

ARES CAPITAL CORP  
Form 10-Q  
May 08, 2012  
[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 March 31, 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**

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(Exact name of Registrant as specified in its charter)

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

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

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

(Address of principal executive office) (Zip Code)

**(212) 750-7300**

(Registrant's telephone number, including area code)

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**N/A**

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

<b>Class</b>	<b>Outstanding at May 8, 2012</b>
Common stock, \$0.001 par value	221,874,996

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Table of Contents

**ARES CAPITAL CORPORATION**

**INDEX**

**Part I. Financial Information**

Item 1. Financial Statements

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

Consolidated Statement of Operations for the three months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited) 3

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

Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2012 (unaudited) 42

Consolidated Statement of Cash Flows for the three months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited) 43

Notes to Consolidated Financial Statements (unaudited) 44

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 68

Item 3. Quantitative and Qualitative Disclosures About Market Risk 86

Item 4. Controls and Procedures 86

**Part II. Other Information**

Item 1. Legal Proceedings 87

Item 1A. Risk Factors 87

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 87

Item 3. Defaults Upon Senior Securities 87

Item 4. Mine Safety Disclosures 87

Item 5. Other Information 87

Item 6. Exhibits 88

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

(in thousands, except per share data)

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

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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



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Senior Secured Loan Fund LLC (7)(10)(17)	Co-investment vehicle	Subordinated certificates (\$1,110,966 par due 12/2020)	8.47% (Libor + 8.00%/Q)	10/30/2009	1,100,243	1,125,702	
VSC Investors LLC (9)	Investment company	Membership interest (1.95% interest)		1/24/2008	1,394	790	
					1,288,610	1,276,040	37.17%
<b>Healthcare-Services</b>							
BenefitMall Holdings Inc. and Centerstone Insurance and Financial Services (7)	Employee benefits broker services company	Senior subordinated loan (\$40,326 par due 6/2014)	18.00%	4/1/2010	40,326	40,326	
		Common stock (39,274,290 shares)		4/1/2010	53,510	60,096	
		Warrants		4/1/2010			
					93,836	100,422	
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (601,937 units)		8/19/2010	602	1,064	
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings LLC (6)	Healthcare analysis services	Senior secured loan (\$7,227 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,227	6,938(2)(16)	
		Senior secured loan (\$7,623 par due 3/2017)	7.75% (Libor + 6.50%/Q)	3/15/2011	7,623	7,318(3)(16)	
		Class A common stock (9,679 shares)		6/15/2007	4,000	9,019	
		Class C common stock (1,546 shares)		6/15/2007		1,441	
					18,850	24,716	
INC Research, Inc.	Pharmaceutical and biotechnology consulting services	Common stock (1,410,000 shares)		9/27/2010	1,512	1,403	

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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

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

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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

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

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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

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

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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



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

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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

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					32,711	34,666	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Junior secured loan (\$50,250 par due 5/2015)	11.00%	5/23/2008	49,341	50,250	
		Junior secured loan (\$50,000 par due 5/2015)	11.00%	5/23/2008	49,627	50,000(2)	
		Class A non-voting common stock (1,366,120 shares)		5/3/2008	7,500	6,752	
					106,468	107,002	
					416,760	425,956	12.41%
<b>Financial Services</b>							
AllBridge Financial, LLC (7)	Asset management services	Equity interests		4/1/2010	11,395	13,668	
Callidus Capital Corporation (7)	Asset management services	Common stock (100 shares)		4/1/2010	3,000	1,020	
Ciena Capital LLC (7)	Real estate and small business loan servicer	Senior secured revolving loan (\$14,000 par due 12/2013)	6.00%	11/29/2010	14,000	14,000	
		Senior secured loan (\$32,000 par due 12/2015)	12.00%	11/29/2010	32,000	32,000	
		Equity interests		11/29/2010	53,374	23,009	
					99,374	69,009	

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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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	
Cook Inlet Alternative Risk, LLC	Risk management services	Senior subordinated loan (\$3,700 par due 9/2015)	9.00%	9/30/2011	3,700	3,700	
Financial Pacific Company	Commercial finance leasing	Preferred stock (6,500 shares)	8.00% PIK	10/13/2010	6,631	8,483	
		Common stock (650,000 shares)		10/13/2010			
					6,631	8,483	
Imperial Capital Group, LLC	Investment services	Class A common units (7,710 units)		5/10/2007	14,997	20,766	
		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	20,770	
Ivy Hill Asset Management, L.P. (7)(9)	Asset management services	Member interest (100.00% interest)		6/15/2009	112,876	201,199	
					271,476	337,349	9.83%
<b>Business Services</b>							
Aviation Properties Corporation (7)	Aviation services	Common stock (100 shares)		4/1/2010			
CIBT Investment Holdings, LLC	Expedited travel document processing services	Class A shares (2,500 shares)		12/15/2011	2,500	2,590	
CitiPostal Inc. (7)	Document storage and management services	Senior secured revolving loan (\$2,900 par due 12/2013)	6.75% (Base Rate + 3.25%/Q)	4/1/2010	2,900	2,900(16)	
		Senior secured loan (\$506 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	506	506	
		Senior secured loan (\$51,880 par due 12/2013)	8.50% Cash, 5.50% PIK	4/1/2010	51,880	51,880(2)	
		Senior subordinated loan (\$15,299 par due 12/2015)		4/1/2010	13,038	1,985(15)	
		Common stock (37,024 shares)		4/1/2010			
					68,324	57,271	
				8/12/2011	18,630	18,444(16)	

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Cornerstone Records Management, LLC	Physical records storage and management service provider	Senior secured loan (\$18,630 par due 8/2016)	8.50% (Libor + 7.00%/Q)			
Coverall North America, Inc.	Commercial janitorial service provider	Subordinated notes (\$9,435 par due 2/2016)	10.00% Cash, 2.00% PIK	2/22/2011	9,435	9,435
Diversified Collections Services, Inc.	Collections services	Preferred stock (3,944 shares)		5/18/2006	45	89
		Common stock (478,816 shares)		4/1/2010	1,478	3,345
		Common stock (124,987 shares)		2/5/2005	295	873
					1,818	4,307
HCP Acquisition Holdings, LLC (7)	Healthcare compliance advisory services	Class A units (11,763,438 units)		6/26/2008	11,763	5,084
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		926
Multi-Ad Services, Inc. (6)	Marketing services and software provider	Preferred units (1,725,280 units)		4/1/2010	788	2,038
		Common units (1,725,280 units)		4/1/2010		
					788	2,038

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
MVL Group, Inc. (7)	Marketing research provider	Senior secured loan (\$22,772 par due 7/2012)	12.00%	4/1/2010	22,772	22,772	
		Senior subordinated loan (\$36,080 par due 7/2012)	12.00% Cash, 2.50% PIK	4/1/2010	35,512	33,721	
		Junior subordinated loan (\$144 par due 7/2012)	10.00%	4/1/2010			
		Common stock (560,716 shares)		4/1/2010			
					58,284	56,493	
Pillar Processing LLC and PHL Holding Co. (6)	Mortgage services	Senior secured loan (\$7,142 par due 11/2013)		7/31/2008	7,064	6,571(15)	
		Senior secured loan (\$7,375 par due 5/2014)		11/20/2007	7,375	1,062(15)	
		Senior secured loan (\$4,458 par due 11/2013)		11/20/2007	4,409	4,101(3)(15)	
		Common stock (85 shares)		11/20/2007	3,768		
					22,616	11,734	
Powersport Auctioneer Holdings, LLC	Powersport vehicle auction operator	Common Units (1,972 units)		3/2/2012	1,000	1,000	
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 (\$45,150 par due 2/2014)		2/9/2007	43,819	1,013(15)	
		Preferred units (30,000 units)		4/11/2006	3,000		
					46,819	1,013	
Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)		4/1/2010	3,981	2,241(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		619	

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Tradesmen International, Inc.	Construction labor support	Junior secured loan (\$10,085 par due 5/2014)	13.00% Cash, 1.00% PIK	4/1/2010	8,075	10,085	
		Warrants to purchase up to 771,036 shares		4/1/2010		6,283	
						8,075	16,368
Tripwire, Inc.	IT security software provider	Senior secured loan (\$30,000 par due 5/2018)	6.00% (Libor + 4.75%/Q)	5/23/2011	30,000	30,000(16)	
		Senior secured loan (\$50,000 par due 5/2018)	6.00% (Libor + 4.75%/Q)	5/23/2011	50,000	50,000(2)(16)	
		Class A common stock (2,970 shares)		5/23/2011	2,970	4,932	
		Class B common stock (2,655,638 shares)		5/23/2011	30	50	
						83,000	84,982
Venturehouse-Cibernet Investors, LLC	Financial settlement services for intercarrier wireless roaming	Equity interest		4/1/2010			
VSS-Tranzact Holdings, LLC (6)	Management consulting services	Series B preferred units (854 units)		11/7/2011	867	899	
		Common membership interest (8.54% interest)		10/26/2007	10,204	224	
		Warrants to purchase up to 4,206 units		11/7/2011		110	
						11,071	1,233
					348,354	276,135	8.04%

