 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 2.1875% 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 2.1875%) 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 exceeded 2.1875% in any calendar quarter; and
- 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

Table of Contents

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 (the date we completed our initial public offering). Realized capital gains and losses include gains and losses on investments and foreign currencies, as well as gains and losses on extinguishment of debt and other assets. 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. 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.

Notwithstanding the foregoing, as a result of an amendment to the capital gains portion of the incentive fee under the investment advisory and management agreement that was adopted on June 6, 2011, if we are required by GAAP to record an investment at its fair value as of the time of acquisition instead of at the actual amount paid for such investment by us (including, for example, as a result of the application of the acquisition method of accounting), then solely for the purposes of calculating the Capital Gains Fee, the accreted or amortized cost basis of an investment shall be an amount (the "Contractual Cost Basis") equal to (1) (x) the actual amount paid by the Company for such investment plus (y) any amounts recorded in the Company's financial statements as required by GAAP that are attributable to the accretion of such investment plus (z) any other adjustments made to the cost basis included in the Company's financial statements, including payment-in-kind interest or additional amounts funded (net of repayments) minus (2) any amounts recorded in the Company's financial statements as required by GAAP that are attributable to the amortization of such investment, whether such calculated Contractual Cost Basis is higher or lower than the fair value of such investment (as determined in accordance with GAAP) at the time of acquisition.

We defer cash payment of any incentive fee otherwise earned by our 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 7.0% of our net assets (defined as total assets less indebtedness) at the beginning of such period. Any deferred incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the investment advisory and management agreement.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

The Capital Gains Fee due to our investment adviser as calculated under the investment advisory and management agreement (as described above) for the three and nine months ended September 30, 2012 was \$0. However, in accordance with GAAP, the Company has cumulatively accrued a capital gains incentive fee of \$64,683 as of September 30, 2012. GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the Capital Gains Fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual Capital Gains Fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future.

For the three and nine months ended September 30, 2012, base management fees were \$22,316 and \$63,113, respectively, incentive fees related to pre-incentive fee net investment income were \$24,720 and \$67,532, respectively, and incentive fees related to capital gains accrued in accordance with GAAP were \$9,419 and \$15,726, respectively.

Table of Contents

As of September 30, 2012, \$111,719 was included in management and incentive fees payable in the accompanying consolidated balance sheet, of which \$47,036 is currently payable to the Company's investment adviser under the investment advisory and management agreement.

For the three and nine months ended September 30, 2011, base management fees were \$18,317 and \$52,461, respectively, incentive fees related to pre-incentive fee net investment income were \$21,703 and \$54,631, respectively, and incentive fees related to capital gains accrual in accordance with GAAP were \$(11,544) and \$28,215, respectively.

Administration Agreement

We are party to an 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 at our office facilities. Under the administration agreement, Ares Operations also performs, or oversees the performance of, our required administrative services, which include, among other things, providing assistance in accounting, legal, compliance, operations, technology, and investor relations, 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 our administration agreement are equal to an amount based upon our allocable portion of Ares Operations' overhead and other expenses (including travel expenses) incurred by Ares Operations in performing its obligations under the administration agreement, including our allocable portion of the compensation of certain of our officers (including our chief compliance officer, chief financial officer, general counsel, treasurer and assistant treasurer) 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 nine months ended September 30, 2012, we incurred \$2,269 and \$6,806, respectively, in administrative fees. For the three and nine months ended September 30, 2011, we incurred \$2,017 and \$6,901, respectively, in administrative fees. As of September 30, 2012, \$2,269 of these fees were unpaid and included in accounts payable and other liabilities in the accompanying consolidated balance sheet.

4. INVESTMENTS

As of September 30, 2012 and December 31, 2011, investments consisted of the following:

	September 30, 2012		December 31, 2011	
	Amortized Cost(1)	Fair Value	Amortized Cost(1)	Fair Value
Senior term debt	\$ 3,486,552	\$ 3,465,542	\$ 2,691,018	\$ 2,671,114
Subordinated Certificates of the SSLP(2)	1,194,950	1,229,950	1,034,254	1,059,178
Senior subordinated debt	489,201	441,320	592,618	515,014
Collateralized loan obligations	25,000	24,750	55,515	54,000

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Preferred equity securities	234,197	249,547	251,192	251,064
Other equity securities	412,820	513,654	463,861	527,002
Commercial real estate	7,388	11,402	20,205	17,134
Total	\$ 5,850,108	\$ 5,936,165	\$ 5,108,663	\$ 5,094,506

(1) The amortized cost represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

(2) The proceeds from these certificates were applied to co-investments with GE Global Sponsor Finance LLC and General Electric Capital Corporation to fund first lien senior secured loans to 37 and 32 different borrowers as of September 30, 2012 and December 31, 2011, respectively.

Table of Contents

The industrial and geographic compositions of our portfolio at fair value at September 30, 2012 and December 31, 2011 were as follows:

	September 30, 2012	As of December 31, 2011
Industry		
Investment Funds and Vehicles(1)	22.5%	23.6%
Healthcare Services	9.5	13.4
Education	8.4	11.2
Other Services	8.4	2.5
Restaurants and Food Services	7.0	6.8
Consumer Products	6.8	5.4
Business Services	6.2	6.6
Financial Services	5.9	6.4
Automotive Services	4.3	1.1
Containers and Packaging	3.9	4.5
Manufacturing	3.4	2.8
Energy	3.0	1.3
Aerospace and Defense	1.8	3.6
Telecommunications	1.5	2.0
Grocery	1.4	1.9
Other	6.0	6.9
Total	100.0%	100.0%

(1) Includes our investment in the SSLP (as defined below), which had made first lien senior secured loans to 37 and 32 different borrowers as of September 30, 2012 and December 31, 2011, respectively. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

	September 30, 2012	As of December 31, 2011
Geographic Region		
West	47.3%	48.4%
Midwest	18.1	14.5
Southeast	17.1	21.2
Mid Atlantic	12.7	12.8
Northeast	2.5	1.7
International	2.3	1.4
Total	100.0%	100.0%

As of September 30, 2012, 2.6% of total investments at amortized cost (or 1.0% of total investments at fair value) were on non-accrual status. As of December 31, 2011, 3.3% of total investments at amortized cost (or 0.9% of total investments at fair value) were on non-accrual status.

Senior Secured Loan Program

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

The Company co-invests in first lien senior secured loans of middle market companies with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, "GE") through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a the "Senior Secured Loan Program") or 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The Company provides capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

As of September 30, 2012 and December 31, 2011, the SSLP had available capital of approximately \$7.7 billion, of which approximately \$5.9 billion and \$5.0 billion in aggregate principal amount was funded at September 30, 2012 and December 31, 2011, respectively. As of September 30, 2012 and December 31, 2011, the Company had agreed to make available to the SSLP \$1,487,500, of which \$282,001 and \$442,523 was unfunded, respectively.

Table of Contents

As of September 30, 2012 and December 31, 2011, the SSLP had total assets of \$5.9 billion and \$5.0 billion, respectively. GE's investment in the SSLP consisted of senior notes of \$4.6 billion and \$3.8 billion and SSLP Certificates of \$172 million and \$149 million at September 30, 2012 and December 31, 2011, respectively. The SSLP Certificates are junior in right of payment to the senior notes. The Company owned 87.5% of the outstanding SSLP Certificates as of September 30, 2012 and December 31, 2011 and GE owned the remainder. The SSLP's portfolio consisted of first lien senior secured loans to 37 and 32 different borrowers as of September 30, 2012 and December 31, 2011, respectively. As of September 30, 2012 and December 31, 2011, the portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies and none of these loans was on non-accrual status. As of September 30, 2012 and December 31, 2011, the largest loan to a single borrower in the SSLP's portfolio in aggregate principal amount was \$294.4 million and the five largest loans to borrowers in the SSLP totaled \$1.4 billion. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

The amortized cost and fair value of the SSLP Certificates held by the Company was \$1,194,950 and \$1,229,950, respectively, as of September 30, 2012, and \$1,034,254 and \$1,059,178, respectively, as of December 31, 2011. The SSLP Certificates pay a weighted average coupon of approximately LIBOR plus 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return greater than the contractual coupon. The Company's yield on its investment in the SSLP at fair value was 15.5% and 15.7% as of September 30, 2012 and December 31, 2011, respectively. For the three and nine months ended September 30, 2012, the Company earned interest income of \$47,457 and \$135,200, respectively, in respect of its SSLP investment. For the three and nine months ended September 30, 2011, the Company earned interest income of \$30,749 and \$81,073, respectively, in respect of its SSLP investment. The Company is also entitled to certain fees in connection with the SSLP.

Effective March 30, 2012, Ares Capital Management assumed from the Company the role of co-manager of the SSLP. However, this change did not impact the Company's economics in respect of its participation in the SSLP and Ares Capital Management does not receive any remuneration in respect of its co-manager role.

5. DEBT

In accordance with the Investment Company Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the Investment Company Act, is at least 200% after such borrowing. As of September 30, 2012 our asset coverage for borrowed amounts was 277%.

The Company's outstanding debt obligations as of September 30, 2012 and December 31, 2011 were as follows:

	September 30, 2012			As of December 31, 2011		
	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	\$ 900,000(2) 620,000(3)	\$ 50,000 407,000	\$ 50,000 407,000	\$ 810,000 500,000	\$ 395,000 463,000	\$ 395,000 463,000

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Revolving Funding

Facility

SMBC Funding

Facility	400,000	133,000	133,000			
Debt Securitization				77,531	77,531	77,531
February 2016						
Convertible Notes	575,000	575,000	546,628(4)	575,000	575,000	541,152(4)
June 2016 Convertible						
Notes	230,000	230,000	218,036(4)	230,000	230,000	215,931(4)
2017 Convertible Notes	162,500	162,500	158,092(4)			
February 2022 Notes	143,750	143,750	143,750			
October 2022 Notes	175,000	175,000	175,000			
2040 Notes	200,000	200,000	200,000	200,000	200,000	200,000
2047 Notes	230,000	230,000	181,144(5)	230,000	230,000	180,988(5)
	\$ 3,636,250	\$ 2,306,250	\$ 2,212,650	\$ 2,622,531	\$ 2,170,531	\$ 2,073,602

(1) Subject to borrowing base and leverage restrictions. Represents the total aggregate amount committed or outstanding, as applicable, under such instrument.

Table of Contents

(2) Provides for a feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,350,000 as of September 30, 2012.

(3) Provides for a feature that allows the Company and Ares Capital CP, under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865,000 as of September 30, 2012.

(4) Represents the aggregate principal amount outstanding of the Convertible Notes (as defined below) less the unaccreted discount initially recorded upon issuance of the Convertible Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes was \$28,372, \$11,964 and \$4,408, respectively, as of September 30, 2012. The total unaccreted discount for the February 2016 Convertible Notes and the June 2016 Convertible Notes was \$33,848 and \$14,069, respectively, at December 31, 2011.

(5) Represents the aggregate principal amount outstanding less the unaccreted purchased discount. The total unaccreted purchased discount on the 2047 Notes was \$48,856 and \$49,012 as of September 30, 2012 and December 31, 2011, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our outstanding debt as of September 30, 2012 were 5.2% and 10.1 years, respectively, and as of December 31, 2011 were 4.8% and 9.3 years, respectively.

Revolving Credit Facility

In December 2005, the Company entered into a senior secured revolving credit facility (as amended and restated, the Revolving Credit Facility), which as of September 30, 2012, allowed the Company to borrow up to \$900,000 at any one time outstanding. In May 2012, the Company amended and restated the Revolving Credit Facility to, among other things, increase the size of the facility from \$810,000 to \$900,000, extend the expiration of the revolving period from January 22, 2013 to May 4, 2015 and extend the stated maturity date from January 22, 2013 to May 4, 2016. The Revolving Credit Facility also includes a feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$1,350,000. The Revolving Credit Facility generally requires payments of interest at the end of each LIBOR interest period, but no less frequently than quarterly, on LIBOR based loans, and monthly payments of interest on other loans. From the end of the revolving period to the stated maturity date, the Company is required to repay outstanding principal amounts under the Revolving Credit Facility on a monthly basis in an amount equal to 1/12th of the outstanding principal amount at the end of the revolving period.

Under the Revolving Credit Facility, the Company is required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of the Company and its consolidated subsidiaries of not less than 2.0:1.0, (f) limitations on pledging certain unencumbered assets, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the documents governing the Revolving Credit Facility. Borrowings under the Revolving Credit Facility (and the incurrence of certain other permitted debt) are also subject to compliance with a

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

borrowing base that applies different advance rates to different types of assets in our portfolio that are pledged as collateral. As of September 30, 2012, the Company was in compliance in all material respects with the terms of the Revolving Credit Facility.

As of September 30, 2012, and December 31, 2011, there was \$50,000 and \$395,000 outstanding, respectively, under the Revolving Credit Facility. The Revolving Credit Facility also provides for a sub-limit for the issuance of letters of credit for up to an aggregate amount of \$125,000. As of September 30, 2012, and December 31, 2011, the Company had \$43,894 and \$47,249, respectively, in standby letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any standby letters of credit issued. As of September 30, 2012, there was \$806,106 available for borrowing (net of standby letters of credit issued) under the Revolving Credit Facility.

After May 4, 2012, subject to certain exceptions, the interest rate charged on the Revolving Credit Facility is based on LIBOR plus an applicable spread of 2.25% or a base rate (as defined in the agreements governing the Revolving Credit Facility) plus an applicable spread of 1.25%. Prior to May 4, 2012, the interest rate charged on the Revolving Credit Facility was based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on a 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 ratings. As of September 30, 2012, the one, two, three and six month LIBOR was 0.21%, 0.29%, 0.36% and 0.64%, respectively. As of December 31, 2011, the one, two, three and six month LIBOR was 0.30%, 0.43%, 0.58% and 0.81%, respectively. In addition to the stated interest expense on the Revolving Credit Facility, after May 4, 2012, the Company is required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility and a letter of credit fee of 2.50% per annum on letters of credit issued, both of which are payable quarterly. Prior to May 4, 2012, the commitment fee was 0.50%, and the letter of credit fee was 3.25%.

Table of Contents

The Revolving Credit Facility is secured by certain assets in our portfolio and excludes investments held by Ares Capital CP under the Revolving Funding Facility, those held by ACJB under the SMBC Funding Facility and prior to the termination of the Debt Securitization, those previously held as part of the Debt Securitization, each as discussed below, and certain other investments.

The components of interest and credit facility fees expense, cash paid for interest expense, average interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Credit Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Stated interest expense	\$ 1,556	\$ 2,161	\$ 3,485	\$ 2,383
Facility fees	882	839	3,160	2,957
Amortization of debt issuance costs	802	1,640	3,405	4,873
Total interest and credit facility fees expense	\$ 3,240	\$ 4,640	\$ 10,050	\$ 10,213
Cash paid for interest expense	\$ 1,917	\$ 2,161	\$ 3,997	\$ 2,724
Average stated interest rate	2.53%	3.48%	2.80%	3.43%
Average outstanding balance	\$ 240,511	\$ 248,579	\$ 164,770	\$ 92,558

Revolving Funding Facility

In October 2004, the Company established through its consolidated subsidiary, Ares Capital CP Funding LLC (Ares Capital CP), a revolving funding facility (as amended, the Revolving Funding Facility), which as of September 30, 2012, allowed Ares Capital CP to borrow up to \$620,000 at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the Company's membership interest in, Ares Capital CP. In June 2012, the Company and Ares Capital CP amended the Revolving Funding Facility to, among other things, (i) increase the size of the Revolving Funding Facility from \$500,000 to \$580,000, (ii) add a feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$865,000, (iii) extend the reinvestment period from January 18, 2015 to April 18, 2015, and (iv) extend the stated maturity date from January 18, 2017 to April 18, 2017. In July 2012, the Company and Ares Capital CP received an increase in the commitments under the Revolving Funding Facility of \$40,000, bringing the total commitments to \$620,000.