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Consumer Products-Non-durable</b>							
Augusta Sportswear, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$8,626 par due 7/2015)	9.50% (Base Rate + 6.25%/Q)	9/3/2010	8,626	8,626(3)(16)	
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior secured revolving loan (\$1,000 par due 10/2013)	4.22% (Libor + 3.75%/Q)	4/1/2010	1,000	1,000(16)	
		Senior secured revolving loan (\$1,500 par due 10/2013)	4.10% (Libor + 3.75%/S)	4/1/2010	1,500	1,500(16)	
		Senior secured loan (\$21,941 par due 10/2013)	13.44%	4/1/2010	21,498	21,941	
					23,998	24,441	
Implus Footcare, LLC	Provider of footwear and other accessories	Preferred stock (455 shares)	6.00% PIK	10/31/2011	4,659	4,659	
		Common stock (455 shares)		10/31/2011	455	65	
					5,114	4,724	
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	24,748	24,500(2)(16)	
		Class A common stock (155,000 shares)		8/26/2011	6,035	9,525	
		Class B common stock (155,000 shares)		8/26/2011	6,035	9,525	
					36,818	43,550	
Making Memories Wholesale, Inc. (7)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$2,250 par due 8/2014)		8/21/2009	2,229	1,105(15)	
		Senior secured loan (\$9,625 par due 8/2014)		8/21/2009	7,193	(15)	
		Senior secured loan (\$6,086 par due 8/2014)		8/21/2009	3,874	(15)	
		Common stock (100 shares)		8/21/2009			
					13,296	1,105	
Matrixx Initiatives, Inc. and Wonder Holdings Acquisition Corp.	Developer and marketer of over-the-counter healthcare products	Senior secured revolving loan (\$4,500 par due 6/2016)	13.00% (Libor + 12.00%/M)	6/30/2011	4,500	4,275(16)	



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		Senior secured loan (\$40,906 par due 6/2016)	13.00% (Libor + 12.00%/Q)	6/30/2011	40,660	38,861(2)(16)
		Warrants to purchase up to 1,489 shares of preferred stock		7/27/2011		652
		Warrants to purchase up to 1,654,678 shares of common stock		7/27/2011		
					45,160	43,788
The Step2 Company, LLC	Toy manufacturer	Junior secured loan (\$27,000 par due 4/2015)	10.00%	4/1/2010	25,842	27,000
		Junior secured loan (\$31,576 par due 4/2015)	10.00% Cash, 5.00% PIK	4/1/2010	30,359	28,418
		Common units (1,116,879 units)		4/1/2010	24	15
		Warrants to purchase up to 3,157,895 units		4/1/2010		42
					56,225	55,475

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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The Thymes, LLC (7)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	5,834	6,564	
		Common units (5,400 units)		6/21/2007		870	
					5,834	7,434	
Woodstream Corporation	Pet products manufacturer	Senior subordinated loan (\$45,000 par due 2/2015)	12.00%	1/22/2010	40,723	44,550	
		Common stock (4,254 shares)		1/22/2010	1,222	2,504	
					41,945	47,054	
					237,016	236,197	6.88%
<b>Containers-Packaging</b>							
ICSH, Inc.	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$61,161 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	61,161	61,161(16)	
		Senior secured loan (\$49,745 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	49,745	49,745(2)(16)	
		Senior secured loan (\$9,974 par due 8/2016)	8.00% (Libor + 7.00%/Q)	8/31/2011	9,974	9,974(4)(16)	
					120,880	120,880	
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	
					230,880	230,880	6.72%
<b>Services-Other</b>							
Competitor Group, Inc.	Endurance sports media and event operator	Senior secured loan (\$29,542 par due 1/2017)	9.50% (Libor + 8.00%/Q)	1/30/2012	29,542	29,542(16)	
McKenzie Sports Products, LLC	Designer, manufacturer and distributor of taxidermy forms and supplies	Senior secured loan (\$32,000 par due 3/2017)	7.75% (Base Rate + 4.50%/M)	3/30/2012	32,000	32,000(16)	
The Dwyer Group (6)			14.50%	12/22/2010	17,100	17,100	

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	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	14,701	19,425
					31,801	36,525
Wash Multifamily Laundry Systems, LLC (fka Web Services Company, LLC)	Laundry service and equipment provider	Senior secured loan (\$4,837 par due 8/2014)	7.00% (Base Rate + 3.75%/Q)	6/15/2009	4,722	4,837(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)
					94,722	94,837
					188,065	192,904
						5.62%
<b>Manufacturing</b>						
Component Hardware Group, Inc.	Commercial equipment	Junior secured loan (\$3,130 par due 12/2014)	7.00% Cash, 3.00% PIK	8/4/2010	3,130	3,130
		Senior subordinated loan (\$10,729 par due 12/2014)	7.50% Cash, 5.00% PIK	4/1/2010	7,262	10,729
		Warrants to purchase up to 1,462,500 shares of common stock		8/4/2010		4,235
					10,392	18,094

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

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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	13,568(16)	
MWI Holdings, Inc.	Highly engineered springs, fastners, and other precision components	Senior secured loan (\$48,274 par due 6/2017)	10.00% (Libor + 8.00%/Q)	6/15/2011	48,274	48,274(16)	
NetShape Technologies, Inc.	Metal precision engineered components	Senior secured revolving loan (\$285 par due 2/2013)	3.94% (Libor + 3.75%/Q)	4/1/2010	147	250	
		Senior secured revolving loan (\$648 par due 2/2013)	4.22% (Libor + 3.75%/Q)	4/1/2010	335	568	
					482	818	
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 (\$5,575 par due 5/2017)	5.75% (Libor + 4.25%/M)	5/23/2011	5,575	5,519(16)	
		Senior subordinated loan (\$733 par due 5/2018)	8.00% Cash, 7.25% PIK	5/23/2011	733	733	
		Preferred stock (2,379,361 shares)		5/23/2011	2,307	3,497	
					8,629	9,763	
Saw Mill PCG Partners LLC	Metal precision engineered components	Common units (1,000 units)		1/30/2007	1,000		
Sigma International Group, Inc. (8)	Water treatment parts	Junior secured loan (\$4,100 par due 4/2014)	10.00% (Libor + 3.50% Cash, 5.00% PIK /A)	7/8/2011	4,100	3,280(16)	
SSH Environmental Industries, Inc. and SSH Non-Destructive Testing, Inc.	Magnetic sensors and supporting sensor products	Senior secured loan (\$12,109 par due 12/2016)	9.00% (Libor + 7.50%/Q)	3/23/2012	11,868	12,109(16)	
WP CPP Holdings, LLC	Precision engineered castings	Senior secured loan (\$20,770 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	20,674	20,770(16)	
		Senior secured loan (\$52 par due 10/2017)	9.25% (Base Rate + 6.00%/Q)	10/11/2011	52	52(16)	
		Senior secured loan (\$49,875 par due 10/2017)	8.50% (Libor + 7.00%/M)	10/11/2011	49,626	49,875(2)(16)	

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		Senior secured loan (\$125 par due 10/2017)	9.25% (Base Rate + 6.00%/Q)	10/11/2011	125	125(2)(16)	
					70,477	70,822	
					169,210	176,728	5.15%
<b>Telecommunications</b>							
American Broadband Communications, LLC, American Broadband Holding Company and Cameron Holdings of NC, Inc.	Broadband communication services	Senior secured loan (\$8,253 par due 9/2013)	7.50% (Libor + 5.50%/Q)	9/1/2010	8,253	8,253(3)(16)	
		Senior subordinated loan (\$22,481 par due 11/2014)	12.00% Cash, 4.00% PIK	9/1/2010	22,481	22,481	
		Senior subordinated loan (\$10,581 par due 11/2014)	12.00% Cash, 2.00% PIK	11/7/2007	10,581	10,581	
		Senior subordinated loan (\$33,595 par due 11/2014)	12.00% Cash, 2.00% PIK	11/7/2007	33,595	33,595(2)	
		Warrants to purchase up to 378 shares		11/7/2007		4,661	
		Warrants to purchase up to 200 shares		9/1/2010		2,466	
					74,910	82,037	

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
Dialog Telecom LLC	Broadband communication services	Senior secured loan (\$16,475 par due 12/2013)	12.00% (Libor + 10.00% Cash, 1.50% PIK /Q)	6/20/2011	16,475	16,475(16)	
Startec Equity, LLC (7)	Communication services	Member interest		4/1/2010			
					91,385	98,512	2.87%
<b>Retail</b>							
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		
		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)(12)	
		Common stock (19,672 shares)		5/28/2010	1,967	1,550	
					41,967	41,550	
Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Common stock (1,218,481 shares)		8/8/2006	4,909	16,744	
Things Remembered Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$10,993 par due 3/2014)	9.00% (Libor + 7.00%/M)	9/28/2006	10,983	10,993(2)(16)	
		Senior secured loan (\$10,000 par due 3/2014)	9.00% (Libor + 7.00%/M)	9/28/2006	9,991	10,000(4)(16)	
		Senior secured loan (\$7,161 par due 3/2014)	9.00% (Libor + 7.00%/M)	9/28/2006	7,238	7,161(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	2,804	
		Warrants to purchase up to 859 shares of preferred stock		3/19/2009		3,135	
					30,212	38,398	
					88,015	96,692	2.82%
<b>Grocery</b>							

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Grocery Outlet Inc.	Value grocery retailer	Senior secured loan (\$30,000 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	30,000	30,000(16)	
		Senior secured loan (\$1,342 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	1,342	1,342(16)	
		Senior secured loan (\$47,619 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	47,619	47,619(2)(16)	
		Senior secured loan (\$2,131 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	2,131	2,131(2)(16)	
		Senior secured loan (\$9,524 par due 12/2017)	10.50% (Libor + 9.00%/Q)	12/15/2011	9,524	9,524(4)(16)	
		Senior secured loan (\$426 par due 12/2017)	11.25% (Base Rate + 8.00%/Q)	12/15/2011	426	426(4)(16)	
					91,042	91,042	
					91,042	91,042	2.65%
<b>Energy</b>							
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	57,807	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)	4.01% (Libor + 3.50%/Q)	11/9/2011	7,500	7,500	
					65,307	63,550	1.85%

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

As of March 31, 2012

(dollar amounts in thousands)

(unaudited)

Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Automotive Services</b>							
Driven Holdings, LLC	Automotive aftermarket car care franchisor	Preferred stock (247,500 units)		12/16/2011	2,475	2,408	
		Common stock (25,000 units)		12/16/2011	25		
					2,500	2,408	
Stag-Parkway, Inc. (7)	Automotive aftermarket components supplier	Senior secured loan (\$34,500 par due 12/2014)	12.50% (Libor + 11.00%/Q)	9/30/2010	34,500	34,500(16)	
		Preferred stock (4,200 shares)	16.50% PIK	9/30/2010	2,484	4,200	
		Common stock (10,200 shares)		9/30/2010		16,290	
					36,984	54,990	
					39,484	57,398	1.67%
<b>Commercial Real Estate</b>							
<b>Finance</b>							
10th Street, LLC (6)	Real estate holding company	Senior subordinated loan (\$24,460 par due 11/2014)	8.93% Cash, 4.07% PIK	4/1/2010	24,460	24,460	
		Member interest (10.00% interest)		4/1/2010	594	512	
		Option (25,000 units)		4/1/2010	25	25	
					25,079	24,997	
American Commercial Coatings, Inc.	Real estate property	Commercial mortgage loan (\$2,000 par due 12/2025)		4/1/2010	1,423	2,004(15)	
Aquila Binks Forest Development, LLC	Real estate developer	Real estate equity interests		4/1/2010			
		Commercial mortgage loan (\$13,477 par due 12/2014)		4/1/2010	11,900	3,138(15)	
					11,900	3,138	
Cleveland East Equity, LLC	Hotel operator	Real estate equity interests		4/1/2010	1,026	3,061	
Commons R-3, LLC	Real estate developer	Real estate equity interests		4/1/2010			
Crescent Hotels & Resorts, LLC and affiliates (7)	Hotel operator	Senior secured loan (\$433 par due 6/2010)	10.00%	4/1/2010	433	444	



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		Senior subordinated loan (\$4,181 par due 1/2012)	4/1/2010	1,475	138(15)	
		Senior subordinated loan (\$7,306 par due 6/2017)	4/1/2010	2,410	241(15)	
		Senior subordinated loan (\$6,142 par due 9/2012)	4/1/2010	2,051	203(15)	
		Senior subordinated loan (\$261 par due 3/2013)	4/1/2010	263	9(15)	
		Senior subordinated loan (\$9,903 par due 9/2011)	4/1/2010		(15)	
		Preferred equity interest	4/1/2010		39	
		Common equity interest	4/1/2010	35		
				6,667	1,074	
Hot Light Brands, Inc. (7)	Real estate holding company	Senior secured loan (\$35,239 par due 2/2011)	4/1/2010	3,945	3,631(15)	
		Common stock (93,500 shares)	4/1/2010			
				3,945	3,631	
NPH, Inc.	Hotel property	Real estate equity interests	4/1/2010	5,291	8,540	
				55,331	46,445	1.35%
<b>Printing, Publishing and Media</b>						
EarthColor, Inc. (7)	Printing management services	Common stock (89,435 shares)	4/1/2010			

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

As of March 31, 2012

(dollar amounts in thousands)

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Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage 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	1,050(16)	
		Senior secured revolving loan (\$1,825 par due 10/2013)	9.00% (Base Rate + 5.00%/M)	3/2/2006	1,825	1,679(16)	
		Senior secured loan (\$19 par due 10/2013)	10.00% (Libor + 6.00% Cash, 1.00% PIK /Q)	3/2/2006	19	18(16)	
		Senior secured loan (\$- par due 10/2013)	10.00% (Base Rate + 5.00% Cash, 1.00% PIK /M)	3/2/2006		(16)	
		Senior secured loan (\$7,520 par due 10/2013)	10.00% (Libor + 6.00% Cash, 1.00% PIK /Q)	3/2/2006	7,221	7,069(3)	
		Senior secured loan (\$109 par due 10/2013)	10.00% (Base Rate + 5.00% Cash, 1.00% PIK /M)	3/2/2006	104	102(3)	
		Preferred stock (9,344 shares)		3/2/2006	2,000		
					12,310	9,918	
The Teaching Company, LLC and The Teaching Company Holdings, Inc.	Education publications provider	Senior secured loan (\$31,696 par due 3/2017)	9.00% (Libor + 7.50%/M)	9/29/2006	31,696	31,696(16)	
		Preferred stock (10,663 shares)		9/29/2006	1,066	4,782	
		Common stock (15,393 shares)		9/29/2006	3	11	
					32,765	36,489	
					45,075	46,407	1.35%
<b>Food and Beverage</b>							
Apple & Eve, LLC and US Juice Partners, LLC (6)	Juice manufacturer	Senior secured revolving loan (\$500 par due 10/2013)	12.00% (Libor + 9.00%/Q)	10/5/2007	500	500(16)	
		Senior secured loan (\$8,301 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	8,301	8,301(16)	
		Senior secured loan (\$4,986 par due 10/2013)	12.00% (Libor + 9.00%/M)	10/5/2007	4,986	4,986(4)(16)	
				10/5/2007	13,979	13,979(3)(16)	

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		Senior secured loan (\$13,979 par due 10/2013)	12.00% (Libor + 9.00%/M)			
		Senior units (50,000 units)		10/5/2007	5,000	1,932
					32,766	29,698
Charter Baking Company, Inc.	Baked goods manufacturer	Senior subordinated loan (\$8,230 par due 2/2013)	16.00% PIK	2/6/2008	8,230	8,230
		Preferred stock (6,258 shares)	8.00% PIK	9/1/2006	2,517	1,519
					10,747	9,749
Distant Lands Trading Co.	Coffee manufacturer	Class A common stock (1,294 shares)		4/1/2010	980	354
		Class A-1 common stock (2,157 shares)		4/1/2010		
					980	354
					44,493	39,801
						1.16%
<b>Consumer Products-Durable</b>						
Bushnell Inc.	Sports optics manufacturer	Junior secured loan (\$41,325 par due 2/2014)	7.08% (Libor + 6.50%/Q)	4/1/2010	34,232	39,259
					34,232	39,259
						1.14%

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

As of March 31, 2012

(dollar amounts in thousands)