Amounts available to borrow under the Revolving Funding Facility are subject to a borrowing base that applies different advance rates to different types of assets held by Ares Capital CP. Ares Capital CP is also subject to limitations with respect to the loans securing the Revolving Funding Facility, including restrictions on sector concentrations, loan size, payment frequency and status, collateral interests, loans with fixed rates and loans with certain investment ratings, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow. The Company and Ares Capital CP are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the Revolving Funding Facility. As of September 30, 2012, the Company and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

As of September 30, 2012 and December 31, 2011, there was \$407,000 and \$463,000 outstanding, respectively, under the Revolving Funding Facility. After a January 18, 2012 amendment to the Revolving Funding Facility, the interest rate charged on the Revolving Funding Facility is based on LIBOR plus an applicable spread of 2.50% or on a base rate (as defined in the agreements governing the Revolving Funding Facility) plus an applicable spread of 1.50%. Prior to January 18, 2012, the interest rate charged on the Revolving Funding Facility, subject to certain exceptions, was based on LIBOR plus an applicable spread of between 2.25% and 3.75% or on a base rate plus an applicable spread of between 1.25% to 2.75%, in each case, based on a pricing grid depending upon the Company's credit ratings. As of September 30, 2012 and December 31, 2011, the interest rate in effect was based on one month LIBOR of 0.21% and 0.30%, respectively. Ares Capital CP is also required to pay a commitment fee of between 0.50% and 1.75% depending on the size of the unused portion of the Revolving Funding Facility.

Table of Contents

The components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Funding Facility were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Stated interest expense	\$ 2,657	\$ 2,804	\$ 8,528	\$ 3,929
Facility fees	300	37	535	2,178
Amortization of debt issuance costs	496	545	1,273	1,613
Total interest and credit facility fees expense	\$ 3,453	\$ 3,386	\$ 10,336	\$ 7,720
Cash paid for interest expense	\$ 2,696	\$ 448	\$ 9,322	\$ 3,477
Average stated interest rate	2.74%	3.03%	2.78%	3.00%
Average outstanding balance	\$ 380,087	\$ 370,667	\$ 405,358	\$ 174,649

SMBC Funding Facility

In January 2012, the Company established through its consolidated subsidiary, Ares Capital JB Funding LLC (ACJB), a revolving funding facility (as amended, the SMBC Funding Facility) with ACJB, as the borrower, Sumitomo Mitsui Banking Corporation (SMBC), as the administrative agent, collateral agent, and lender, which as of September 30, 2012 allowed ACJB to borrow up to \$400,000 at any one time outstanding. In September 2012, the Company and ACJB amended the SMBC Funding Facility to, among other things, (i) increase the size of the SMBC Funding Facility from \$200,000 to \$400,000, (ii) extend the reinvestment period from January 20, 2015 to September 14, 2015 and (iii) extend the stated maturity date from January 20, 2020 to September 14, 2020. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement.

Amounts available to borrow under the SMBC Funding Facility are subject to a borrowing base that applies different advance rates to assets held by ACJB. The Company and ACJB are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the SMBC Funding Facility. As of September 30, 2012, the Company and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

As of September 30, 2012, there was \$133,000 outstanding under the SMBC Funding Facility. Subject to certain exceptions, the interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.125% or a base rate (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.125%. As of September 30, 2012, one-month LIBOR was 0.21%. Prior to July 20, 2012, there was no commitment fee required to be paid. Beginning on July 20, 2012, ACJB was required to pay a commitment fee of 0.50% depending on the size of the unused portion of the SMBC Funding Facility. As a result of the September 2012 amendment to the SMBC Funding Facility described above, ACJB is no longer required to pay a commitment fee until September 15, 2013, at which time ACJB will be required to pay a commitment fee of 0.50% depending on the size of the unused portion of the SMBC Funding Facility.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

The components of interest and credit facility fees expense, cash paid for interest expense, average interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the SMBC Funding Facility were as follows:

	For the three months ended September 30, 2012		For the nine months ended September 30, 2012	
Stated interest expense	\$	791	\$	1,317
Amortization of debt issuance costs		184		451
Total interest and credit facility fees expense	\$	975	\$	1,768
Cash paid for interest expense	\$	785	\$	1,196
Average stated interest rate		2.39%		2.39%
Average outstanding balance	\$	129,663	\$	73,063

Debt Securitization

In July 2006, through ARCC Commercial Loan Trust 2006, a vehicle serviced by the Company's consolidated subsidiary, ARCC CLO 2006 LLC (ARCC CLO), the Company completed a \$400,000 debt securitization (the Debt Securitization) and issued approximately \$314,000 aggregate principal amount of asset backed notes to third parties (the CLO Notes) that were secured by a pool of middle market loans that were purchased or originated by the Company. The Company initially retained approximately \$86,000 of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization and subsequently repurchased \$34,790 of the CLO Notes. In June 2012, the Company repaid in full the \$60,049 aggregate principal amount outstanding of the CLO Notes and terminated or discharged the agreements governing the Debt Securitization.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Class	September 30, 2012		As of		December 31, 2011	
	Amount	LIBOR Spread (basis points)	Amount	LIBOR Spread (basis points)	Amount	LIBOR Spread (basis points)
A-1A	\$		\$	4,896		25
A-1A VFN				12,520		28
A-1B				14,000		37
A-2B				13,905		35
B				9,000		43
C				23,210		70
Total	\$		\$	77,531		

The interest charged under the Debt Securitization was based on three month LIBOR, which as of December 31, 2011 was 0.56%. The blended interest rate charged on the CLO Notes, excluding fees, at December 31, 2011, was approximately three month LIBOR plus 45 basis points. The Company was also required to pay a commitment fee of 0.175% for any unused portion of the Class A-1A VFN Notes through June 17, 2011, the end of the reinvestment period, which is included in facility fees below.

In connection with the repayment in full of the CLO Notes ahead of their scheduled maturities, the remaining unamortized debt issuance costs related to the CLO Notes of \$2,678 were expensed and recorded as a realized loss on extinguishment of debt in the accompanying consolidated statement of operations.

The components of interest and credit facility fees expense, cash paid for interest expense, average interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Debt Securitization were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Stated interest expense	\$	\$ 219	\$ 321	\$ 709
Facility fees				25
Amortization of debt issuance costs		89	179	266
Total interest and credit facility fees expense	\$	\$ 308	\$ 500	\$ 1,000
Cash paid for interest expense	\$	\$ 222	\$ 347	\$ 722
Average stated interest rate	%	0.66%	1.00%	0.67%
Average outstanding balance	\$	\$ 132,759	\$ 42,516	\$ 141,450

Unsecured Notes

Convertible Notes

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In January 2011, we issued \$575,000 aggregate principal amount of unsecured convertible senior notes that mature on February 1, 2016 (the February 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2011, we issued \$230,000 aggregate principal amount of unsecured convertible senior notes that mature on June 1, 2016 (the June 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2012, we issued \$162,500 aggregate principal amount of unsecured convertible senior notes that mature on March 15, 2017 (the 2017 Convertible Notes) and together with the February 2016 Convertible Notes and the June 2016 Convertible Notes, the Convertible Notes), unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes bear interest at a rate of 5.75%, 5.125% and 4.875%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at their respective conversion rates (listed below as of September 30, 2012) subject to customary anti-dilution adjustments and the requirements of their respective indentures (the Convertible Notes Indentures). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Notes only under certain circumstances set forth in the Convertible Notes Indentures. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Notes Indenture, holders of the Convertible Notes may require us to repurchase for cash all or part of the Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Certain key terms related to the convertible features for each of the Convertible Notes are listed below.

	February 2016 Convertible Notes		June 2016 Convertible Notes		2017 Convertible Notes	
Conversion premium		17.5%		17.5%		17.5%
Closing stock price at issuance	\$	16.28	\$	16.20	\$	16.46
Closing stock price date		January 19, 2011		March 22, 2011		March 8, 2012
Conversion price as of September 30, 2012	\$	18.98	\$	18.89	\$	19.27
Conversion rate as of September 30, 2012 (shares per one thousand dollar principal amount)		52.6899		52.9501		51.8841
Conversion dates		August 15, 2015		December 15, 2015		September 15, 2016

As of September 30, 2012, the principal amounts of each series of the Convertible Notes exceeded the value of the underlying shares multiplied by the per share closing price of our common stock.

The Convertible Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not expressly subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

The Convertible Notes Indentures contain certain covenants, including covenants requiring us to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of the Convertible Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Notes Indentures. As of September 30, 2012, the Company was in compliance in all material respects with the terms of the Convertible Notes Indentures.

The Convertible Notes are accounted for in accordance with Accounting Standards Codification (ASC) 470-20. Upon conversion of any of the Convertible Notes, we intend to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, we have the option to pay in cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Convertible Notes Indentures. The Company has determined that the embedded conversion options in the Convertible Notes are not required to be separately accounted for as a derivative under GAAP. In accounting for the Convertible Notes, we estimated at the time of issuance that the values of the debt and equity components were approximately 93% and 7%, respectively, for each of the February 2016 Convertible Notes and the June 2016 Convertible Notes, and that the debt and equity components were approximately 97% and 3%, respectively, for the 2017 Convertible Notes. The original issue discount equal to the equity components of the Convertible Notes was recorded in capital in excess of par value in the accompanying consolidated balance sheet. As a result, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount. Additionally, the issuance costs associated with the Convertible Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

At the time of issuance, the debt issuance costs and equity issuance costs for the February 2016 Convertible Notes were \$15,778 and \$1,188, respectively, for the June 2016 Convertible Notes were \$5,913 and \$445, respectively, and for the 2017 Convertible Notes were \$4,813 and \$149, respectively. At the time of issuance and as of September 30, 2012, the equity component, net of issuance costs as recorded in the capital

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

in excess of par value in the accompanying consolidated balance sheet for the February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes was \$39,062, \$15,655 and \$4,723, respectively.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

As of September 30, 2012, the components of the carrying value of the Convertible Notes, the stated interest rate and the effective interest rate were as follows:

	February 2016		June 2016		2017	
	Convertible Notes		Convertible Notes		Convertible Notes	
Principal amount of debt	\$	575,000	\$	230,000	\$	162,500
Original issue discount, net of accretion		(28,372)		(11,964)		(4,408)
Carrying value of debt	\$	546,628	\$	218,036	\$	158,092
Stated interest rate		5.75%		5.125%		4.875%
Effective interest rate(1)		7.1%		6.4%		5.4%

(1) The effective interest rate of the debt component of the convertible notes is equal to the stated interest rate plus the accretion of original issue discount.

The components of interest expense and cash paid for interest expense for the Convertible Notes were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Stated interest expense	\$ 13,101	\$ 11,213	\$ 37,881	\$ 28,585
Accretion of original issue discount	2,789	2,393	8,047	5,996
Amortization of debt issuance costs	1,342	1,092	3,849	2,720
Total interest expense	\$ 17,232	\$ 14,698	\$ 49,777	\$ 37,301
Cash paid for interest expense	\$ 20,514	\$ 17,082	\$ 42,939	\$ 17,082

See Note 15 for subsequent events regarding an additional issuance of unsecured convertible senior notes.

February 2022 Notes

In February 2012, we issued \$143,750 aggregate principal amount of senior unsecured notes that mature on February 15, 2022 (the February 2022 Notes). The February 2022 Notes bear interest at a rate of 7.00% per year, payable quarterly and all principal is due upon maturity. The February 2022 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 15, 2015, at a par redemption price of \$25 per security plus accrued and unpaid interest. Total proceeds from the issuance of the February 2022 Notes, net of underwriting discounts and offering costs, were approximately \$138,338.

October 2022 Notes

In September 2012, we issued \$175,000 aggregate principal amount of senior unsecured notes that mature on October 1, 2022 (the October 2022 Notes). The October 2022 Notes bear interest at a rate of 5.875% per year, payable quarterly commencing on January 1, 2013 and all principal is due upon maturity. The October 2022 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after October 1, 2015, at a par redemption price of \$25 per security plus accrued and unpaid interest. Total proceeds from the issuance of the October 2022 Notes, net of underwriting discounts and offering costs, were approximately \$168,780. See Note 15 for subsequent events relating to the October 2022 Notes.

2040 Notes

In October 2010, we issued \$200,000 aggregate principal amount of senior unsecured notes that mature on October 15, 2040 (the 2040 Notes). The 2040 Notes bear interest at a rate of 7.75% per year, payable quarterly and all principal is due upon maturity. The 2040 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after October 15, 2015, at a par redemption price of \$25 per security plus accrued and unpaid interest. Total proceeds from the issuance of the 2040 Notes, net of underwriting discounts and offering costs, were approximately \$193,000.

The components of interest expense and cash paid for interest expense for the February 2022 Notes, the October 2022 Notes and the 2040 Notes are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Stated interest expense	\$ 6,562	\$ 3,875	\$ 18,477	\$ 11,625
Amortization of debt issuance costs	234	62	573	181
Total interest expense	\$ 6,796	\$ 3,937	\$ 19,050	\$ 11,806
Cash paid for interest expense	\$ 6,391	\$ 3,875	\$ 17,020	\$ 11,368

Table of Contents

Allied Unsecured Notes

As part of the Allied Acquisition, the Company assumed all outstanding debt obligations of Allied Capital, including Allied Capital's 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 Allied Unsecured Notes. In accordance with ASC 805-10, the initial carrying value of the Allied 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 Allied Unsecured Notes of approximately \$65,800. Accretion expense related to this discount is included in interest and credit facility fees in the accompanying statement of operations.

On March 16, 2011 we redeemed the remaining balance of the 2011 Notes for a total redemption price (including a redemption premium) of \$306,800, in accordance with the terms of the indenture governing the 2011 Notes, which resulted in a loss on the extinguishment of debt of \$8,860. On April 27, 2011, we redeemed the remaining balance of the 2012 Notes for a total redemption price (including a redemption premium) of \$169,338, in accordance with the terms of the indenture governing the 2012 Notes, which resulted in a loss on the extinguishment of debt of \$10,458.

As of September 30, 2012 and December 31, 2011, the 2047 Notes were outstanding as follows:

	As of			
	September 30, 2012		December 31, 2011	
	Outstanding Principal	Carrying Value(1)	Outstanding Principal	Carrying Value(1)
2047 Notes	\$ 230,000	\$ 181,144	\$ 230,000	\$ 180,988

(1) Represents the principal amount of the 2047 Notes less the unaccreted purchased discount initially recorded as a part of the Allied Acquisition.

The 2047 Notes bear interest at a rate of 6.875% and mature on April 15, 2047. The 2047 Notes require payment of interest quarterly, and all principal is due upon maturity. The 2047 Notes may be redeemed in whole or in part at any time or from time to time at our option, at a par redemption price of \$25 per security plus accrued and unpaid interest and upon the occurrence of certain tax events as stipulated in the indenture governing the 2047 Notes.

The components of interest expense and cash paid for interest expense for the Allied Unsecured Notes are as follows:

	For the three months ended September 30, 2012		For the three months ended September 30, 2011		For the nine months ended September 30, 2012		For the nine months ended September 30, 2011	
Stated interest expense	\$	3,953	\$	3,953	\$	11,859	\$	19,125
Accretion on original issue discount		53		49		156		2,574

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Total interest and credit facility fees expense	\$	4,006	\$	4,002	\$	12,015	\$	21,699
Cash paid for interest expense	\$	3,953	\$	3,953	\$	11,859	\$	30,725

The February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of such notes under certain circumstances. These covenants are subject to important limitations and exceptions set forth in the documents governing these instruments. As of September 30, 2012, the Company was in compliance in all material respects with the terms of the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes.

Table of Contents**6. COMMITMENTS AND CONTINGENCIES**

The Company has various commitments to fund investments in its portfolio as described below.

As of September 30, 2012 and December 31, 2011, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) the Company's discretion:

	As of	
	September 30, 2012	December 31, 2011
Total revolving and delayed draw commitments	\$ 540,401	\$ 565,630
Less: funded commitments	(121,119)	(125,037)
Total unfunded commitments	419,282	440,593
Less: commitments substantially at discretion of the Company	(6,000)	(64,750)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(571)	(5,518)
Total net adjusted unfunded revolving and delayed draw commitments	\$ 412,711	\$ 370,325

Included within the total revolving and delayed draw commitments as of September 30, 2012 were commitments to issue up to \$63,200 in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, if the standby letters of credit were to be issued, 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 September 30, 2012, the Company had \$40,700 in standby letters of credit issued and outstanding under these commitments on behalf of the portfolio companies, of which no amounts were recorded as a liability on our balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. All of the outstanding letters of credit expire in 2013.

As of September 30, 2012 and December 31, 2011, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships:

	As of	
	September 30, 2012	December 31, 2011
Total private equity commitments	\$ 141,042	\$ 132,030
Less: funded private equity commitments	(75,711)	(67,428)
Total unfunded private equity commitments	65,331	64,602
Less: private equity commitments substantially at discretion of the Company	(48,000)	(53,525)
Total net adjusted unfunded private equity commitments	\$ 17,331	\$ 11,077

In addition, as of each of September 30, 2012 and December 31, 2011, the Company had outstanding guarantees or similar obligations on behalf of certain portfolio companies totaling \$800.

In the ordinary course of business, we may sell certain of our investments to third party purchasers. In particular, in connection with the sale of certain controlled portfolio company equity investments (as well as certain other sales) we have, and may continue to do so in the future, agreed to indemnify such purchasers for future liabilities arising from the investments and the related sale transaction. Such indemnification provisions may give rise to future liabilities.

As of September 30, 2012, 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 the Company succeeded to as a result of the Allied Acquisition) whereby the Company 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 September 30, 2012, there are no known issues or claims with respect to this performance guaranty.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted ASC 825-10, 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 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "other assets" and "debt," which are reported at amortized 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.

Table of Contents

Effective January 1, 2008, the Company adopted ASC 820-10, 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 its 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 net asset 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.

The Company's portfolio investments (other than as discussed below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value (EV) of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company's EBITDA (net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where the Company has control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where we do not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, we consider the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the Company are substantially illiquid with no active transaction market, the Company depends on primary market data, including newly funded transactions, as well as secondary market data with

respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

For other portfolio investments such as investments in collateralized loan obligations and the subordinated certificates of the SSLP, discounted cash flow analysis is the primary technique utilized to determine fair value. Expected future cash flows associated with the investment are discounted to determine a present value using a discount rate that reflects estimated market return requirements.

The following table summarizes the significant unobservable inputs the Company used to value the majority of its investments categorized within Level 2 or 3 as of September 30, 2012. The table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to our determination of fair values.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Asset Category	Fair Value	Primary Valuation Technique	Input	Unobservable Input	Weighted Average
				Range	
Senior term debt	\$ 3,465,542	Yield Analysis	Market Yield	5.4% - 23.7%	10.0%
Subordinated Certificates of the SSLP	1,229,950	Discounted Cash Flow	Discount Rate	12.0% - 15.0%	14.0%
Senior subordinated debt	441,320	Yield Analysis	Market Yield	9.0% - 18.6%	13.8%
Collateralized loan obligations	24,750	Discounted Cash Flow	Discount Rate	7.0% - 8.0%	7.3%
Preferred equity securities	249,547	EV Market Multiple Analysis	EBITDA Multiple	4.5x - 10.5x	8.0x
Other equity securities and other	514,540	EV Market Multiple Analysis	EBITDA Multiple	4.5x - 13.6x	7.3x
Total	\$ 5,925,649				

Changes in market yields, discount rates or EBITDA multiples, each in isolation, may change the fair value of certain of our investments. Generally, an increase in market yields or discount rates or decrease in EBITDA multiples may result in a decrease in the fair value of certain of our investments.

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 could 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 unrealized gains or losses reflected in the valuations currently assigned.

The following table presents fair value measurements of cash and cash equivalents and investments as of September 30, 2012:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 105,463	\$ 105,463	\$	\$
Investments	\$ 5,936,165	\$ 10,516	\$	\$ 5,925,649

The following table presents fair value measurements of cash and cash equivalents and investments as of December 31 2011:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 120,782	\$ 120,782	\$	\$

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Investments	\$	5,094,506	\$		\$	5,094,506
-------------	----	-----------	----	--	----	-----------

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2012:

	As of and for the three months ended September 30, 2012
Balance as of June 30, 2012	\$ 5,504,813
Net realized and unrealized gains	40,068
Purchases	1,015,581
Sales	(638,426)
Redemptions	
Payment-in-kind interest and dividends	6,205
Accretion of discount on securities	2,890
Net transfers in and/or out of Level 3	(5,482)
Balance as of September 30, 2012	\$ 5,925,649

Table of Contents

		As of and for the nine months ended September 30, 2012
Balance as of December 31, 2011	\$	5,094,506
Net realized and unrealized gains		74,286
Purchases		2,101,964
Sales		(758,019)
Redemptions		(609,546)
Payment-in-kind interest and dividends		17,547
Accretion of discount on securities		10,393
Net transfers in and/or out of Level 3		(5,482)
Balance as of September 30, 2012	\$	5,925,649

As of September 30, 2012, the net unrealized appreciation on the investments that use Level 3 inputs was \$76,973.

The following table presents changes in investments that use Level 3 inputs as of and for the three and nine months ended September 30, 2011:

		As of and for the three months ended September 30, 2011
Balance as of June 30, 2011	\$	4,630,043
Net realized and unrealized gains		(54,999)
Purchases		1,131,704
Sales		(216,608)
Redemptions		(756,491)
Payment-in-kind interest and dividends		8,086
Accretion of discount on securities		3,338
Net transfers in and/or out of Level 3		
Balance as of September 30, 2011	\$	4,745,073

		As of and for the nine months ended September 30, 2011
Balance as of December 31, 2010	\$	4,312,657
Net realized and unrealized gains		44,231
Purchases		2,344,429
Sales		(620,041)
Redemptions		(1,348,793)
Payment-in-kind interest and dividends		26,042
Accretion of discount on securities		11,188
Net transfers in and/or out of Level 3		(24,640)
Balance as of September 30, 2011	\$	4,745,073

As of September 30, 2011, the net unrealized depreciation on the investments that use Level 3 inputs was \$27,556.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Following are the carrying and fair values of our debt obligations as of September 30, 2012 and December 31, 2011. 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, or market quotes, if available.

	September 30, 2012		As of		December 31, 2011	
	Carrying value(1)	Fair value	Carrying value(1)	Fair value	Carrying value(1)	Fair value
Revolving Credit Facility	\$ 50,000	\$ 50,000	\$ 395,000	\$ 399,400		
Revolving Funding Facility	407,000	407,000	463,000	467,900		
SMBC Funding Facility	133,000	133,000				
Debt Securitization			77,531	68,215		
February 2016 Convertible Notes (principal amount outstanding of \$575,000)	546,628(2)	613,508	541,152(2)	545,445		
June 2016 Convertible Notes (principal amount outstanding of \$230,000)	218,036(2)	242,047	215,931(2)	215,717		
2017 Convertible Notes (principal amount outstanding of \$162,500)	158,092(2)	165,647				
February 2022 Notes (principal amount outstanding of \$143,750)	143,750	151,377				
October 2022 Notes (principal amount outstanding of \$175,000)	175,000	174,829				
2040 Notes (principal amount outstanding of \$200,000)	200,000	209,848	200,000	198,808		
2047 Notes (principal amount outstanding of \$230,000)	181,144(3)	226,662	180,988(3)	212,218		
	\$ 2,212,650(4)	\$ 2,373,918	\$ 2,073,602(4)	\$ 2,107,703		

(1) Except for the Convertible Notes and the 2047 Notes, all carrying values are the same as the principal amounts outstanding.

(2) Represents the aggregate principal amount outstanding of the Convertible Notes less the unaccreted discount initially recorded upon issuance of each respective series of the Convertible Notes.

(3) Represents the aggregate principal amount outstanding of the 2047 Notes less the unaccreted purchased discount.

(4) Total principal amount of debt outstanding totaled \$2,306,250 and \$2,170,531 as of September 30, 2012 and December 31, 2011, respectively.

The following table presents fair value measurements of our debt obligations as of September 30, 2012 and December 31, 2011:

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Fair Value Measurements Using	As of	
	September 30, 2012	December 31, 2011
Level 1	\$ 762,715	\$ 411,026
Level 2	1,611,203	1,696,677
Total	\$ 2,373,918	\$ 2,107,703

8. STOCKHOLDERS EQUITY

The following table summarizes the total shares issued and proceeds received in public offerings of the Company's common stock net of underwriting discounts and offering costs for the nine months ended September 30, 2012:

	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
August 2012 public offering	25,875	\$ 16.55(1)	\$ 427,372
January 2012 public offering	16,422	\$ 15.41(2)	\$ 252,415
Total for the nine months ended September 30, 2012	42,297		\$ 679,787

(1) The shares were sold to the underwriters for a price of \$16.55 per share, which the underwriters were then permitted to sell at variable prices to the public.

(2) The shares were sold to the underwriters for a price of \$15.41 per share, which the underwriters were then permitted to sell at variable prices to the public.

The Company used the net proceeds from the August 2012 and January 2012 public equity offerings to repay outstanding debt and for general corporate purposes, which included funding investments.

There were no sales of our equity securities for the nine months ended September 30, 2011.

Table of Contents**9. EARNINGS PER SHARE**

The following information sets forth the computations of basic and diluted net increase in stockholders' equity resulting from operations per share for the three and nine months ended September 30, 2012 and 2011:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net increase in stockholders' equity resulting from operations available to common stockholders:	\$ 136,555	\$ 40,639	\$ 333,034	\$ 201,328
Weighted average shares of common stock outstanding - basic and diluted:	233,126	205,130	224,049	204,770
Basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 0.59	\$ 0.20	\$ 1.49	\$ 0.98

For the purpose of calculating diluted earnings per share, the average closing price of the Company's common stock for the three and nine months ended September 30, 2012 and for the period from the time of issuance of the 2017 Convertible Notes through September 30, 2012 was less than the current conversion price for each respective series of the Convertible Notes and therefore, the underlying shares for the intrinsic value of the embedded options in the Convertible Notes had no impact on this calculation. The average closing price of the Company's common stock for the three months ended September 30, 2011 and for the period from the time of issuance of both the February 2016 Convertible Notes and the June 2016 Convertible Notes through September 30, 2011 was less than the current conversion price for each respective series of the Convertible Notes and therefore, the underlying shares for the intrinsic value of the embedded options in the Convertible Notes had no impact on this calculation.

10. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes our dividends declared during the nine months ended September 30, 2012 and 2011:

Date Declared	Record Date	Payment Date	Per Share Amount	Total Amount
August 7, 2012	September 14, 2012	September 28, 2012	\$ 0.05(1)	\$ 12,401
August 7, 2012	September 14, 2012	September 28, 2012	\$ 0.38	\$ 94,250
May 8, 2012	June 15, 2012	June 29, 2012	\$ 0.37	\$ 82,094
February 28, 2012	March 15, 2012	March 30, 2012	\$ 0.37	\$ 81,974
Total declared for the nine months ended September 30, 2012			\$ 1.17	\$ 270,719
August 4, 2011	September 15, 2011	September 30, 2011	\$ 0.35	\$ 71,795

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

May 5, 2011	June 15, 2011	June 30, 2011	\$	0.35	\$	71,663
March 1, 2011	March 15, 2011	March 31, 2011	\$	0.35	\$	71,547
Total declared for the nine months ended September 30, 2011			\$	1.05	\$	215,005

(1) Represents an additional dividend.

Table of Contents

The Company has a dividend reinvestment plan that was amended effective March 28, 2012, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. Prior to the amendment, if the Company issued new shares to implement the dividend reinvestment plan, the issue price was equal to the closing price of its common stock on the dividend record date. As a result of the amendment, when the Company issues new shares in connection with the dividend reinvestment plan, the issue price is equal to the closing price of its common stock on the dividend payment date. Dividend reinvestment plan activity for the nine months ended September 30, 2012 and 2011, was as follows:

	For the nine months ended September 30,			
	2012		2011	
Shares issued		888		711
Average price per share	\$	16.49	\$	16.24
Shares purchased by plan agent for shareholders				372
Average price per share	\$		\$	13.92

11. RELATED PARTY TRANSACTIONS

In accordance with the investment advisory and management agreement, we bear all costs and expenses of the operation of the Company and reimburse our investment adviser for certain costs and expenses incurred by the Company's investment adviser in the operation of the Company. For the three and nine months ended September 30, 2012, the Company's investment adviser incurred costs and expenses in respect of which it was entitled to reimbursement totaling \$1,025 and \$2,888, respectively. For the three and nine months ended September 30, 2011, the Company's investment adviser incurred costs and expenses in respect of which it was entitled to reimbursement totaling \$698 and \$3,810, respectively. As of September 30, 2012, \$1,054 of this amount was unpaid and such payable is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

We have entered into separate subleases with Ares Management and Ivy Hill Asset Management, L.P. (IHAM), a wholly owned portfolio company of the Company, pursuant to which Ares Management and IHAM sublease approximately 15% and 20%, respectively, of the Company's New York office space for a fixed rent equal to 15% and 20%, respectively, of the base annual rent payable by us under the Company's lease for this space, plus certain additional costs and expenses. For the three and nine months ended September 30, 2012, amounts payable to the Company under these subleases totaled \$405 and \$1,180, respectively. For the three and nine months ended September 30, 2011, amounts payable to the Company under these subleases totaled \$340 and \$477, respectively. Under our previous lease that expired on February 27, 2011, we were party to a sublease agreement with Ares Management whereby Ares Management subleased approximately 25% of such office space for a fixed rent equal to 25% of the basic annual rent payable by us under this lease, plus certain additional costs and expenses. For the nine months ended September 30, 2011, amounts payable under this sublease to the Company totaled \$396.