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Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Oil and Gas</b>							
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	541	
					2,893	541	
UL Holding Co., LLC (6)	Petroleum product manufacturer	Junior secured loan (\$2,000 par due 12/2012)	9.34% (Libor + 8.88%/Q)	12/24/2007	2,000	2,000	
		Junior secured loan (\$2,000 par due 12/2012)	14.00%	12/24/2007	2,000	2,000	
		Junior secured loan (\$2,093 par due 12/2012)	9.41% (Libor + 8.88%/Q)	6/17/2011	2,093	2,093	
		Junior secured loan (\$2,061 par due 12/2012)	14.00%	12/24/2007	2,061	2,061	
		Junior secured loan (\$5,000 par due 12/2012)	15.00%	8/13/2010	5,000	5,000	
		Junior secured loan (\$2,919 par due 12/2012)	14.00%	12/24/2007	2,919	2,919(2)	
		Junior secured loan (\$833 par due 12/2012)	9.41% (Libor + 8.88%/Q)	12/24/2007	833	833(3)	
		Junior secured loan (\$1,794 par due 12/2012)	14.00%	12/24/2007	1,794	1,794(3)	
		Junior secured loan (\$10,701 par due 12/2012)	9.39% (Libor + 8.88%/Q)	12/24/2007	10,701	10,701(3)	
		Class A common units (10,782 units)		6/17/2011	108	64	
		Class B-5 common units (599,200 units)		4/25/2008	5,472	3,569	
		Class B-4 common units (50,000 units)		6/17/2011	500	298	
		Class C common units (618,091 units)		4/25/2008		3,681	
					35,481	37,013	

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					38,374	37,554	1.09%
<b>Transportation</b>							
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	
United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
					37,020	37,020	1.08%
<b>Environmental Services</b>							
AWTP, LLC (7)	Water treatment services	Junior secured loan (\$4,161 par due 6/2015)	5.00% Cash, 5.00% PIK	4/18/2011	4,161	4,161	
		Junior secured loan (\$930 par due 6/2015)	15.00% PIK	4/18/2011	930	824	
		Junior secured loan (\$4,689 par due 6/2015)	15.00% PIK	4/18/2011	4,689	4,157(3)	
		Membership interests (90% interest)		4/18/2011			
					9,780	9,142	
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	8,571	6,004	
Waste Pro USA, Inc	Waste management services	Preferred Class A common equity (611,615 shares)		11/9/2006	12,263	21,460	
					30,614	36,606	1.07%

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

As of March 31, 2012

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Company(1)	Business Description	Investment	Interest (5)(11)	Acquisition Date	Amortized Cost	Fair Value	Percentage of Net Assets
<b>Chemicals, Plastic and Rubber</b>							
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	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 (\$6,639 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	6,639	6,639(16)	
		Senior secured loan (\$610 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	610	610(3)(16)	
		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 (\$915 par due 11/2013)	10.25% (Base Rate + 3.50%/M)	6/29/2011	915	915(3)(16)	
		Senior secured loan (\$3,631 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	3,631	3,631	
		Senior secured loan (\$5,286 par due 11/2013)	13.00% Cash, 3.00% PIK	5/22/2006	5,286	5,286(2)	
					35,275	35,275	
					35,275	35,275	1.03%
<b>Health Clubs</b>							
Athletic Club Holdings, Inc.	Premier health club operator	Senior secured loan (\$11,500 par due 10/2013)	4.74% (Libor + 4.50%/M)	10/11/2007	11,500	11,385(3)(13)	
					11,500	11,385	0.33%
<b>Wholesale Distribution</b>							
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	3,547	
					2,500	3,547	0.10%
<b>Aerospace and Defense</b>							
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	97	97	
				1/17/2008	2,291	2,114	

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Common stock  
(1,885,195 shares)

	2,388	2,211	
	2,388	2,211	0.06%
	\$ 5,182,508	\$ 5,204,531	151.58%

- (1) Other than our investments listed in footnote 7 below, we do not Control any of our portfolio companies, as defined in the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act). In general, under the Investment Company Act, we would Control a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments, which as of March 31, 2012 represented 152% of the Company's net assets or 93% of the Company's total assets, are subject to legal restrictions on sales.

The investments not otherwise pledged as collateral for the Debt Securitization, the Revolving Funding Facility or the SMBC 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 wholly owned subsidiary Ares Capital CP Funding LLC (Ares Capital CP), are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the

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Table of Contents

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) These assets are owned by the Company's wholly owned 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 three months ended March 31, 2012 in which the issuer was an Affiliated company (but not a portfolio company that we Control ) are as follows:

Company	Purchases	Redemptions (cost)	Sales (cost)	Interest income	Capital structuring service fees	Dividend Income	Other income	Net realized gains (losses)	Net unrealized gains (losses)
10th Street, LLC	\$	\$	\$	\$ 795	\$	\$	\$	\$	\$ (18)
Apple & Eve, LLC and US Juice Partners, LLC	\$	\$ 4,079	\$	\$ 899	\$	\$	\$ 11	\$	\$ (1,395)
Campus Management Corp. and Campus Management Acquisition Corp.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,464
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC	\$	\$ 75	\$	\$ 292	\$	\$	\$	\$	\$ 470
The Dwyer Group	\$	\$	\$	\$ 616	\$	\$ 288	\$	\$	\$ 2,126
ELC Acquisition Corp., ELC Holdings Corporation, and Excelligence Learning Corporation	\$	\$	\$	\$	\$	\$	\$ 2	\$	\$ (941)
Firstlight Financial Corporation	\$	\$	\$	\$ 178	\$	\$	\$ 63	\$	\$ 6,204
Insight Pharmaceuticals Corporation	\$	\$	\$	\$ 845	\$	\$	\$	\$	\$ 425
Investor Group Services, LLC	\$	\$	\$	\$	\$	\$ 28	\$ 4	\$	\$ 67
Multi-Ad Services, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$ 210
Pillar Processing LLC and PHL Holding Co.	\$	\$	\$	\$	\$	\$	\$	\$	\$ (188)
Soteria Imaging Services, LLC	\$	\$ 27	\$	\$ 95	\$	\$	\$	\$ 3	\$ 29
VSS-Tranzact Holdings, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 167
UL Holding Co., LLC	\$ 500	\$ 61	\$	\$ 872	\$	\$	\$ 8	\$	\$ 1,473

- (7) 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 three months ended March 31, 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)



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AllBridge Financial, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$	1,935	
Aviation Properties Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$		
AWTP, LLC	\$	\$	\$	310	\$	\$	\$	\$	\$	1,011	
BenefitMall Holdings, Inc.	\$	\$	\$	1,835	\$	\$	125	\$	\$	106	
Callidus Capital Corporation	\$	\$	\$	\$	\$	\$	\$	\$	\$	243	
Ciena Capital LLC	\$	\$	\$	1,183	\$	\$	\$	\$	\$	2,958	
Citipostal, Inc.	\$	\$	300	\$	1,905	\$	\$	92	\$	411	
Crescent Hotels & Resorts, LLC and affiliates	\$	\$	\$	11	\$	\$	\$	\$	\$		
EarthColor, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$		
HCI Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$	6	
HCP Acquisition Holdings, LLC	\$	671	\$	\$	\$	\$	\$	\$	\$	(510)	
Hot Light Brands, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$	(61)	
Huddle House Inc.	\$	\$	20,801	\$	678	\$	\$	187	(1,693)	1,701	
Ivy Hill Asset Management, L.P.	\$	\$	\$	\$	\$	4,762	\$	\$	\$	6,603	
Ivy Hill Middle Market Credit Fund, Ltd.	\$	\$	\$	1,266	\$	\$	\$	\$	\$	480	
LVCG Holdings, LLC	\$	\$	\$	6,600	\$	\$	\$	\$	(6,590)	6,600	
Making Memories Wholesale, Inc.	\$	\$	\$	\$	\$	\$	\$	\$	\$	158	
MVL Group, Inc.	\$	\$	\$	2,004	\$	\$	\$	\$	\$	(351)	
Orion Foods, LLC	\$	4,000	\$	110	\$	2,587	\$	\$	203	(3,326)	
Senior Secured Loan Fund LLC*	\$	65,989	\$	\$	43,267	\$	9,783	\$	4,140	\$	535
Stag-Parkway, Inc.	\$	\$	\$	\$	1,079	\$	173	\$	63	\$	1,367
Startec Equity, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$		
The Thymes, LLC	\$	\$	\$	\$	\$	\$	124	\$	\$	537	

Table of Contents

- \* 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 an affiliate of the Company and an affiliate of GE; therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise).
- (8) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (9) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (10) 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), 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 \$18 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.
- (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 \$44 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 March 31, 2012.