We are also party to an office sublease with Ares Commercial Real Estate Management LLC (ACREM), a wholly owned subsidiary of Ares Management, pursuant to which we are subleasing approximately 12% of ACREM's office space for a fixed rent equal to 12% of the basic annual rent payable by ACREM under its office lease, plus certain additional costs and expenses. For the three and nine months ended September 30, 2012, amounts payable under this sublease by the Company to ACREM totaled \$13 and \$39, respectively.

As of September 30, 2012, Ares Investments Holdings LLC, an affiliate of Ares Management, owned approximately 2.9 million shares of the Company's common stock representing approximately 1.2% of the total shares outstanding as of September 30, 2012.

See Notes 3 and 12 for descriptions of other related party transactions.

12. IVY HILL ASSET MANAGEMENT, L.P. AND OTHER MANAGED VEHICLES

In November 2007, the Company established IHAM to serve as a manager for Ivy Hill Middle Market Credit Fund, Ltd., 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 had invested debt and equity, to a manager with individuals dedicated to managing an increasing number of third party funds, the Company concluded that GAAP required the financial results of IHAM to be reported as a portfolio company in the 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 September 30, 2012, the Company's total investment in IHAM at fair value was \$211,614, including unrealized appreciation of \$98,738. As of December 31, 2011, the Company's total investment in IHAM at fair value was \$194,597 including unrealized appreciation of \$81,721. For the three and nine months ended September 30, 2012, the Company received distributions consisting entirely of dividend income from IHAM of \$5,124 and \$14,648, respectively. For the three and nine months ended September 30, 2011, the Company received distributions consisting entirely of dividend income from IHAM of \$4,762 and \$14,286, respectively.

IHAM, which became an SEC registered investment adviser effective March 30, 2012, managed, as of September 30, 2012, 11 unconsolidated credit vehicles and sub-managed or sub-advised four other unconsolidated credit vehicles (these vehicles managed or sub-managed /sub-advised by IHAM are collectively, the IHAM Vehicles). As September 30, 2012 and December 31, 2011, the Company had investments in two of the IHAM Vehicles.

Table of Contents

IHAM or certain of the IHAM Vehicles purchased investments from the Company of \$182,167, during the nine months ended September 30, 2012. A net realized gain of \$2,084 was recorded on these transactions for the nine months ended September 30, 2012. IHAM or the IHAM Vehicles may, from time to time, buy or sell additional investments from or to the Company. For any such purchases or sales by the IHAM Vehicles from or to the Company, the IHAM Vehicles must obtain approval from third parties unaffiliated with the Company or IHAM, as applicable.

IHAM is party to an administration agreement, referred to herein as the IHAM administration agreement, with Ares Operations. Pursuant to the IHAM administration agreement, Ares Operations provides IHAM with office facilities, equipment, clerical, bookkeeping and record keeping 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 IHAM administration agreement, IHAM reimburses Ares Operations for all of the actual costs associated with such services, including Ares Operations allocable portion of overhead and the cost of its officers and respective staff in performing its obligations under the IHAM administration agreement.

As part of the Allied Acquisition, the Company acquired the management rights for an unconsolidated vehicle, the AGILE Fund I, LLC (AGILE Fund). Effective March 30, 2012, the management rights for the AGILE Fund were transferred for de minimis, non-monetary consideration to an unrelated third party. The Company's investment in AGILE Fund was \$30 at fair value, including unrealized depreciation of \$103, as of September 30, 2012.

13. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights for the nine months ended September 30, 2012 and 2011:

Per Share Data:	For the nine months ended	
	September 30, 2012	September 30, 2011
Net asset value, beginning of period(1)	\$ 15.34	\$ 14.92
Issuances of common stock	0.06	
Issuances of the Convertible Notes	0.02	0.27
Net investment income for period(2)	1.14	0.93
Net realized and unrealized gains for period(2)	0.35	0.06
Net increase in stockholders' equity	1.49	0.99
Total distributions to stockholders	(1.17)	(1.05)
Net asset value at end of period(1)	\$ 15.74	\$ 15.13
Per share market value at end of period	\$ 17.14	\$ 13.77
Total return based on market value(3)	18.51%	7.14%
Total return based on net asset value(4)	9.67%	6.57%
Shares outstanding at end of period	248,315	205,130
Ratio/Supplemental Data:		
Net assets at end of period	\$ 3,908,726	\$ 3,103,278
Ratio of operating expenses to average net assets(5)(6)	10.39%	10.69%
Ratio of net investment income to average net assets(5)(7)	9.65%	8.04%
Portfolio turnover rate(5)	34%	56%

(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 nine months ended September 30, 2012, the total return based on market value equalled the increase of the ending market value at September 30, 2012 of \$17.14 per share over the ending market value at December 31, 2011 of \$15.45 per share plus the declared dividends of \$1.17 per share for the nine months ended September 30, 2012, divided by the market value at December 31, 2011. For the nine months ended September 30, 2011, the total return based on market value equalled the decrease of the ending market value at September 30, 2011 of \$13.77 per share from the ending market value at December 31, 2010 of \$16.48 per share, plus the declared dividends of \$1.05 per share for the nine months ended September 30, 2011, divided by the market value at December 31, 2010. 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.

Table of Contents

(4) For the nine months ended September 30, 2012, the total return based on net asset value equalled the change in net asset value during the period plus the declared dividends of \$1.17 per share for the nine months ended September 30, 2012, divided by the beginning net asset value. For the nine months ended September 30, 2011, the total return based on net asset value equalled the change in net asset value during the period plus the declared dividends of \$1.05 per share for the nine months ended September 30, 2011 divided by the beginning net asset value. 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 nine months ended September 30, 2012, the ratio of operating expenses to average net assets consisted of 2.39% of base management fees, 3.16% of incentive fees, 3.93% of the cost of borrowing and 0.91% of other operating expenses. For the nine months ended September 30, 2011, the ratio of operating expenses to average net assets consisted of 2.22% of base management fees, 3.50% of incentive fees, 3.80% of the cost of borrowing and 1.17% of other operating expenses. These ratios reflect annualized amounts.

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

14. LITIGATION

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

15. SUBSEQUENT EVENTS

The Company's 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 nine months ended September 30, 2012, except as disclosed below.

In October 2012, the Company issued an additional \$7,500 in aggregate principal amount of the October 2022 Notes pursuant to the partial exercise of an over-allotment option by the underwriters of such offering.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In October 2012, the Company issued \$230,000 in aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2018 (the "2018 Convertible Notes"), unless previously converted or repurchased in accordance with their terms. The Company does not have the right to redeem the 2018 Convertible Notes prior to maturity. The 2018 Convertible Notes bear interest at a rate of 4.75% per year, payable semi-annually commencing on July 15, 2013. In certain circumstances, the 2018 Convertible Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of its common stock, at the Company's election, at an initial conversion rate of 50.3290 shares of common stock per one thousand dollar principal amount of the 2018 Convertible Notes, which was equivalent to an initial conversion price of approximately \$19.87 per share of its common stock, subject to customary anti-dilution adjustments. The initial conversion price was approximately 17.5% above the \$16.91 per share closing price of the Company's common stock on October 3, 2012.

In October 2012, the Company contributed to IHAM its entire investment in FirstLight Financial Corporation ("FirstLight Corp.") at a price equal to the fair value at the time of the contribution of \$58.1 million (\$51.8 million for its senior subordinated loan position and \$6.3 million for its equity position). As a result of the contribution, the Company fully exited its investment in FirstLight Corp., which reduced its investment commitments by \$84.2 million, and recognized a net loss of \$26.1 million. Prior to such contribution, IHAM served as a sub-adviser to FirstLight Funding I, Ltd., a wholly owned subsidiary of FirstLight Corp. ("FirstLight Funding"). Following such contribution, FirstLight Funding distributed to FirstLight Corp. substantially all of its assets (in the form of cash and investments). In turn, FirstLight Corp. repaid in full the total outstanding amount of its senior subordinated loans (including the portion held by IHAM following the contribution transaction) and made a distribution to its stockholders (including IHAM following the contribution transaction). In connection with the foregoing, IHAM ceased to be a sub-adviser to FirstLight Funding and IHAM became the collateral manager to FirstLight Corp. and the other entity invested in FirstLight Corp.

Effective as of November 2, 2012, the Company amended its charter to increase the number of shares of common stock the Company is authorized to issue from 400,000 to 500,000.

In November 2012, the Company declared a fourth quarter dividend of \$0.38 per share and an additional dividend of \$0.05 per share. Both dividends are payable on December 28, 2012 to stockholders of record as of December 14, 2012.

Table of Contents

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 the Selected Financial Data and our financial statements and notes thereto appearing elsewhere in this Quarterly Report. In addition, some of the statements in this report (including in the following discussion) constitute forward- looking statements, which relate to future events or the future performance or financial condition of Ares Capital Corporation (except where the context suggests otherwise, together with our consolidated subsidiaries, the Company, ARCC, Ares Capital, we, us, or o

The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our, or our portfolio companies', future business, operations, operating results or prospects;
- 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 impact of changes in laws or regulations (including the interpretation thereof) governing our operations or the operations of our portfolio companies;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- 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;

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

- Middle East turmoil and the potential for rising energy prices and its impact on the industries in which we invest;
- the general economy and its impact on the industries in which we invest;
- the uncertainty surrounding the strength of the U.S. economic recovery;
- European sovereign debt issues;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- our ability to successfully complete and 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, although not all forward-looking statements include these words. Our actual results and condition could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2011.

Table of Contents

We have based the forward-looking statements included in this Quarterly Report on information available to us on the date of this Quarterly 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 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 BDC under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act).

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 preferred and/or common equity investments, which have generally been non-control equity investments, of less than \$20 million (usually in conjunction with a concurrent debt investment). However, we may increase the size or change the nature of these investments. Also, as a result of the acquisition of Allied Capital Corporation (Allied Capital) on April 1, 2010 (the Allied Acquisition), Allied Capital's equity investments, which included equity investments larger than those we have historically made and controlled portfolio company equity investments, became part of our portfolio. We intend to continue actively seeking opportunities over time to dispose of certain of the assets that were acquired in the Allied Acquisition, particularly non-yielding equity investments and controlled portfolio company investments, as well as lower or non-yielding debt investments and investments that may not be core to our investment strategy, and generally 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.

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.

We also may invest up to 30% of our portfolio in non-qualifying assets, as permitted by the Investment Company Act. Specifically, as part of this 30% basket, we may invest in entities that are not considered eligible portfolio companies (as defined in the Investment Company Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the Investment Company Act, and publicly traded entities whose public equity market capitalization exceeds the levels provided for under the Investment Company Act.

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

We have 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 operate 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.

Table of Contents**PORTFOLIO AND INVESTMENT ACTIVITY**

The Company's investment activity for the three months ended September 30, 2012 and 2011 is presented below (information presented herein is at amortized cost unless otherwise indicated).

(dollar amounts in millions)	For the three months ended	
	September 30, 2012	September 30, 2011
New investment commitments (1):		
New portfolio companies	\$ 918.9	\$ 418.7
Existing portfolio companies(2)	103.4	1,011.1
Total new investment commitments	1,022.3	1,429.8
Less:		
Investment commitments exited	652.6	971.8
Net investment commitments	\$ 369.7	\$ 458.0
Principal amount of investments funded:		
Senior term debt	\$ 837.2	\$ 933.1
Subordinated Certificates of the Senior Secured Loan Fund LLC (the SSLP) (3)	95.5	56.4
Senior subordinated debt	65.2	
Other equity securities	17.7	142.2
Total	\$ 1,015.6	\$ 1,131.7
Principal amount of investments sold or repaid:		
Senior term debt	\$ 510.9	\$ 621.8
Senior subordinated debt	65.4	123.4
Collateralized loan obligations	15.5	
Preferred equity securities	2.0	
Other equity securities	6.9	69.7
Commercial real estate	12.1	
Total	\$ 612.8	\$ 814.9
Number of new investment commitments (4)	22	20
Average new investment commitment amount	\$ 46.5	\$ 71.5
Weighted average term for new investment commitments (in months)	66	62
Percentage of new investment commitments at floating rates	90%	96%
Percentage of new investment commitments at fixed rates	8%	4%
Weighted average yield of debt and other income producing securities (5):		
Funded during the period at fair value(6)	9.9%	9.9%
Funded during the period at amortized cost	10.0%	10.0%
Exited or repaid during the period at fair value(6)	9.1%	9.9%
Exited or repaid during the period at amortized cost	9.1%	9.9%

(1) New investment commitments include new agreements to fund revolving credit facilities or delayed draw loans.

(2) Includes investment commitments to the SSLP to make co-investments with General Electric Capital Corporation and GE Global Sponsor Finance LLC (together "GE") in first lien senior secured loans of middle market companies of \$95.5 million and \$56.4 million for the three months ended September 30, 2012 and 2011, respectively.

(3) See Senior Secured Loan Program below and Note 4 to our consolidated financial statements for the three and nine months ended September 30, 2012 for more detail on the SSLP.

(4) Number of new investment commitments represents each commitment to a particular portfolio company.

(5) Weighted average yield of debt and other income producing securities at fair value is computed as 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 and other income producing securities, divided by (b) total debt and other income producing securities at fair value. Weighted average yield at amortized cost is computed as 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 and other income producing securities, divided by (b) total debt and other income producing securities at amortized cost.

(6) Represents fair value for investments in the portfolio as of the most recent prior quarter end, if applicable.

Table of Contents

As of September 30, 2012 and December 31, 2011, investments consisted of the following:

(in millions)	As of			
	September 30, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior term debt	\$ 3,486.6	\$ 3,465.5	\$ 2,691.0	\$ 2,671.1
Subordinated Certificates of the SSLP(1)	1,194.9	1,230.0	1,034.3	1,059.2
Senior subordinated debt	489.2	441.3	592.6	515.0
Collateralized loan obligations	25.0	24.8	55.5	54.0
Preferred equity securities	234.2	249.5	251.2	251.1
Other equity securities	412.8	513.7	463.9	527.0
Commercial real estate	7.4	11.4	20.2	17.1
Total	\$ 5,850.1	\$ 5,936.2	\$ 5,108.7	\$ 5,094.5

(1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans to 37 and 32 different borrowers as of September 30, 2012 and December 31, 2011, respectively.

The weighted average yields at fair value and amortized cost of the following portions of our portfolio as of September 30, 2012 and December 31, 2011 were as follows:

	As of			
	September 30, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities	11.6%	11.4%	12.1%	12.0%
Total portfolio	10.3%	10.2%	10.4%	10.4%
Senior term debt	9.8%	9.8%	10.5%	10.5%
First lien senior term debt	9.2%	9.2%	9.6%	9.7%
Second lien senior term debt	11.2%	11.5%	12.4%	12.4%
Subordinated Certificates of the SSLP (1)	16.0%	15.5%	16.0%	15.7%
Senior subordinated debt	11.2%	12.4%	10.3%	11.9%
Collateralized loan obligations	6.4%	6.5%	8.8%	9.1%
Income producing equity securities (excluding collateralized loan obligations)	9.9%	9.1%	10.4%	10.0%

(1) The proceeds from these certificates were applied to co-investments with GE to fund first lien senior secured loans.

Ares Capital Management, our 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 credit 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 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 initial cost basis 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 initial cost basis 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 anticipated that we will not recoup our initial cost basis and may realize a substantial loss of our initial cost basis upon exit. For investments graded 1 or 2, our investment adviser enhances its level of scrutiny over the monitoring of such portfolio company. Our investment adviser grades the investments in our portfolio at least each quarter and it is possible that the grade of certain of these portfolio investments may be reduced or increased over time.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Set forth below is the grade distribution of our portfolio companies as of September 30, 2012 and December 31, 2011:

(dollar amounts in millions)	As of				As of			
	September 30, 2012		December 31, 2011		September 30, 2012		December 31, 2011	
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 104.5	1.8%	6	3.9%	\$ 77.1	1.5%	9	6.4%
Grade 2	165.0	2.8%	13	8.5%	184.4	3.7%	11	7.8%
Grade 3	5,100.6	85.9%	122	79.8%	4,265.5	83.7%	110	78.0%
Grade 4	566.1	9.5%	12	7.8%	567.5	11.1%	11	7.8%
	\$ 5,936.2	100.0%	153	100.0%	\$ 5,094.5	100.0%	141	100.0%

As of each September 30, 2012 and December 31, 2011, the weighted average grade of the investments in our portfolio at fair value was 3.0.

As of September 30, 2012, loans on non-accrual status represented 2.6% and 1.0% of the total investments at amortized cost and at fair value, respectively. As of December 31, 2011, loans on non-accrual status represented 3.3% and 0.9% of the total investments at amortized cost and at fair value, respectively.

Senior Secured Loan Program

The Company co-invests in first lien senior secured loans of middle market companies with GE through an unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a The Senior Secured Loan Program) or 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 an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The Company provides capital to the SSLP in the form of subordinated certificates (the SSLP Certificates).

As of September 30, 2012 and December 31, 2011, the SSLP had available capital of approximately \$7.7 billion, of which approximately \$5.9 billion and \$5.0 billion in aggregate principal amount was funded at September 30, 2012 and December 31, 2011, respectively. As of September 30, 2012 and December 31, 2011, the Company had agreed to make available to the SSLP \$1.5 billion, of which \$282 million and \$443 million was unfunded, respectively.

As of September 30, 2012 and December 31, 2011, the SSLP had total assets of \$5.9 billion and \$5.0 billion, respectively. GE 's investment in the SSLP consisted of senior notes of \$4.6 billion and \$3.8 billion and SSLP Certificates of \$172 million and \$149 million as of September 30, 2012 and December 31, 2011, respectively. The SSLP Certificates are junior in right of payment to the senior notes. As of September 30, 2012 and December 31, 2011, the Company and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

As of September 30, 2012 and December 31, 2011, the SSLP 's portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies and none of these loans was on non-accrual status. The portfolio companies in the SSLP are in industries similar to the companies in the Company 's portfolio.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Below is a summary of the SSLP's portfolio, followed by a listing of the individual first lien senior secured loans in the SSLP's portfolio as of September 30, 2012 and December 31, 2011:

(dollar amounts in millions)	As of	
	September 30, 2012	December 31, 2011
Total first lien senior secured loans(1)	\$ 5,926.5	\$ 5,017.9
Weighted average yield on first lien senior secured loans(2)	8.1%	8.2%
Number of borrowers in the SSLP	37	32
Largest loan to a single borrower(1)	\$ 294.4	\$ 300.0
Total of five largest loans to borrowers(1)	\$ 1,373.4	\$ 1,362.9

(1) At principal amount.

(2) Computed as the (a) annual stated interest rate on accruing first lien senior secured loans, divided by (b) total first lien senior secured loans at principal amount.

(dollar amounts in millions)

SSLP Loan Portfolio as of September 30, 2012

Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount
ADG, LLC	Dental services	10/2016	8.8%	\$ 199.9
AMZ Products Merger Corporation	Specialty chemicals manufacturer	6/2014	7.8%	155.8
Anthony, Inc. and Anthony Holdings, Inc.	Manufacturer of refrigeration glass doors and related products	6/2017	7.1%	241.9
BECO Holding Company, Inc.(3)	Wholesale distributor of first response fire protection equipment and related parts	7/2015	9.0%	101.6
*	Manufacturer of custom designed and engineered metal products	4/2018	8.0%	88.3
CCS Group Holdings, LLC(3)	Correctional facility healthcare operator	4/2016	8.0%	145.0
Chariot Acquisition, LLC	Distributor and designer of aftermarket golf cart parts and accessories	1/2018	8.8%	134.2
CIBT Holdings, Inc.(3)	Expedited travel document processing services	12/2017	8.5%	141.2
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC(2)(3)	Healthcare analysis services	3/2017	7.8%	285.6
*	Manufacturer and supplier of brake systems and replacement parts for vehicles	3/2014	8.8%	120.8
Drayer Physical Therapy Institute, LLC	Outpatient physical therapy provider	7/2018	7.5%	125.0
Driven Holdings, LLC(3)	Automotive aftermarket car care franchisor	12/2016	8.0%	167.9

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Excelligence Learning Corporation(3)	Developer, manufacturer and retailer of educational products	8/2016	8.0%	116.1
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.8%	61.4
Fox Hill Holdings, LLC	Operating company that develops middle market manufacturing and industrial distribution companies	12/2017	8.0%	294.4
III US Holdings, LLC	Provider of library automation software and systems	3/2018	7.6%	210.0
Implus Footcare, LLC(3)	Manufacturer of footwear and other accessories	10/2016	9.5%	178.5
Industrial Air Tool, L.P.	Industrial products manufacturer	6/2014	7.5%	25.0
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(3)	Private school operator	6/2015	10.5%	166.8
Intermedix Corporation	Provider of revenue cycle management to the emergency healthcare industry	8/2016	6.0%	224.2
MWI Holdings, Inc.(2)	Provider of highly engineered springs, fasteners, and other precision components	6/2017	8.0%	251.8
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	6/2016	7.0%	113.5
Oak Parent, Inc.(2)	Manufacturer of athletic apparel	4/2018	8.0%	289.4
Opinionology, LLC	Provider of outsourced data collection to the market research industry	7/2017	8.5%	154.0
Penn Detroit Diesel Allison, LLC	Diesel engine manufacturer	12/2016	9.0%	65.7
PetroChoice Holdings, LLC	Provider of lubrication solutions	1/2017	10.0%	114.9
Powersport Auctioneer Holdings(3)	Powersport vehicle auction operator	12/2016	8.5%	41.0
Pregis Corporation(2)	Provider of highly customized, tailored protective packaging solutions	3/2017	7.8%	126.2
PSSI Holdings, LLC	Provider of mission critical outsourced cleaning and sanitation services to the food processing industry	6/2017	6.8%	143.3
Selig Sealing Products, Inc.	Manufacturer of container sealing products for rigid packaging applications	7/2018	7.8%	180.0
Singer Sewing Company	Manufacturer of consumer sewing machines	6/2017	7.3%	200.0
Strategic Partners	Designer, manufacturer and distributor of medical uniforms	8/2018	7.8%	235.0
LJSS Acquisition, Inc.	Fluid power distribution company in the industrial and mobile equipment markets	10/2017	8.8%	164.9
The Teaching Company, LLC and The Teaching Company Holdings, Inc.(2)(3)	Education publications provider	3/2017	9.0%	114.5
United Central Industrial Supply Company, L.L.C.	Provider of mining supplies and services to the U.S. underground coal mining industry	10/2015	7.0%	132.0
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	164.6
WP CPP Holding, LLC	Precision engineered castings manufacturer	10/2017	8.5%	252.1
				\$ 5,926.5

(1) Represents the weighted average annual stated interest rate as of September 30, 2012. All interest rates are payable in cash.

(2) The Company also holds a portion of the first lien senior secured loan in this portfolio company.

(3) The Company holds an equity investment in this portfolio company.

* Disclosure of the names of these SSLP portfolio companies is prohibited by the terms of the underlying agreements governing the loans to these portfolio companies.

Table of Contents

(dollar amounts in millions)

SSLP Loan Portfolio as of December 31, 2011

Portfolio Company	Business Description	Maturity Date	Stated Interest Rate(1)	Principal Amount	Fair Value(2)
ADG, LLC	Dental services	10/2016	8.8%	\$ 176.4	\$ 176.4
AMZ Products Merger Corporation	Specialty chemicals manufacturer	6/2014	7.8%	156.6	156.6
Anthony, Inc. and Anthony Holdings, Inc.	Manufacturer of refrigeration glass doors and related products	6/2017	7.1%	243.8	243.8
Augusta Sportswear, Inc.(3)	Manufacturer of athletic apparel	7/2015	8.5%	239.9	239.9
BECO Holding Company, Inc.(5)	Wholesale distributor of first response fire protection equipment and related parts	7/2015	9.0%	116.0	116.0
*	Manufacturer of custom designed and engineered metal products	12/2015	8.8%	73.7	73.7
CIBT Holdings, Inc.(5)	Expedited travel document processing services	12/2017	9.3%	133.0	133.0
CCS Group Holdings, LLC(5)	Correctional facility healthcare operator	4/2016	8.0%	109.9	109.9
*	Manufacturer and supplier of brake systems and replacement parts for vehicles	3/2014	8.8%	123.8	123.8
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (3)(5)	Healthcare analysis services	3/2017	7.8%	288.5	274.1
Driven Holdings, LLC(5)	Automotive aftermarket car care franchisor	12/2016	8.5%	170.0	170.0
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation(5)	Developer, manufacturer and retailer of educational products	8/2016	8.0%	121.0	121.0
Fleischmann's Vinegar Company, Inc.	Manufacturer and marketer of industrial vinegar	5/2016	8.8%	62.3	62.3
Fox Hill Holdings, LLC	Operating company that develops middle market manufacturing and industrial distribution companies	12/2017	8.8%	300.0	300.0
Huddle House, Inc.(4)(5)	Restaurant owner and operator	6/2013	11.0%(6)	58.2	58.2
Implus Footcare, LLC(5)	Provider of footwear and other accessories	10/2016	9.5%	179.8	179.8
Industrial Air Tool, L.P.	Industrial products	6/2014	7.5%	34.1	34.1
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc.(5)	Private school operator	6/2015	10.5%	173.8	173.8
Intermedix Corporation	Provider of revenue cycle management to the emergency healthcare industry	8/2016	6.0%	225.9	225.9
LJSS Acquisition, Inc.	Fluid power distribution company in the industrial and mobile equipment markets	10/2017	8.8%	167.0	167.0
MWI Holdings, Inc.(3)	Provider of highly engineered springs, fasteners, and other precision components	6/2017	8.0%	253.7	253.7
Nivel Parts and Manufacturing Co., LLC	Provider of golf car aftermarket parts and accessories	2/2016	8.0%	88.0	88.0
Nordco, Inc.	Designer and manufacturer of railroad maintenance-of-way machinery	6/2016	7.0%	119.4	119.4

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Opinionology, LLC and Survey Sampling International LLC	Provider of outsourced data collection to the market research industry	7/2017	9.0%	158.5	158.5
Penn Detroit Diesel Allison, LLC	Diesel engine manufacturer	12/2016	9.0%	66.0	66.0
PG Mergersub, Inc. and PGA Holdings, Inc.(3)(4)(5)	Provider of patient surveys, management reports and national databases for the integrated healthcare delivery system	11/2015	6.8%	267.3	267.3
Powersport Auctioneer Holdings, LLC	Powersport vehicle auction operator	12/2016	8.8%	74.5	74.5
PSSI Holdings, LLC	Provider of mission-critical outsourced cleaning and sanitation services to the food processing industry	6/2017	6.8%	158.8	158.8
The Teaching Company, LLC and The Teaching Company Holdings, Inc.(5)	Education publications provider	3/2017	9.0%	116.2	116.2
United Central Industrial Supply Company, LLC	Provider of mining supplies and services to the U.S. underground coal mining industry	10/2015	6.3%	152.5	152.5
WB Merger Sub, Inc.	Importer, distributor and developer of premium wine and spirits	12/2016	9.0%	155.9	155.9
WP CPP Holdings, LLC(3)	Precision engineered castings manufacturer	10/2017	8.5%	253.4	248.3
				\$ 5,017.9	\$ 4,998.4

(1) Represents the weighted average annual stated interest rate as of December 31, 2011. Unless otherwise stated, all interest rates are payable in cash.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

(2) Represents the fair value in accordance with Accounting Standards Codification 820-10. The determination of such fair value is not included in the Company's board of directors' valuation process described elsewhere herein.

(3) The Company also holds a portion of the first lien senior secured loan in this portfolio company.

(4) The Company holds a senior subordinated loan in this portfolio company.

(5) The Company holds an equity investment in this portfolio company.

(6) Consists of 9.0% interest payable in cash and 2.0% of payment-in-kind interest.

* Disclosure of the names of these SSLP portfolio companies is prohibited by the terms of the underlying agreements governing the loans to these portfolio companies.

The amortized cost and fair value of the SSLP Certificates held by the Company was \$1.2 billion and \$1.2 billion, respectively, as of September 30, 2012, and \$1.0 billion and \$1.1 billion, respectively, as of December 31, 2011. The SSLP Certificates pay a weighted average contractual coupon of three month LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the underlying loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than both the contractual coupon on the SSLP Certificates as well as the weighted average yield on the SSLP's portfolio of 8.1% and 8.2% at September 30, 2012, and December 31, 2011, respectively. The Company's yield on its investment in the SSLP at fair value was 15.5% and 15.7% as of September 30, 2012, and December 31, 2011, respectively. For the three and nine months ended September 30, 2012, the Company earned interest income of \$47 million and \$135 million, respectively. For the three and nine months ended September 30, 2011, the Company earned interest income of \$31 million and \$81 million, respectively.

The Company is also entitled to certain fees in connection with the SSLP. For the three and nine months ended September 30, 2012, in connection with the SSLP, the Company earned capital structuring service fees and sourcing, management and other fees totaling \$13 million and \$39 million, respectively. For the three and nine months ended September 30, 2011, in connection with the SSLP, the Company earned capital structuring service fees and sourcing, management and other fees totaling \$11 million and \$29 million, respectively.