Table of Contents

- (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 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
<b>Investment Funds and Vehicles</b>							
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	

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		(\$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%
<b>Healthcare-Services</b>							
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	

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
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)	
				6/21/2010	2,500	2,985	

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		Common stock (2,500,000 shares)			53,079	53,564
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	3,073
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	9,218
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	13,877

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
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	5.50% (Libor + 4.00%/Q)	6/9/2011	7,407	7,295(16)	



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		12/2016)					
		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	
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%
<b>Education</b>							
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)	

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
		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	
				12/31/2009	2,225	2,225(16)	

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JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured revolving loan (\$2,225 par due 12/2014)	12.75% (Base Rate + 9.50%/Q)			
		Senior secured loan (\$20,056 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	20,056	20,056(16)
		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**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
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%
<b>Restaurants and Food Services</b>							
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	

4/1/2010

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		Common stock (358,279 shares)				
					20,641	18,939
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)	4/1/2010	3,300	3,300(16)
		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**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
		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)	
				5/3/2008	7,500	6,211	

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Class A non-voting  
common stock  
(1,366,120 shares)

					106,385	106,461	
					340,000	346,225	11.00%
<b>Business Services</b>							
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)	

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
		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			



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					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
		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

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
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	

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					11,071	1,066	
					402,698	333,485	10.60%
<b>Financial Services</b>							
AllBridg	Asset management	Equity interests		4/1/2010	11,395	11,733	
(6)	services						
Callidus Capital	Asset management	Common stock (100		4/1/2010	3,000	776	
Corporation (6)	services	shares)					
Ciena Capital LLC (6)	Real estate and small	Senior secured	6.00%	11/29/2010	14,000	14,000	
	business loan servicer	revolving loan (\$14,000					
		par due 12/2013)					
		Senior secured loan	12.00%	11/29/2010	32,000	32,000	
		(\$32,000 par due					
		12/2015)					
		Equity interests		11/29/2010	53,374	20,051	
					99,374	66,051	
Commercial Credit	Commercial	Senior subordinated	15.00%	4/1/2010	19,500	19,500	
Group, Inc.	equipment finance and	loan (\$19,500 par due					
	leasing company	6/2015)					

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

As of December 31, 2011

(dollar amounts in thousands)

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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%
<b>Consumer Products-Non-durable</b>							
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	
				8/21/2009	2,229	963(15)	

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Making Memories Wholesale, Inc. (6)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$2,250 par due 8/2014)				
		Senior secured loan (\$9,625 par due 8/2014)	8/21/2009	7,193	(15)	
		Senior secured loan (\$5,973 par due 8/2014)	8/21/2009	3,874	(15)	
		Common stock (100 shares)	8/21/2009			
				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		

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
		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%
<b>Containers-Packaging</b>							
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	

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					231,191	228,766	7.27%
<b>Aerospace and Defense</b>							
AP Global Holdings, Inc.	Safety and security equipment manufacturer	Senior secured loan (\$134,475 par due 7/2017)	7.25% (Libor + 5.75%/M)	7/22/2011	134,475	132,794(14)(16)	
		Senior secured loan (\$49,875 par due 7/2017)	7.25% (Libor + 5.75%/M)	7/22/2011	49,875	49,252(2)(16)	
					184,350	182,046	
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	95	95	
		Common stock (1,885,195 shares)		1/17/2008	2,291	1,920	
					2,386	2,015	
					186,736	184,061	5.85%
<b>Manufacturing</b>							
Component Hardware Group, Inc.	Commercial equipment	Junior secured loan (\$3,106 par due 12/2014)	7.00% Cash, 3.00% PIK	8/4/2010	3,106	3,106	

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
		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)	



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					70,465	69,406	
					138,501	142,440	4.5 3%
<b>Services-Other</b>							
The Dwyer Group (5)	Operator of multiple franchise concepts primarily related to home maintenance or repairs	Senior subordinated loan (\$17,100 par due 12/2016)	14.50%	12/22/2010	17,100	17,100	
		Series A preferred units (13,292,377 units)	8.00% PIK	12/22/2010	14,413	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**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
<b>Telecommunications</b>							
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%
<b>Grocery</b>							
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%
<b>Retail</b>							
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.			12.50%	5/28/2010	40,000	40,000(2)(11)	

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	Airport restaurant operator	Senior secured loan (\$40,000 par due 5/2016)					
		Common stock (19,672 shares)		5/28/2010	1,967	1,618	
					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**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
<b>Energy</b>							
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%
<b>Automotive Services</b>							
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%
<b>Commercial Real Estate</b>							
<b>Finance</b>							
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)	

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		Real estate equity interests		4/1/2010		
					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

Table of Contents**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
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%
<b>Food and Beverage</b>							
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%
<b>Consumer Products-Durable</b>							
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%
<b>Transportation</b>							

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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	
United Road Towing, Inc.	Towing company	Warrants to purchase up to 607 shares		4/1/2010			
					37,020	37,020	1.18%
<b>Environmental Services</b>							
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**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
<b>Oil and Gas</b>							
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%
<b>Chemicals, Plastic and Rubber</b>							
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	



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	Senior secured loan (\$9,967 par due 11/2013)	10.25% (Base Rate + 3.50%/M)	6/29/2011	9,967	9,967(16)	
	Senior secured loan (\$6,639 par due 11/2013)	10.00% (Libor + 6.00%/M)	6/29/2011	6,639	6,639(16)	
	Senior secured loan (\$5,246 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%
<b>Printing, Publishing and Media</b>						
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**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
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%
<b>Health Clubs</b>							
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%
<b>Wholesale Distribution</b>							
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, as defined in the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the Investment Company Act ). In general, under the Investment Company Act, we would Control a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. All of our portfolio company investments, which as of 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 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 wholly owned subsidiary Ares Capital CP Funding LLC ( Ares Capital CP ), are pledged as collateral for the Revolving Funding Facility and, as a result, are not directly available to the creditors of the Company to satisfy any obligations of the Company other than Ares Capital CP s obligations under the Revolving Funding Facility (see Note 5 to the consolidated financial statements).

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Table of Contents

- (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:

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

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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:

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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)
AGILE Fund I, LLC	\$	\$ 36	\$	\$	\$	\$ 10	\$	\$	\$ (37)
Allied Capital REIT, Inc.	\$ 325	\$ 115	\$	\$	\$	\$	\$	\$ 585	\$ (255)
AllBridge Financial, LLC	\$	\$	\$	\$	\$	\$	\$	\$	\$ (1,379)
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	\$ 1,401	\$	\$	\$	\$ 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 GE and the Company; therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise).

(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), 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

Table of Contents

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 Three Months Ended March 31, 2012****(in thousands, except per share data)****(unaudited)**

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Accumulated Overdistributed Net Investment Income	Accumulated Net Realized Loss on Investments, Foreign Currency Transactions, Extinguishment of Debt, Other Assets and Acquisitions	Net Unrealized Gain (Loss) on Investments	Total 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 from add-on offerings (net of underwriting and offering costs)	16,422	16	252,399				252,415
Shares issued in connection with dividend reinvestment plan	323	1	5,281				5,282
Issuance of the 2017 Convertible Notes (see Note 5)			4,726				4,726
Net increase in stockholders equity resulting from operations				77,038	(7,671)	36,180	105,547
Dividends declared (\$0.37 per share)				(81,974)			(81,974)
Balance at March 31, 2012	221,875	\$ 222	\$ 3,652,760	\$ (15,385)	\$ (226,359)	\$ 22,023	\$ 3,433,261

See accompanying notes to consolidated financial statements.

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

(in thousands)

	<b>For the three months ended</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES:</b>		
Net increase in stockholders' equity resulting from operations	\$ 105,547	\$ 123,766
Adjustments to reconcile net increase in stockholders' equity resulting from operations:		
Realized loss from extinguishment of debt		8,860
Net realized (gains) losses on investments	7,671	(62,569)
Net unrealized gains on investments	(36,180)	(22,234)
Net accretion of discount on securities	(3,954)	(3,999)
Increase in accrued payment-in-kind interest and dividends	(7,115)	(11,038)
Collections of payment-in-kind interest and dividends	401	14,273
Amortization of debt issuance costs	3,454	2,806
Accretion of discount on notes payable	2,570	3,555
Depreciation	200	304
Proceeds from sales and repayments of investments	311,620	579,774
Purchase of investments	(382,571)	(490,032)
Changes in operating assets and liabilities:		
Interest receivable	(1,850)	71
Other assets	3,600	(4,939)
Management and incentive fees payable	2,833	10,882
Accounts payable and accrued expenses	(8,369)	(2,403)
Interest and facility fees payable	(3,736)	(4,230)
Net cash provided by (used in) operating activities	(5,879)	142,847
<b>FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	252,415	
Borrowings on debt	618,901	976,958
Repayments and repurchases of debt	(671,482)	(885,051)
Debt issuance costs	(16,064)	(23,195)
Dividends paid	(82,261)	(66,078)
Net cash provided by financing activities	101,509	2,634
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>95,630</b>	<b>145,481</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>120,782</b>	<b>100,752</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 216,412</b>	<b>\$ 246,233</b>
<b>Supplemental Information:</b>		
Interest paid during the period	\$ 29,549	\$ 24,077
Taxes, including excise tax, paid during the period	\$ 7,768	\$ 7,395
Dividends declared during the period	\$ 81,974	\$ 71,547

See accompanying notes to consolidated financial statements.

Table of Contents

**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of March 31, 2012**

**(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 wholly owned 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.

Table of Contents

*Concentration of Credit Risk*

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

*Investments*

Investment transactions are recorded on the trade date. Realized gains or losses are 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 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.

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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.

Table of Contents

- 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.

***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.



Table of Contents

(2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

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

***Accounting for Derivative Instruments***

The Company does not utilize hedge accounting and marks its derivatives to market through unrealized gains (losses) in the accompanying statement of operations.

***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

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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 wholly owned 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 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.

Table of Contents

*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.

**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.

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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.

Table of Contents

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.

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 (the "Capital Gains Amendment") 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.

Table of Contents

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.

The Capital Gains Fee due to our investment adviser as calculated under the investment advisory and management agreement (as described above) for the three months ended March 31, 2012 was \$0. However, in accordance with GAAP, for the three months ended March 31, 2012, the Company recorded a capital gains incentive fee of \$5,701, bringing the total GAAP accrual related to the capital gains incentive fee to \$54,658 as of March 31, 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 months ended March 31, 2012, base management fees were \$19,986, incentive management fees related to pre-incentive fee net investment income were \$20,685 and incentive management fees related to capital gains were \$5,701.

As of March 31, 2012, \$95,329 was included in management and incentive fees payable in the accompanying consolidated balance sheet, of which \$40,671 is currently payable to the Company's investment adviser under the investment advisory and management agreement.

For the three months ended March 31, 2011, base management fees were \$16,730, incentive management fees related to pre-incentive fee net investment income were \$15,826 and incentive management fees related to capital gains were \$15,115.

***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

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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 months ended March 31, 2012 and 2011, we incurred \$2,320 and \$2,425, respectively, in administrative fees. As of March 31, 2012, \$2,320 of these fees were unpaid and included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.



Table of Contents**4. INVESTMENTS**

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

	March 31, 2012		December 31, 2011	
	Amortized Cost(1)	Fair Value	Amortized Cost(1)	Fair Value
Senior term debt	\$ 2,722,467	\$ 2,700,735	\$ 2,691,018	\$ 2,671,114
Subordinated Certificates of the SSLP(2)	1,100,243	1,125,702	1,034,254	1,059,178
Senior subordinated debt	574,674	499,482	592,618	515,014
Collateralized loan obligations	55,515	54,480	55,515	54,000
Preferred equity securities	250,568	256,619	251,192	251,064
Other equity securities	459,400	550,770	463,861	527,002
Commercial real estate	19,641	16,743	20,205	17,134
Total	\$ 5,182,508	\$ 5,204,531	\$ 5,108,663	\$ 5,094,506

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

(2) The proceeds from these certificates were applied to co-investments with GE Global Sponsor Finance LLC and General Electric Capital Corporation to fund stretch senior and unitranche loans to 33 and 32 different borrowers as of March 31, 2012 and December 31, 2011, respectively.

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

Industry	As of	
	March 31, 2012	December 31, 2011
Investment Funds and Vehicles(1)	24.5%	23.6%
Healthcare Services	14.6	13.4
Education	10.5	11.2
Restaurant and Food Services	8.2	6.8
Financial Services	6.5	6.4
Business Services	5.3	6.6
Consumer Products	5.3	5.4
Containers and Packaging	4.4	4.5
Other Services	3.7	2.5
Manufacturing	3.4	2.8
Telecommunications	1.9	2.0
Retail	1.9	1.8
Grocery	1.8	1.9
Energy	1.2	1.3

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Automotive Services	1.1	1.1
Other	5.7	8.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Includes our investment in the SSLP (as defined below), which had issued loans to 33 and 32 different borrowers as of March 31, 2012 and December 31, 2011, respectively. The portfolio companies in the SSLP are in industries similar to the companies in our portfolio.

<b>Geographic Region</b>	<b>As of</b>	
	<b>March 31, 2012</b>	<b>December 31, 2011</b>
West	49.1%	48.4%
Southeast	17.5	21.2
Midwest	14.8	14.5
Mid-Atlantic	14.3	12.8
International	2.6	1.4
Northeast	1.7	1.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Table of Contents

As of March 31, 2012, 3.6% 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.

**SSLP**

The Company has an investment in the subordinated certificates (the *SSLP Certificates*) issued by the Senior Secured Loan Fund LLC, which operates using the name Senior Secured Loan Program (the *SSLP*), an unconsolidated vehicle. The Company, through the *SSLP*, co-invests in stretch senior and unitranche loans (loans that combine both senior and subordinated debt, generally in a first lien position) of middle market companies with GE Global Sponsor Finance LLC and General Electric Capital Corporation (together, *GE*). 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 an affiliate of the Company and an affiliate of *GE* (approval from a representative of each is required to approve transactions).

As of March 31, 2012 and December 31, 2011, the *SSLP* had available capital of approximately \$7.7 billion, of which approximately \$5.4 billion and \$5.0 billion in aggregate principal amount was funded at March 31, 2012 and December 31, 2011, respectively. As of March 31, 2012 and December 31, 2011, the Company had agreed to make available to the *SSLP* \$1,487,500, of which \$376,534 and \$442,523 was unfunded, respectively. It is within our discretion to make these additional amounts available to the *SSLP*.

As of March 31, 2012 and December 31, 2011, the *SSLP* had total assets of \$5.3 billion and \$5.0 billion, respectively. *GE*'s investment in the *SSLP* consisted of senior notes of \$4.2 billion and \$3.8 billion and subordinated certificates of \$159 million and \$149 million at March 31, 2012 and December 31, 2011, respectively. The subordinated certificates are junior to the senior notes invested by *GE* and the Company owned 87.5% of the outstanding certificates as of March 31, 2012 and December 31, 2011. The *SSLP*'s portfolio consisted of senior and unitranche loans to 33 and 32 different issuers as of March 31, 2012 and December 31, 2011, respectively. As of March 31, 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 were on non-accrual status. As of March 31, 2012 and December 31, 2011, the largest loan to a single issuer in the *SSLP*'s portfolio in aggregate principal amount was \$300.0 million, and loans to the top five issuers 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 \$1,100,243 and \$1,125,702, respectively, as of March 31, 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 Company 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 15.6% and 15.7% as of March 31, 2012 and December 31, 2011, respectively. For the three months ended March 31, 2012 and 2011, the Company earned interest income of \$43,267 and \$23,321, respectively, in respect of its *SSLP* investment. The Company is also entitled to certain other 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, the Company retained its representation on the investment committee of the *SSLP*. This change did not impact the economics to the Company of its participation in the *SSLP*.

**5. BORROWINGS**

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 March 31, 2012 our asset coverage for borrowed amounts was 270%.

The Company's outstanding debt as of March 31, 2012 and December 31, 2011 was as follows:

Table of Contents

	March 31, 2012			As of December 31, 2011		
	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value
Revolving Credit Facility	\$ 810,000(2)	\$	\$	\$ 810,000(2)	\$ 395,000	\$ 395,000
Revolving Funding Facility	500,000	485,000	485,000	500,000	463,000	463,000
SMBC Funding Facility	200,000	31,800	31,800			
Debt Securitization	60,049	60,049	60,049	77,531	77,531	77,531
February 2016 Convertible Notes	575,000	575,000	542,944(4)	575,000	575,000	541,152(4)
June 2016 Convertible Notes	230,000	230,000	216,621(4)	230,000	230,000	215,931(4)
2017 Convertible Notes	162,500	162,500	157,663(4)			
2022 Notes	143,750	143,750	143,750			
2040 Notes	200,000	200,000	200,000	200,000	200,000	200,000
2047 Notes	230,000	230,000	181,039(3)	230,000	230,000	180,988(3)
	\$ 3,111,299	\$ 2,118,099	\$ 2,018,866	\$ 2,622,531	\$ 2,170,531	\$ 2,073,602

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

(2) Includes an accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to a maximum of \$1,050,000.