Below are certain summarized financial information for the SSLP as of and for the year ended December 31, 2011:

(in millions)

Selected Balance Sheet Information:

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Investments in loans receivable, net of discount for loan origination fees	\$	4,981.3
Cash and other assets	\$	126.4
Total assets	\$	5,107.7
Senior notes	\$	3,846.2
Other liabilities	\$	66.7
Total liabilities	\$	3,912.9
Subordinated certificates and members' equity	\$	1,194.9
Total liabilities and members' capital	\$	5,107.7
Selected Statement of Operations Information:		
Total revenues	\$	284.8
Total expenses	\$	155.7
Net income	\$	129.2

Table of Contents**RESULTS OF OPERATIONS***For the three and nine months ended September 30, 2012 and 2011*

Operating results for the three and nine months ended September 30, 2012 and 2011 were as follows:

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Total investment income	\$ 190.6	\$ 167.4	\$ 535.8	\$ 447.3
Total expenses	99.1	68.4	273.8	252.8
Net investment income before income taxes	91.5	99.0	262.0	194.5
Income tax expense, including excise tax	2.0	0.7	7.6	4.6
Net investment income	89.5	98.3	254.4	189.9
Net realized gains (losses) from investments	27.7	48.8	(18.9)	105.0
Net unrealized gains (losses) from investments	19.4	(106.5)	100.2	(74.3)
Realized loss on extinguishment of debt			(2.7)	(19.3)
Net increase in stockholders' equity resulting from operations	\$ 136.6	\$ 40.6	\$ 333.0	\$ 201.3

Net income can vary substantially from period to period due to various factors, including the level of new investment commitments, 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

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest	\$ 144.6	\$ 121.5	\$ 415.5	\$ 343.4
Capital structuring service fees	29.6	28.1	68.5	59.2
Dividend income	9.4	11.3	27.6	26.8
Management and other fees	4.7	4.2	14.1	12.2
Other income	2.3	2.3	10.1	5.7
Total investment income	\$ 190.6	\$ 167.4	\$ 535.8	\$ 447.3

The increase in interest income for the three months ended September 30, 2012 from the comparable period in 2011 was primarily due to the increase in the size of the portfolio, which increased from an average of \$4.7 billion at amortized cost for the three months ended September 30, 2011 to an average of \$5.6 billion at amortized cost for the comparable period in 2012. Even though new investment commitments decreased from \$1.4 billion for the three months ended September 30, 2011 to \$1.0 billion for the comparable period in 2012, capital structuring service fees increased for the three months ended September 30, 2012 as compared to 2011 primarily due to the increase in the average capital

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

structuring service fees received on new investments, which increased from 2.0% in 2011 to 2.9% in 2012. The decrease in dividend income for the three months ended September 30, 2012 from the comparable period in 2011 was primarily attributable to a decrease in non-recurring dividends, offset by additional dividend income of \$1.7 million earned from a preferred equity investment that was made in August 2011.

The increase in interest income for the nine months ended September 30, 2012 from the comparable period in 2011 was primarily due to the increase in the size of the portfolio which increased from an average of \$4.5 billion at amortized cost for the nine months ended September 30, 2011 to an average of \$5.4 billion at amortized cost for the comparable period in 2012. Even though new investment commitments decreased from \$2.8 billion for the nine months ended September 30, 2011 to \$2.1 billion for the comparable period in 2012, capital structuring service fees increased for the nine months ended September 30, 2012 as compared to 2011 primarily due to the increase in the average capital structuring service fees received on new investments which increased from 2.1% in 2011 to 3.2% in 2012. The increase in management and other fees for the nine months September 30, 2012 from the comparable period in 2011 was primarily due to the management and sourcing fees earned from the SSLP, which increased from \$8.1 million for the nine months ended September 30, 2011 to \$11.8 million for the comparable period in 2012 as the aggregate principal amount of investments made through the SSLP increased from approximately \$3.6 billion at September 30, 2011 to approximately \$5.9 billion at September 30, 2012. The increase in other income for the nine months ended September 30, 2012 from the comparable period in 2011 was primarily attributable to higher amendment and letter of credit fees.

Table of Contents

Operating Expenses

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest and credit facility fees	\$ 35.7	\$ 31.0	\$ 103.5	\$ 89.7
Incentive fees related to pre- incentive fee net investment income	24.7	21.7	67.5	54.6
Incentive fees related to capital gains per GAAP	9.4	(11.5)	15.7	28.2
Base management fees	22.3	18.3	63.1	52.5
Professional fees	1.9	3.7	9.2	11.0
Administrative fees	2.3	2.0	6.8	6.9
Other general and administrative	2.8	3.2	8.0	9.9
Total operating expenses	\$ 99.1	\$ 68.4	\$ 273.8	\$ 252.8

Interest and credit facility fees for the three and nine months ended September 30, 2012 and 2011 were comprised of the following:

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Stated interest expense	\$ 28.6	\$ 24.2	\$ 81.9	\$ 66.3
Facility fees	1.2	0.9	3.7	5.2
Amortization of debt issuance cost	3.1	3.4	9.7	9.6
Accretion of discount related to debt assumed in the Allied Acquisition	0.1	0.1	0.2	2.6
Accretion of original issuance discount on the Convertible Notes	2.7	2.4	8.0	6.0
Total interest and credit facility fees	\$ 35.7	\$ 31.0	\$ 103.5	\$ 89.7

Stated interest expense for the three months ended September 30, 2012 increased from the comparable period in 2011 due to the increase in our average principal amount of debt outstanding and an increase in our weighted average stated interest rate of our debt. For the three months ended September 30, 2012, our average principal amount of debt outstanding was \$2.3 billion as compared to \$2.0 billion for the comparable period in 2011, and the weighted average stated interest rate on our debt was 5.0% for the three months ended September 30, 2012 as compared to 4.9% for the comparable period in 2011.

Stated interest expense for the nine months ended September 30, 2012 increased from the comparable period in 2011 due to the increase in the average principal amount of debt outstanding, partially offset by a decrease in our weighted average stated interest rate of our debt. For the nine months ended September 30, 2012, our average principal debt outstanding was \$2.2 billion as compared to \$1.7 billion for the comparable period in 2011, and the weighted average stated interest rate on our debt was 5.0% for the nine months ended September 30, 2012 as compared to 5.3% for the comparable period in 2011.

The increase in base management fees and incentive fees related to pre-incentive fee net investment income for the three and nine months ended September 30, 2012 from the comparable periods in 2011 was primarily due to the increase in the size of the portfolio and in the case of incentive fees, the related increase in pre-incentive fee net investment income.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

For the three and nine months ended September 30, 2012, the capital gains incentive fee expense was \$9.4 million and \$15.7 million, respectively, bringing the total capital gains incentive fee accrual calculated in accordance with United States generally accepted accounting principles (GAAP) to \$64.7 million (included in management and incentive fees payable in the consolidated balance sheet) as of September 30, 2012. For the three months ended September 30, 2011, we recorded a reduction in accrued capital gains incentive fees in accordance with GAAP of \$11.5 million due to a reduction in cumulative net realized and unrealized gains since June 30, 2011. For the nine months ended September 30, 2011, the capital gains incentive fee expense calculated in accordance with GAAP was \$28.2 million. As a result of an amendment to the capital gains portion of the incentive fee under the investment advisory and management agreement (the Capital Gains Amendment) that was adopted June 6, 2011, the nine months ended September 30, 2011 included an accrual of \$26.0 million of capital gains incentive fees in accordance with GAAP as a result of the application of the Capital Gains Amendment with respect to the assets purchased in the Allied Acquisition. The accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future. For the three and nine months ended September 30, 2012 and 2011, we did not incur a capital gains fee under the investment advisory and management agreement and there are no amounts currently due under the agreement. See Note 3 to the Company s consolidated financial statements for the three and nine months ended September 30, 2012 for more information on the incentive and base management fees.

Table of Contents

Professional fees include legal, accounting, valuation and other professional fees incurred related to the management of the Company. The decrease in professional fees for the three and nine months ended September 30, 2012 from the comparable period in 2011 was primarily related to a decrease in deal-related professional fees. Administrative fees represent fees paid to Ares Operations for our allocable portion of overhead and other expenses incurred by Ares Operations 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. Other general and administrative expenses include rent, insurance, depreciation, director's fees and other costs. The decrease in other general and administrative expenses for the nine months ended September 30, 2012 from the comparable period in 2011 was primarily related to professional fees and other costs related to the Allied Acquisition incurred in the comparable period in 2011.

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. To qualify as a RIC, the Company must, among other things, timely distribute to its stockholders generally at least 90% of its investment company taxable income, as defined by the Code, for each year. In order to maintain its RIC status, 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 from such current year taxable income 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 from such income, the Company accrues excise tax on estimated excess taxable income as such taxable income is earned. For the three and nine months ended September 30, 2012, a net expense of \$1.7 million and \$5.7 million, respectively, was recorded for U.S. federal excise tax. For the three and nine months ended September 30, 2011, a net expense of \$2.3 million and \$4.1 million was recorded for U.S. federal excise tax, respectively.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three and nine months ended September 30, 2012, we recorded a tax expense of approximately \$0.3 million and \$1.9 million, respectively, for these subsidiaries. For the three and nine months ended September 30, 2011, we recorded a tax (benefit) expense of approximately \$(1.6) million and \$0.5 million, respectively, for these subsidiaries.

Net Realized Gains/Losses

During the three months ended September 30, 2012, the Company had \$629.4 million of sales, repayments or exits of investments resulting in \$27.7 million of net realized gains. These sales, repayments or exits included \$146.0 million of investments sold to Ivy Hill Asset Management, L.P. (IHAM), a wholly owned portfolio company of the Company, and certain vehicles managed by IHAM. A net realized gain of \$2.9 million was recorded on these transactions. See Note 12 to the Company's consolidated financial statements for the three and nine months ended September 30, 2012 for more detail on IHAM and its managed vehicles. Net realized gains of \$27.7 million on investments were comprised of \$39.6 million of gross realized gains and \$11.9 million of gross realized losses. The realized gains and losses on investments during the three months ended September 30, 2012 consisted of the following:

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

(in millions)			Net Realized
Portfolio Company			Gains (Losses)
Savers, Inc. and SAI Acquisition Corporation	\$		15.2
Sunquest Information Systems, Inc.			9.1
Norwesco Acquisition Company			5.7
Ivy Hill Middle Market Credit Fund, Ltd.			2.4
U.S. Renal Care, Inc.			2.1
Aquila Binks Forest Development, LLC			(9.5)
Other, net			2.7
Total	\$		27.7

Table of Contents

During the three months ended September 30, 2011, the Company had \$973.7 million of sales, repayments or exits of investments resulting in \$48.8 million of net realized gains. These sales, repayments or exits included \$98.3 million of investments sold to certain vehicles managed by IHAM. A net realized loss of \$0.6 million was recorded on these transactions. See Note 12 to the Company's consolidated financial statements for the three and nine months ended September 30, 2012 for more detail on IHAM and its managed vehicles. Net realized losses on investments were comprised of \$96.0 million of gross realized gains and \$47.2 million of gross realized losses. The realized gains and losses on investments during the three months ended September 30, 2011 consisted of the following:

(in millions)		Net Realized
Portfolio Company		Gains (Losses)
Reflexite Corporation	\$	40.9
DSI Renal, Inc.		27.5
Industrial Container Services, LLC		19.9
Knightsbridge CLO 2007-1 Ltd.		3.7
INC Research, Inc.		2.0
Sigma International Group, Inc.		(4.3)
Wastequip, Inc.		(10.2)
Primis Marketing Group, Inc		(14.1)
Cook Inlet Alternative Risk, LLC		(16.5)
Other, net		(0.1)
Total	\$	48.8

During the nine months ended September 30, 2012, the Company had \$1,357.3 million of sales, repayments or exits of investments resulting in \$18.9 million of net realized losses. These sales, repayments or exits included \$182.2 million of investments sold to IHAM and certain vehicles managed by IHAM. A net realized gain of \$2.1 million was recorded on these transactions. See Note 12 to the Company's consolidated financial statements for the three and nine months ended September 30, 2012 for more detail on IHAM and its managed vehicles. Net realized losses on investments were comprised of \$65.5 million of gross realized gains and \$84.4 million of gross realized losses. The realized gains and losses on investments during the nine months ended September 30, 2012 consisted of the following:

(in millions)		Net Realized
Portfolio Company		Gains (Losses)
Savers, Inc. and SAI Acquisition Corporation	\$	15.2
BenefitMall Holdings Inc.		12.9
Things Remembered Inc.		9.6
Sunquest Information Systems, Inc.		9.1
Norwesco Acquisition Company		5.7
U.S. Renal Care, Inc.		2.1
Crescent Hotels & Resorts, LLC and affiliates		(5.5)
LVC Holdings LLC		(6.6)
Aquila Binks Forest Development, LLC		(9.5)
Making Memories Wholesale, Inc.		(12.3)
Prommis Solutions, LLC		(46.8)
Other, net		7.2
Total	\$	(18.9)

Table of Contents

During the nine months ended September 30, 2011, the Company had \$1,976.4 million of sales, repayments or exits of investments resulting in \$105.0 million of net realized gains. These sales, repayments or exits included \$178.8 million of investments sold to certain vehicles managed by IHAM. A net realized gain of \$0.2 million was recorded on these transactions. See Note 12 to the Company's consolidated financial statements for the three and nine months ended September 30, 2012 for more detail on IHAM and its managed vehicles. Net realized gains on investments were comprised of \$225.1 million of gross realized gains and \$120.1 million of gross realized losses. The realized gains and losses on investments during the nine months ended September 30, 2011 consisted of the following:

(in millions)		Net Realized
Portfolio Company		Gains (Losses)
Reflexite Corporation	\$	40.9
DSI Renal, Inc.		27.5
Callidus Debt Partners CLO Fund VI, Ltd.		23.9
Industrial Container Services, LLC		19.9
Dryden XVIII Leveraged Loan 2007 Limited		19.3
Callidus MAPS CLO Fund I LLC		15.0
Callidus Debt Partners CLO Fund VII, Ltd.		10.8
Callidus MAPS CLO Fund II, Ltd.		8.2
Callidus Debt Partners CLO Fund IV, Ltd.		8.0
Callidus Debt Partners CLO Fund V, Ltd.		5.7
Border Foods, Inc.		5.2
Callidus Debt Partners CLO Fund III, Ltd.		4.4
BB&T Capital Partners/Windsor Mezzanine Fund, LLC		3.9
Knightsbridge CLO 2007-1 Ltd.		3.7
Direct Buy Holdings, Inc.		2.8
Network Hardware Resale, Inc.		2.8
Univita Health Inc.		2.1
INC Research, Inc.		2.0
Pangaea CLO 2007-1 Ltd.		2.0
Van Ness Hotel, Inc.		(2.3)
Carador PLC		(3.0)
Trivergance Capital Partners, LP		(3.8)
Sigma International Group, Inc.		(4.3)
AWTP, LLC		(7.6)
Universal Trailer Corporation		(7.9)
Coverall North America, Inc.		(8.4)
Summit Business Media, LLC		(10.1)
Wastequip, Inc.		(10.2)
Primis Marketing Group, Inc.		(14.1)
Cook Inlet Alternative Risk, LLC		(16.5)
MPBP Holdings, Inc.		(27.7)
Other, net		12.8
Total	\$	105.0

During the nine months ended September 30, 2012, in connection with the repayment in full of the \$60 million aggregate principal amount of the Company's asset-backed notes (the "CLO Notes") issued under its 2006 debt securitization (the "Debt Securitization") ahead of their scheduled maturities, \$2.7 million of unamortized debt issuance costs were expensed and recorded as a realized loss on the extinguishment of debt. During the nine months ended September 30, 2011, in connection with the redemption of all of the Company's outstanding 6.0% notes due on April 1, 2012, and 6.625% notes due on July 15, 2011, the Company recognized a realized loss on the extinguishment of debt of \$19.3 million.