(3) Represents the aggregate principal amount outstanding less the unaccreted purchased discount. The total unaccreted discount was \$48,961 and \$49,012 as of March 31, 2012 and December 31, 2011, respectively.

(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 \$32,056, \$13,379 and \$4,837, respectively, at March 31, 2012.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our principal debt outstanding as of March 31, 2012 were 5.1% and 10.5 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 March 31, 2012, allowed the Company to borrow up to \$810,000 at any one time outstanding with a maturity date of January 22, 2013. The Revolving Credit Facility also includes an accordion feature that allows, under certain circumstances, for an increase in the size of the facility to a maximum of \$1,050,000. 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. All principal is due upon maturity.

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) to total indebtedness, of the Company and its subsidiaries, of not less than 2.0:1.0, (f) maintaining minimum liquidity, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and its subsidiaries. In addition to the asset coverage ratio described above, borrowings under the Revolving Credit Facility (and the incurrence of certain other permitted debt) will be subject to compliance with a borrowing base that will apply different advance rates to different types of assets in our portfolio. As of March 31, 2012, the Company was in material compliance with the terms of the Revolving Credit Facility.

As of March 31, 2012, there were no principal amounts outstanding under the Revolving Credit Facility. As of December 31, 2011, there was \$395,000 outstanding under the Revolving Credit Facility. The Revolving Credit Facility also

Table of Contents

provides for a sub-limit for the issuance of letters of credit for up to an aggregate amount of \$100,000. As of March 31, 2012 and December 31, 2011, the Company had \$47,432 and \$47,249 in standby letters of credit issued through the Revolving Credit Facility, respectively. The amount available for borrowing under the Revolving Credit Facility is reduced by any standby letters of credit issued. As of March 31, 2012, there was \$762,568 available for borrowing (net of standby letters of credit issued) under the Revolving Credit Facility.

Subject to certain exceptions, the interest rate charged on the Revolving Credit Facility is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the alternate base rate plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending upon our credit ratings. As of March 31, 2012 and, for the three months ended March 31, 2012 and 2011, the effective LIBOR spread under the Revolving Credit Facility was 3.00%. As of March 31, 2012, the one, two, three and six month LIBOR was 0.24%, 0.35%, 0.47% and 0.73%, 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, the Company is required to pay a commitment fee of 0.50% per annum on any unused portion of the Revolving Credit Facility and a letter of credit fee of 3.25% per annum on letters of credit issued, both of which are payable quarterly. The letter of credit fee is also based on a pricing grid depending on our credit ratings.

With certain exceptions, the Revolving Credit Facility is secured by substantially all of the assets in our portfolio (other than investments held by Ares Capital CP under the Revolving Funding Facility, those held by ACJB under the SMBC Funding Facility and those held as a 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:

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Stated interest expense	\$ 908	\$ 222
Facility fees	1,232	1,050
Amortization of debt issuance costs	1,560	1,594
Total interest and credit facility fees expense	\$ 3,700	\$ 2,866
Cash paid for interest expense	\$ 1,503	\$ 563
Average stated interest rate	3.5%	3.3%
Average outstanding balance	\$ 103,516	\$ 26,656

See Note 15 for subsequent events relating to the Revolving Credit Facility.

***Revolving Funding Facility***

In October 2004, we established, through our wholly owned subsidiary, Ares Capital CP Funding LLC ( Ares Capital CP ), a revolving funding facility (as amended, the Revolving Funding Facility ) that allows Ares Capital CP to borrow up to \$500,000 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. The Revolving Funding Facility was previously subject to a three year reinvestment period scheduled to expire on January 18, 2014

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(with two one-year extension options, subject to our and our lenders' consent) with a stated maturity date of January 18, 2016 (with two one-year extension options, subject to our and our lenders' consent). On January 18, 2012, the Company and Ares Capital CP amended the Revolving Funding Facility to, among other things, extend the reinvestment period by one year to January 18, 2015 (with a one-year extension option, subject to our and the lenders' consent), and extend the maturity date by one year to January 18, 2017 (with a one-year extension option, subject to our and the lenders' consent).

As part of the Revolving Funding Facility, we and Ares Capital CP are subject to limitations as to how borrowed funds may be used including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, collateral interests and investment ratings as well as regulatory restrictions on leverage which may affect the amount of debt that we and Ares Capital CP may issue from time to time. There are also certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge offs, violation of which could result in the early amortization of the Revolving Funding Facility and limit further advances under the Revolving Funding Facility and in some cases could be an event of default. The Revolving Funding Facility is also subject to a borrowing base that applies different advance rates to assets held by Ares Capital CP. Such limitations, requirements, and associated defined terms are as provided for in the documents governing the Revolving Funding Facility.



Table of Contents

As of March 31, 2012, the Company and Ares Capital CP were in material compliance with the terms of the Revolving Funding Facility.

As of March 31, 2012 and December 31, 2011, there was \$485,000 and \$463,000 outstanding, respectively, under the Revolving Funding Facility.

Prior to the January 18, 2012 amendment referenced above, 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 (which is the higher of a prime rate, or the federal funds rate plus 0.50%) plus an applicable spread of between 1.25% to 2.75%, in each case, based on a pricing grid depending upon our credit ratings. After January 18, 2012, the interest rate charged on the Revolving Funding Facility is based on LIBOR plus and applicable spread of 2.50% or on a base rate plus applicable spread of 1.50%. As of March 31, 2012 and December 31, 2011, the rate in effect was based on one month LIBOR of 0.24% and 0.30%, respectively. We are also required to pay a commitment fee of between 0.50% and 2.00% depending on the usage level on any unused portion of the Revolving Funding Facility.

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:

	<b>For the three months ended March 31,</b>			
	<b>2012</b>		<b>2011</b>	
Stated interest expense	\$	3,175	\$	677
Facility fees		66		1,012
Amortization of debt issuance costs		374		525
Total interest and credit facility fees expense	\$	3,615	\$	2,214
Cash paid for interest expense	\$	3,451	\$	2,352
Average stated interest rate		2.8%		3.0%
Average outstanding balance	\$	447,154	\$	89,919

***SMBC Funding Facility***

In January 2012, we established, through our wholly owned subsidiary Ares Capital JB Funding LLC ( ACJB ), a revolving funding facility (the SMBC Funding Facility ) by entering into a Loan and Servicing Agreement (the SMBC Loan and Servicing Agreement ) with ACJB, as the borrower, Sumitomo Mitsui Banking Corporation ( SMBC ), as the administrative agent, collateral agent, and lender, pursuant to which SMBC agreed to extend credit to ACJB in an aggregate principal amount up to \$200,000 at any one time outstanding. In connection with the SMBC Funding Facility, we entered into a Purchase and Sale Agreement with ACJB, pursuant to which we may sell ACJB certain first lien loans we have originated or acquired or will originate or acquire (the SMBC Loans ) from time to time. The SMBC Funding Facility is secured by all of the assets held by ACJB. The SMBC Funding Facility has a reinvestment period scheduled to end on January 20, 2015 and a final maturity date of January 20, 2020. The reinvestment period and final maturity are both subject to two one-year extensions by mutual agreement.

The SMBC Loan and Servicing Agreement includes usual and customary events of default for revolving funding facilities of this nature, including allowing SMBC, upon a default, to accelerate and foreclose on the SMBC Loans and to pursue the rights under the SMBC Loans

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directly with the obligors thereof. The SMBC Funding Facility is also subject to a borrowing base that applies different advance rates to assets held by ACJB. Such limitations, requirements and associated defined terms are as provided for in the documents governing the SMBC Funding Facility. As of March 31, 2012, the Company and ACJB were in material compliance with the terms of the SMBC Funding Facility.

As of March 31, 2012, there was \$31,800 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 (which is the greater of a prime rate and the federal funds rate plus 0.50%) plus an applicable spread of 1.125%. As of March 31, 2012, one month LIBOR was 0.24%. Prior to July 20, 2012, there is no commitment fee required to be paid. Beginning on July 20, 2012 we will be required to pay a commitment fee of 0.50% depending on the usage level on any unused portion of the SMBC Funding Facility.

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:

Table of Contents

	<b>For the three months ended March 31, 2012</b>	
Stated interest expense	\$	77
Facility fees		
Amortization of debt issuance costs		113
Total interest and credit facility fees expense	\$	190
Cash paid for interest expense	\$	37
Average stated interest rate		2.4%
Average outstanding balance	\$	12,829

**Debt Securitization**

In July 2006, through ARCC Commercial Loan Trust 2006 ( ARCC CLT ), a vehicle serviced by our wholly owned 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 (the CLO Notes ) to third parties that are secured by a pool of middle-market loans that were purchased or originated by the Company. The Company initially retained approximately \$86,000 of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization and has subsequently repurchased \$34,790 of the CLO Notes, bringing our total holdings of CLO Notes to \$120,790 (the Retained Notes ) as of March 31, 2012. The CLO Notes are included in the consolidated balance sheet.