Net Unrealized Gains/Losses

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

We value our portfolio investments quarterly and the changes in value are recorded as unrealized gains or losses. Net unrealized gains and losses for the Company's portfolio were comprised of the following:

(in millions)	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Unrealized appreciation	\$ 76.8	\$ 25.5	\$ 154.3	\$ 114.7
Unrealized depreciation	(50.8)	(92.7)	(114.4)	(193.3)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses(1)	(6.6)	(39.3)	60.3	4.3
Total net unrealized gains (losses) from investments	\$ 19.4	\$ (106.5)	\$ 100.2	\$ (74.3)

(1) The net unrealized (appreciation) depreciation reversed related to net realized gains or losses represents the unrealized appreciation or depreciation recorded on the related asset at the end of the prior period.

Table of Contents

The changes in unrealized appreciation and depreciation during the three months ended September 30, 2012 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Reed Group, Ltd.	\$ 9.8
Senior Secured Loan Fund LLC	8.7
Firstlight Financial Corporation	8.4
Ivy Hill Asset Management, L.P.	6.6
Diversified Collections Services, Inc.	6.1
Stag-Parkway, Inc.	5.7
ELC Acquisition Corp.	3.5
AWTP, LLC	3.4
ADF Capital, Inc.	3.0
R3 Education, Inc.	2.9
NPH, Inc	(2.1)
Imperial Capital Group LLC	(2.4)
Orion Foods, LLC	(3.7)
UL Holding Co., LLC	(5.6)
MVL Group, Inc.	(18.6)
Other, net	0.3
Total	\$ 26.0

The changes in unrealized appreciation and depreciation during the three months ended September 30, 2011 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Ivy Hill Asset Management, L.P.	\$ 9.4
Penn Detroit Diesel Allison, LLC	2.3
CT Technologies Intermediate Holdings, Inc.	(2.5)
MWD Acquisition Sub, Inc.	(2.5)
Infilaw Holding, LLC	(2.6)
Direct Buy Holdings, Inc.	(2.7)
Stag-Parkway, Inc.	(2.9)
CitiPostal Inc.	(3.0)
Allbridge Financial, LLC	(3.5)
Orion Foods, LLC	(3.7)
ADF Restaurant Group, LLC	(4.0)
Industrial Container Services, LLC	(4.4)
Reed Group, Ltd.	(7.1)
eInstruction Corporation	(7.2)
AP Global Holdings, Inc.	(8.4)
Prommis Solutions, LLC	(10.4)
Other, net	(14.0)
Total	\$ (67.2)

Table of Contents

The changes in unrealized appreciation and depreciation during the nine months ended September 30, 2012 consisted of the following:

(in millions)		Net Unrealized Appreciation (Depreciation)
Portfolio Company		
Ivy Hill Asset Management, L.P.	\$	17.0
Firstlight Financial Corporation		15.9
Stag-Parkway, Inc.		13.7
ADF Capital, Inc.		11.8
Senior Secured Loan Fund LLC		10.5
Reed Group, Ltd		10.0
Diversified Collections Services, Inc.		7.1
AWTP, LLC		5.4
R3 Education, Inc.		4.9
The Dwyer Group		4.2
Financial Pacific Company		3.5
ELC Acquisition Corp.		3.3
Waste Pro USA, Inc		2.8
Tripwire, Inc.		2.6
Tradesmen International, Inc.		2.6
ICSH, Inc.		2.2
AllBridge Financial, LLC		2.0
UL Holding Co., LLC		(2.0)
Apple & Eve, LLC		(2.2)
Insight Pharmaceuticals Corporation		(2.3)
OnCURE Medical Corp.		(3.1)
HCP Acquisition Holdings, LLC		(3.2)
Matrixx Initiatives, Inc.		(4.0)
Things Remembered Inc.		(4.4)
Community Education Centers, Inc.		(4.5)
RE Community Holdings II, Inc.		(5.6)
CT Technologies Intermediate Holdings, Inc.		(5.8)
American Broadband Communications, LLC		(11.3)
Orion Foods, LLC		(13.0)
eInstruction Corporation		(16.7)
MVL Group, Inc.		(23.1)
Other, net		21.6
Total	\$	39.9

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

The changes in unrealized appreciation and depreciation during the nine months ended September 30, 2011 consisted of the following:

(in millions) Portfolio Company	Net Unrealized Appreciation (Depreciation)
Ivy Hill Asset Management, L.P.	\$ 41.2
American Broadband Holding Company	5.4
Insight Pharmaceuticals Corporation	4.4
Growing Family, Inc.	4.4
Penn Detroit Diesel Allison LLC	4.0
Savers, Inc.	4.0
Firstlight Financial Corporation	3.6
BenefitMall Holdings, Inc.	3.4
Knightsbridge CLO 2008-1 Ltd.	3.3
Huddle House, Inc.	3.1
AWTP, LLC	2.9
Waste Pro USA, Inc.	2.8
Bushnell Inc.	2.5
DSI Renal, Inc.	2.4
Diversified Collections Services, Inc.	2.2
Vistar Corporation	2.1
R3 Education, Inc.	(2.2)
MWD Acquisition Sub, Inc.	(2.3)
ADF Restaurant Group, LLC	(2.4)
Passport Health Communications, Inc.	(2.4)
Infilaw Holding, LLC	(2.6)
Instituto de Banca y Comercio, Inc.	(2.6)
Pillar Processing, LLC	(3.0)
Callidus Capital Corporation	(3.4)
The Step2 Company, LLC	(4.2)
VSS-Tranzact Holdings, LLC	(4.4)
Industrial Container Services, LLC	(4.4)
Senior Secured Loan Fund LLC (1)	(5.1)
Making Memories Wholesale, Inc.	(5.9)
Reed Group, Ltd.	(6.5)
AP Global Holdings, Inc.	(8.4)
Orion Foods, LLC	(9.0)
CitiPostal Inc.	(9.7)
eInstruction Corporation	(15.4)
Ciena Capital LLC	(16.7)
Direct Buy Holdings, Inc.	(26.2)
Prommis Solutions, LLC	(33.3)
Other, net	(0.2)
Total	\$ (78.6)

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generated primarily from the net proceeds of public offerings of common stock, advances from the Revolving Credit Facility, the Revolving Funding Facility and the SMBC Funding Facility (each as defined below and together, the Facilities), net proceeds from the issuance of unsecured notes as well as cash flows from operations.

As of September 30, 2012, the Company had \$105.5 million in cash and cash equivalents and \$2.2 billion in total debt outstanding at carrying value (\$2.3 billion at principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$1.3 billion available for additional borrowings under the Facilities as of September 30, 2012.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material.

Table of Contents**Equity Issuances**

The following table summarizes the total shares issued and proceeds we received in underwritten public offerings of our common stock net of underwriting discounts and offering costs for the nine months ended September 30, 2012:

(in millions, except per share data)	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
August 2012 public offering	25.9	\$ 16.55(1)	\$ 427.4
January 2012 public offering	16.4	\$ 15.41(2)	252.4
Total for the nine months ended September 30, 2012	42.3		\$ 679.8

(1) The shares were sold to the underwriters for a price of \$16.55 per share, which the underwriters were then permitted to sell at variable prices to the public.

(2) The shares were sold to the underwriters for a price of \$15.41 per share, which the underwriters were then permitted to sell at variable prices to the public.

The Company used the net proceeds from the January 2012 and the August 2012 public equity offerings to repay outstanding debt and for general corporate purposes, which included funding investments.

As of September 30, 2012, total equity market capitalization for the Company was \$4.3 billion compared to \$3.2 billion as of December 31, 2011.

Debt Capital Activities

Our debt obligations consisted of the following as of September 30, 2012 and December 31, 2011:

	September 30, 2012			As of	December 31, 2011		
	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value		Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value
(in millions)							

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Revolving Credit Facility	\$	900.0(2)	\$	50.0	\$	50.0	\$	810.0	\$	395.0	\$	395.0
Revolving Funding Facility		620.0(3)		407.0		407.0		500.0		463.0		463.0
SMBC Funding Facility		400.0		133.0		133.0						
Debt Securitization								77.5		77.5		77.5
February 2016 Convertible Notes		575.0		575.0		546.6(4)		575.0		575.0		541.2(4)
June 2016 Convertible Notes		230.0		230.0		218.1(4)		230.0		230.0		215.9(4)
2017 Convertible Notes		162.5		162.5		158.1(4)						
February 2022 Notes		143.8		143.8		143.8						
October 2022 Notes		175.0		175.0		175.0						
2040 Notes		200.0		200.0		200.0		200.0		200.0		200.0
2047 Notes		230.0		230.0		181.1(5)		230.0		230.0		181.0(5)
	\$	3,636.3	\$	2,306.3	\$	2,212.7	\$	2,622.5	\$	2,170.5	\$	2,073.6

(1) Subject to borrowing base and leverage restrictions. Represents the total aggregate amount committed or outstanding, as applicable, under such instrument.

(2) Provides for a feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,350.0 million as of September 30, 2012.

(3) Provides for a feature that allows the Company and Ares Capital CP, under certain circumstances, to increase the size of the Revolving Funding Facility to a maximum of \$865.0 million as of September 30, 2012.

Table of Contents

(4) Represents the aggregate principal amount outstanding of the Convertible Notes less the unaccreted discount initially recorded upon issuance of the Convertible Notes. The total unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes was \$28.4 million, \$12.0 million and \$4.4 million, respectively, at September 30, 2012. The total unaccreted discount for the February 2016 Convertible Notes and the June 2016 Convertible Notes was \$33.8 million and \$14.1 million, respectively, at December 31, 2011.

(5) Represents the aggregate principal amount outstanding less the unaccreted purchased discount. The total unaccreted purchased discount on the 2047 Notes was \$48.9 million and \$49.0 million as of September 30, 2012 and December 31, 2011, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our debt outstanding as of September 30, 2012 were 5.2% and 10.1 years, respectively and as of December 31, 2011 were 4.8% and 9.3 years, respectively.

The ratio of total principal amount of debt outstanding to stockholders' equity as of September 30, 2012 was 0.59:1.00 compared to 0.69:1.00 as of December 31, 2011. The ratio of total carrying value of debt outstanding to stockholders' equity as of September 30, 2012 was 0.57:1.00 compared to 0.66:1.00 as of December 31, 2011.

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 September 30, 2012, our asset coverage for borrowed amounts was 277%.

Revolving Credit Facility

In December 2005, we entered into a senior secured revolving credit facility (as amended and restated, the *Revolving Credit Facility*), which as of September 30, 2012, allowed us to borrow up to \$900 million at any one time outstanding. In May 2012, we amended and restated the *Revolving Credit Facility* to, among other things, increase the size of the facility from \$810 million to \$900 million, extend the expiration of the revolving period from January 22, 2013 to May 4, 2015 and extend the stated maturity date from January 22, 2013 to May 4, 2016. The *Revolving Credit Facility* also provides for a feature that allows us, under certain circumstances, to increase the size of the facility to a maximum of \$1.35 billion. Subject to certain exceptions, as of September 30, 2012, the interest rate charged on the *Revolving Credit Facility* is based on LIBOR plus an applicable spread of 2.25% or a base rate (as defined in the agreements governing the *Revolving Credit Facility*) plus an applicable spread of 1.25%. Additionally, we are required to pay a commitment fee of 0.375% per annum on any unused portion of the *Revolving Credit Facility*. As of September 30, 2012, the principal amount outstanding under the *Revolving Credit Facility* was \$50.0 million and the amount available for borrowing (net standby letters of credit issued) was \$806.1 million. As of September 30, 2012, we were in compliance in all material respects with the terms of the *Revolving Credit Facility*.

Revolving Funding Facility

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In October 2004, we established through our consolidated subsidiary, Ares Capital CP Funding LLC (Ares Capital CP), a revolving funding facility (as amended, the Revolving Funding Facility), which as of September 30, 2012, allowed Ares Capital CP to borrow up to \$620 million at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and its membership interest in, Ares Capital CP. In June 2012, we and Ares Capital CP amended the Revolving Funding Facility to, among other things, (i) increase the size of the Revolving Funding Facility from \$500 million to \$580 million, (ii) add a feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$865 million, (iii) extend the reinvestment period from January 18, 2015 to April 18, 2015, and (iv) extend the stated maturity date from January 18, 2017 to April 18, 2017. In July 2012, the Company and Ares Capital CP received an increase in the commitments under the Revolving Funding Facility of \$40 million, bringing the total commitments to \$620 million. Subject to certain exceptions, as of September 30, 2012, the interest rate charged on the Revolving Funding Facility is one month LIBOR plus an applicable spread of 2.50% or a base rate (as defined in the agreements governing the Revolving Funding Facility) plus an applicable spread of 1.50%. Additionally, we are required to pay a commitment fee of between 0.50% and 1.75% depending on the size of the unused portion of the Revolving Funding Facility. As of September 30, 2012, the principal amount outstanding under the Revolving Funding Facility was \$407.0 million and we and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

Table of Contents

SMBC Funding Facility

In January 2012, we established through our consolidated subsidiary, Ares Capital JB Funding LLC, (ACJB), a revolving funding facility (as amended, the SMBC Funding Facility), which as of September 30, 2012, allowed ACJB to borrow up to \$400 million at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. In September 2012, the Company and ACJB amended the SMBC Funding Facility to, among other things, (i) increase the size of the SMBC Funding Facility from \$200 million to \$400 million, (ii) extend the reinvestment period from January 20, 2015 to September 14, 2015 and (iii) extend the stated maturity date from January 20, 2020 to September 14, 2020. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement. As of September 30, 2012, the interest rate charged on the SMBC Funding Facility is based on one month LIBOR plus an applicable spread of 2.125% or a base rate (as defined in the agreements governing the SMBC Funding Facility) plus an applicable spread of 1.125%. Beginning on July 20, 2012, we were required to pay a commitment fee of 0.50% depending on the size of the unused portion of the SMBC Funding Facility. As a result of the September 2012 amendment to the SMBC Funding Facility described above, ACJB is no longer required to pay a commitment fee until September 15, 2013, at which time ACJB is required to pay a commitment fee of 0.50% depending on the size of the unused portion of the SMBC Funding Facility. As of September 30, 2012, the principal amount outstanding under the SMBC Funding Facility was \$133.0 million and we and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

Debt Securitization

In July 2006, through ARCC Commercial Loan Trust 2006, a vehicle serviced by our consolidated subsidiary, ARCC CLO 2006 LLC (ARCC CLO), we completed a \$400 million debt securitization (the Debt Securitization) and issued approximately \$314 million aggregate principal amount of asset backed notes to third parties (the CLO Notes) that were secured by a pool of middle market loans that were purchased or originated by us. We initially retained approximately \$86 million of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization and subsequently repurchased \$35 million of the CLO Notes. In June 2012, we repaid in full the \$60 million aggregate principal amount outstanding of the CLO Notes and terminated or discharged the agreements governing the Debt Securitization.

Unsecured Notes

Convertible Notes

In January 2011, we issued \$575 million aggregate principal amount of unsecured convertible senior notes that mature on February 1, 2016 (the February 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2011, we issued \$230 million aggregate principal amount of unsecured convertible senior notes that mature on June 1, 2016 (the June 2016 Convertible Notes), unless previously converted or repurchased in accordance with their terms. In March 2012, we issued \$162.5 million aggregate principal amount of unsecured convertible senior notes that mature on March 15, 2017 (the 2017 Convertible Notes) and together with the February 2016 Convertible Notes and the June 2016 Convertible Notes, the Convertible Notes), unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the Convertible Notes prior to maturity. The February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes bear interest at a rate of 5.75%, 5.125% and 4.875%, respectively, per year, payable semi-annually.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

In certain circumstances, the Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at their respective conversion rates (listed below as of September 30, 2012) subject to customary anti-dilution adjustments and the requirements of their respective indentures (the "Convertible Notes Indentures"). Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Notes only under certain circumstances set forth in the respective Convertible Notes Indenture. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Notes at any time. In addition, if we engage in certain corporate events as described in their respective Convertible Notes Indenture, holders of the Convertible Notes may require us to repurchase for cash all or part of the Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

Certain key terms related to the convertible features for each of the Convertible Notes are listed below.

	February 2016		June 2016		2017
	Convertible Notes		Convertible Notes		Convertible Notes
Conversion premium	17.5%		17.5%		17.5%
Closing stock price at issuance	\$ 16.28	\$	16.20	\$	16.46
Closing stock price date	January 19, 2011		March 22, 2011		March 8, 2012
Conversion price as of September 30, 2012	\$ 18.98	\$	18.89	\$	19.27
Conversion rate as of September 30, 2012 (shares per one thousand dollar principal amount)	52.6899		52.9501		51.8841
Conversion dates	August 15, 2015		December 15, 2015		September 15, 2016

Table of Contents

The Convertible Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not expressly subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. As of September 30, 2012, we were in compliance in all material respects with the terms of the Convertible Notes Indentures.

See Recent Developments as well as Note 15 to our consolidated financial statements for the three and nine months ended September 30, 2012 for more information regarding an additional issuance of unsecured convertible notes.

February 2022 Notes

In February 2012, we issued \$143.8 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 7.00% per year and mature on February 15, 2022 (the February 2022 Notes). The February 2022 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 at our option on or after February 15, 2015, at a par redemption price of \$25 per security plus accrued and unpaid interest.

October 2022 Notes

In September 2012, we issued \$175 million in aggregate principal amount of senior unsecured notes, which bear interest at a rate of 5.875% per year and mature on October 1, 2022 (the October 2022 Notes). The October 2022 Notes require payment of interest quarterly commencing on January 1, 2013, and all principal is due upon maturity. These notes are redeemable in whole or in part at any time or from time to time at our option on or after October 1, 2015, at a par redemption price of \$25 per security plus accrued interest and unpaid interest. See Recent Developments as well as Note 15 to our consolidated financial statements for the three and nine months ended September 30, 2012 for more information regarding the October 2022 Notes.

2040 Notes

In October 2010, we issued \$200 million in aggregate principal amount of senior unsecured notes which bear interest at a rate of 7.75% and mature on October 15, 2040 (the 2040 Notes). The 2040 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 at our option on or after October 15, 2015, at a par redemption price of \$25 per security plus accrued and unpaid interest.

2047 Notes

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

As part of the Allied Acquisition, we assumed \$230 million aggregate principal amount outstanding of senior unsecured notes which bear interest at a rate of 6.875% and mature on April 15, 2047 (the "2047 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 at our option, at a par redemption price of \$25 per security plus accrued and unpaid interest and upon the occurrence of certain tax events as stipulated in the indenture governing the 2047 Notes.

As of September 30, 2012 we were in compliance in all material respects with the terms of the February 2022 Notes, the October 2022 Notes, the 2040 Notes and the 2047 Notes.

See Note 5 to our consolidated financial statements for the three and nine months ended September 30, 2012 for more detail on the Company's debt obligations.

OFF BALANCE SHEET ARRANGEMENTS

The Company has various commitments to fund investments in its portfolio, as described below.

As of September 30, 2012 and December 31, 2011, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) the Company's discretion:

(in millions)	September 30, 2012	As of	December 31, 2011
Total revolving and delayed draw commitments	\$ 540.4	\$	565.6
Less: funded commitments	(121.1)		(125.0)
Total unfunded commitments	419.3		440.6
Less: commitments substantially at discretion of the Company	(6.0)		(64.8)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(0.6)		(5.5)
Total net adjusted unfunded revolving and delayed draw commitments	\$ 412.7	\$	370.3

Table of Contents

Included within the total revolving and delayed draw commitments as of September 30, 2012 were commitments to issue up to \$63.2 million in standby letters of credit through a financial intermediary on behalf of certain portfolio companies. Under these arrangements, if the standby letters of credit were to be issued, 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 September 30, 2012, the Company had \$40.7 million in standby letters of credit issued and outstanding under these commitments on behalf of the portfolio companies, of which no amounts were recorded as a liability on our balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. All of the outstanding letters of credit expire in 2013.

As of September 30, 2012 and December 31, 2011, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships:

(in millions)	As of	
	September 30, 2012	December 31, 2011
Total private equity commitments	\$ 141.0	\$ 132.0
Less: funded private equity commitments	(75.7)	(67.4)
Total unfunded private equity commitments	65.3	64.6
Less: private equity commitments substantially at discretion of the Company	(48.0)	(53.5)
Total net adjusted unfunded private equity commitments	\$ 17.3	\$ 11.1

In addition, as of September 30, 2012 and December 31, 2011, the Company had outstanding guarantees or similar obligations on behalf of certain portfolio companies totaling \$0.8 million.

In the ordinary course of business, we may sell certain of our investments to third party purchasers. In particular, in connection with the sale of certain controlled portfolio company equity investments (as well as certain other sales) we have, and may continue to do so in the future, agreed to indemnify such purchasers for future liabilities arising from the investments and the related sale transaction. Such indemnification provisions may give rise to future liabilities.

As of September 30, 2012, 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 September 30, 2012, there were no known issues or claims with respect to this performance guaranty.

RECENT DEVELOPMENTS

In October 2012, we issued an additional \$7.5 million in aggregate principal amount of the October 2022 Notes pursuant to the partial exercise of an over-allotment option by the underwriters of such offering.

In October 2012, we issued \$230 million aggregate principal amount of unsecured convertible senior notes that mature on January 15, 2018 (the 2018 Convertible Notes), unless previously converted or repurchased in accordance with their terms. We do not have the right to redeem the 2018 Convertible Notes prior to maturity. The 2018 Convertible Notes bear interest at a rate of 4.75% per year, payable semi-annually commencing on July 15, 2013. In certain circumstances, the 2018 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at an initial conversion rate of 50.3290 shares of common stock per one thousand dollar principal amount of the 2018 Convertible Notes, which was equivalent to an initial conversion price of approximately \$19.87 per share of our common stock, subject to customary anti-dilution adjustments. The initial conversion price was approximately 17.5% above the \$16.91 per share closing price of our common stock on October 3, 2012.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

Table of Contents

Effective as of November 2, 2012, we amended our charter to increase the number of shares of common stock we are authorized to issue from 400 million to 500 million.

In November 2012, we declared a fourth quarter dividend of \$0.38 per share and an additional dividend of \$0.05 per share. Both dividends are payable on December 28, 2012 to stockholders of record as of December 14, 2012.

From October 1, 2012 through November 1, 2012, we had made new investment commitments of \$163 million, of which \$141 million were funded. Of these new commitments, 45% were in first lien senior secured debt, 36% were in other equity securities, 13% were investments in subordinated certificates of the SSLP which were applied to co-investments with GE through the SSLP in first lien senior secured loans and 6% were in preferred equity securities. Of the \$163 million of new investment commitments, 42% were non-interest bearing, 35% were floating rate, and 23% were fixed rate. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 10.3%. We may seek to syndicate a portion of these new investment commitments to third parties, although there can be no assurance that we will be able to do so.

From October 1, 2012 through November 1, 2012, we exited \$137 million of investment commitments. Of these investment commitments, 35% were first lien senior secured debt, 32% were senior subordinated debt, 29% were other equity securities and 4% were second lien senior secured debt. Of the \$137 million of exited investment commitments, 37% were floating rate investments, 32% were fixed rate investments, 29% were non-interest bearing and 2% were on non-accrual status. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 9.1%. On the \$137 million of investment commitments exited from October 1, 2012 through November 1, 2012, we recognized total net realized losses of approximately \$7 million.

In October 2012, we contributed to IHAM our entire investment in FirstLight Financial Corporation (FirstLight Corp.) at a price equal to the fair value at the time of the contribution of \$58.1 million (\$51.8 million for our senior subordinated loan position and \$6.3 million for our equity position). As a result of the contribution, we fully exited our investment in FirstLight Corp., which reduced our investment commitments by \$84.2 million, and recognized a net loss of \$26.1 million. Prior to such contribution, IHAM served as a sub-adviser to FirstLight Funding I, Ltd., a wholly owned subsidiary of FirstLight Corp. (FirstLight Funding). Following such contribution, FirstLight Funding distributed to FirstLight Corp. substantially all of its assets (in the form of cash and investments). In turn, FirstLight Corp. repaid in full the total outstanding amount of its senior subordinated loans (including the portion held by IHAM following the contribution transaction) and made a distribution to its stockholders (including IHAM following the contribution transaction). In connection with the foregoing, IHAM ceased to be a sub-adviser to FirstLight Funding and IHAM became the collateral manager to FirstLight Corp. and the other entity invested in FirstLight Corp.

In addition, as of November 1, 2012, we had an investment backlog and pipeline of approximately \$515 million and \$535 million, respectively. Investment backlog includes transactions approved by our investment adviser's investment committee and/or for which a formal mandate, letter of intent or a signed commitment have been issued, and therefore we believe are likely to close. Investment pipeline includes transactions where due diligence and analysis are in process, but no formal mandate, letter of intent or signed commitment have been issued. The consummation of any of the investments in this backlog and pipeline depends upon, among other things, one or more of the following: 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. In addition, we may syndicate a portion of these investments to third parties. We cannot assure you that we will make any of these investments or that we will syndicate any portion of these investments.

CRITICAL 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 consolidated subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications that, 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.

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.

Table of Contents

Investments

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized. 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, among other things, the input of our investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of our board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12 month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 50% of our portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, our independent accountants review our valuation process as part of their overall integrated audit.

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 (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), 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 any similar publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider 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, as described herein. 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 could 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 unrealized gains or losses reflected in the valuations currently assigned.

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 our investment adviser's management and investment professionals, and then valuation recommendations are presented to our board of directors.
- The audit committee of our board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, with respect to the valuations of a minimum of 50% of our portfolio at fair value.
- Our board of directors discusses valuations and ultimately determines the fair value of each investment in our portfolio without a readily available market quotation in good faith based on, among other things, the input of our investment adviser, audit committee and, where applicable, independent third-party valuation firms.

Interest and Dividend Income Recognition

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to 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 and unpaid 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.

Table of Contents

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

Payment-in-Kind Interest

The Company has loans in its portfolio that contain 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.

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 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 include 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.

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) Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

(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 fluctuations 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.

Equity Offering Expenses

The Company's offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

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

Table of Contents

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. To qualify as a RIC, the Company must, among other things, timely distribute to its stockholders at least 90% of its 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 from such income 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 such taxable income is earned.

Certain of our consolidated subsidiaries are subject to U.S. federal and state income taxes.

Dividends to Common Stockholders

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by our board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed, 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. We intend to use primarily newly issued shares to implement the dividend reinvestment plan (so long as we are trading at a premium to net asset value). 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. However, we reserve the right to issue new shares of our common stock in connection with our obligations under the dividend reinvestment plan even if our shares are trading below net asset value.

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.

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.

As of September 30, 2012, approximately 15% of the investments at fair value in our portfolio bore interest at fixed rates, approximately 74% bore interest at variable rates, 10% were non-interest earning and 1% were on non-accrual status. Additionally, for the variable rate investments, 69% of these investments contained interest rate floors (representing 51% of total investments at fair value). The Revolving Credit Facility, the Revolving Funding Facility and the SMBC Funding Facility all bear interest at variable rates with no interest rate floors, while the February 2022 Notes, October 2022 Notes, 2040 Notes, 2047 Notes and the Convertible Notes all bear interest at fixed rates.

Table of Contents

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.

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. In addition, there can be no assurance that we will be able to effectively hedge our interest rate risk.

Based on our September 30, 2012 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:

(in millions) Basis Point Change	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 65.9	\$ 17.7	\$ 48.2
Up 200 basis points	\$ 24.4	\$ 11.8	\$ 12.6
Up 100 basis points	\$ (11.9)	\$ 5.9	\$ (17.8)
Down 100 basis points	\$ 5.9	\$ (1.3)	\$ 7.2
Down 200 basis points	\$ 5.8	\$ (1.3)	\$ 7.1
Down 300 basis points	\$ 5.8	\$ (1.3)	\$ 7.1

Based on our December 31, 2011 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:

(in millions) Basis Point Change	Interest Income	Interest Expense	Net Income
Up 300 basis points	\$ 65.7	\$ 28.1	\$ 37.6
Up 200 basis points	\$ 32.5	\$ 18.7	\$ 13.8
Up 100 basis points	\$ 0.5	\$ 9.4	\$ (8.9)
Down 100 basis points	\$ 3.8	\$ (3.1)	\$ 6.9
Down 200 basis points	\$ 3.6	\$ (3.1)	\$ 6.7
Down 300 basis points	\$ 3.4	\$ (3.1)	\$ 6.5

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.

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

We are party to certain lawsuits in the normal course of business. In addition, Allied Capital was involved in various legal proceedings which the Company assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, we do not expect these matters will materially affect our business, 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 risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, 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.

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

We did not repurchase any shares of our common stock during the period covered in this report.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

Effective as of November 2, 2012, the Company amended its charter to increase the number of shares of common stock the Company is authorized to issue from 400,000,000 to 500,000,000 shares of common stock. The Company effected the increase by filing Articles of Amendment (the Amendment) with the State Department of Assessments and Taxation of Maryland.

A copy of our Articles of Amendment and Restatement, as further amended by the Amendment, is filed as Exhibit 3.1 to this report and incorporated herein by reference.

Table of Contents

Item 6. Exhibits.

EXHIBIT INDEX

Number	Description
3.1	Articles of Amendment and Restatement, as amended*
3.2	Second Amended and Restated Bylaws, as amended(1)
4.1	Form of Stock Certificate(2)
4.1	Third Supplemental Indenture, dated as of September 25, 2012, relating to the 5.875% Senior Notes due 2022, between Ares Capital Corporation and U.S. Bank National Association, as trustee(3)
4.2	Form of 5.875% Senior Notes due 2022(3)
10.1	Omnibus Amendment No. 1, dated as of September 14, 2012, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(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 3.2 to the Registrant's Form 10-Q (File No. 814-00663) for the quarter ended June 30, 2010, filed on August 5, 2010.

(2) Incorporated by reference to Exhibit (d) to the Registrant'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 Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on September 25, 2012.

(4) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on September 17, 2012.

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: November 5, 2012

By

/s/ MICHAEL J. AROUGHETI
Michael J. Arougheti
President

Dated: November 5, 2012

By

/s/ PENNI F. ROLL
Penni F. Roll
Chief Financial Officer