The CLO Notes mature on December 20, 2019, and, as of March 31, 2012, there was \$60,049 outstanding under the Debt Securitization (excluding the Retained Notes).

During the first five years from the closing date, principal collections received on the underlying collateral could be used to purchase new collateral. This reinvestment period expired on June 17, 2011. Because the reinvestment period expired, all principal collections received on the underlying collateral will be used to paydown the CLO Notes outstanding in their order of legal priority.

All of the CLO Notes are secured by the assets of ARCC Commercial Loan Trust 2006, including commercial loans totaling \$308,100 as of the closing date, which were sold to the trust by the Company, the originator and servicer of the assets. Additional commercial loans were purchased by the trust from the Company primarily using the proceeds from the Class A-1A VFN Notes as well as proceeds from loan repayments. As of March 31, 2012, the Company, ARCC CLT and ARCC CLO were in material compliance with the terms of the Debt Securitization.

The classes, amounts and interest rates (expressed as a spread to LIBOR) of the CLO Notes as of March 31, 2012 and December 31, 2011 are as follows:

Class	As of	
	March 31, 2012	December 31, 2011
	Amount	Amount

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		<b>LIBOR Spread (basis points)</b>		<b>LIBOR Spread (basis points)</b>
A-1A	\$ 1,489	25	\$ 4,896	25
A-1A VFN	3,808	28	12,520	28
A-1B	14,000	37	14,000	37
A-2A		22		22
A-2B	8,542	35	13,905	35
B	9,000	43	9,000	43
C	23,210	70	23,210	70
Total	\$ 60,049		\$ 77,531	

The interest charged under the Debt Securitization is based on 3-month LIBOR, which as of March 31, 2012 was 0.47% and as of December 31, 2011 was 0.56%. The blended interest rate charged on the CLO Notes, excluding fees, at March 31, 2012, was approximately 3-month LIBOR plus 50 basis points and at December 31, 2011, was approximately 3-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, which is included in facility fees below.

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### Table of Contents

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 are as follows:

	For the three months ended March 31,			
	2012		2011	
Stated interest expense	\$	202	\$	255
Facility fees				11
Amortization of debt issuance costs		89		88
Total interest and credit facility fees expense	\$	291	\$	354
Cash paid for interest expense	\$	199	\$	261
Average stated interest rate		1.1%		0.7%
Average outstanding balance	\$	75,226	\$	153,256

### *Unsecured Notes*

### *Convertible Notes*

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 initial conversion rates (listed below) subject to customary anti-dilution adjustments and the requirements of their respective indenture (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 date 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  
Convertible Notes**

**June 2016  
Convertible Notes**

**2017  
Convertible Notes**

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Conversion premium		17.5%		17.5%		17.5%
Closing stock price	\$	16.28	\$	16.20	\$	16.46
Closing stock price date		January 19, 2011		March 22, 2011		March 8, 2012
Initial conversion price	\$	19.13	\$	19.04	\$	19.34
Initial conversion rate (shares per one thousand dollar principal amount)		52.2766		52.5348		51.7050
Conversion dates		August 15, 2015		December 15, 2015		September 15, 2016

As of March 31, 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

Table of Contents

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 March 31, 2012, the Company was in material compliance with the terms of the Convertible Notes Indentures.

The Convertible Notes are accounted for in accordance with ASC 470-20 (previously FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ). 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 the debt and equity components approximately 97% and 3%, respectively, for the 2017 Convertible Notes. The original issue discount equal to the equity components of the Convertible Notes were 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 March 31, 2012, the equity component, net of issuance costs as recorded in the capital in excess of par value in the consolidated balance sheet for the February 2016 Convertible Notes, the June 2016 Convertible Notes and the 2017 Convertible Notes was \$39,063, \$15,653 and \$4,726, respectively.

As of March 31, 2012 the components of the carrying value of the Convertible Notes, the stated interest rate and the effective interest rate were as follows:

	<b>February 2016</b>		<b>June 2016</b>		<b>2017</b>
	<b>Convertible Notes</b>		<b>Convertible Notes</b>		<b>Convertible Notes</b>
Principal amount of debt	\$ 575,000	\$	230,000	\$	162,500
Original issue discount, net of accretion	(32,056)		(13,379)		(4,837)
Carrying value of debt	\$ 542,944	\$	216,621	\$	157,663
Stated interest rate	5.75%		5.125%		4.875%
Effective interest rate(1)	7.0%		6.3%		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.

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For the three months ended March 31, 2012 and 2011, the components of interest expense and cash paid for interest expense for the Convertible Notes were as follows:

	For the three months ended March 31,			
		2012		2011
Stated interest expense	\$	11,587	\$	6,192
Accretion of original issue discount		2,519		1,252
Amortization of debt issuance costs		1,172		541
Total interest expense	\$	15,278	\$	7,985
Cash paid for interest expense	\$	16,531	\$	



Table of Contents

*2022 Notes*

On February 2, 2012, we issued \$143,750 aggregate principal amount of senior unsecured notes that mature on February 15, 2022 (the 2022 Notes ). The 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. The 2022 Notes bear interest at a rate of 7.00% per year payable quarterly commencing on May 15, 2012 and all principal is due upon maturity. Total proceeds from the issuance of the 2022 Notes, net of underwriting discounts and offering costs, were approximately \$138,338.

*2040 Notes*

On October 21, 2010, we issued \$200,000 aggregate principal amount of senior unsecured notes that mature on October 15, 2040 (the 2040 Notes ). 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. The 2040 Notes bear interest at a rate of 7.75% per annum, payable quarterly, and all principal is due upon maturity. Total proceeds from the issuance of the 2040 Notes, net of underwriting discounts and offering costs, were approximately \$193,000.

For the three months ended March 31, 2012, the components of interest expense and cash paid for interest expense for the 2022 Notes and the 2040 Notes are as follows:

	For the three months ended March 31,			
		2012		2011
Stated interest expense	\$	5,552	\$	3,875
Amortization of debt issuance costs		146		58
Total interest expense	\$	5,698	\$	3,933
Cash paid for interest expense	\$	3,875	\$	3,617

*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

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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 March 31, 2012 and December 31, 2011, the 2047 Notes were outstanding as follows:

	March 31, 2012		As of	December 31, 2011	
	Outstanding Principal	Carrying Value(1)		Outstanding Principal	Carrying Value(1)
2047 Notes	\$ 230,000	\$ 181,039	\$	230,000	\$ 180,988

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(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 on or after April 15, 2012, 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.

Table of Contents

For the three months ended March 31, 2012 and 2011, the components of interest expense and cash paid for interest expense for the Allied Unsecured Notes are as follows:

	For the three months ended March 31,			
		2012		2011
Stated interest expense	\$	3,953	\$	10,520
Accretion of original issue discount		51		2,303
Total interest expense	\$	4,004	\$	12,823
Cash paid for interest expense	\$	3,953	\$	17,284

The 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. As of March 31, 2012, the Company was in material compliance with the terms of the 2022 Notes, the 2040 Notes and the 2047 Notes.

## 6. COMMITMENTS AND CONTINGENCIES

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

As of March 31, 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 the funding of which is at (or substantially at) the Company's discretion:

	As of			
		March 31, 2012		December 31, 2011
Total revolving and delayed draw commitments	\$	534,489	\$	565,630
Less: funded commitments		(114,472)		(125,037)
Total unfunded commitments		420,017		440,593
Less: commitments substantially at discretion of the Company		(24,750)		(64,750)
Less: unavailable commitments due to borrowing base or other covenant restrictions		(35,490)		(5,518)
Total net adjusted unfunded revolving and delayed draw commitments	\$	359,777	\$	370,325

Included within the total revolving and delayed draw commitments as of March 31, 2012 are commitments to issue up to \$85,950 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 March 31, 2012, the Company had \$43,628 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. Of these letters of credit \$40,552 expire in 2012 and \$3,076 expire in 2013.

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

	As of	
	March 31, 2012	December 31, 2011
Total private equity commitments	\$ 149,117	\$ 132,030
Less: funded private equity commitments	(78,891)	(67,428)
Total unfunded private equity commitments	70,226	64,602
Less: private equity commitments substantially at discretion of the Company	(58,612)	(53,525)
Total net adjusted unfunded private equity commitments	\$ 11,614	\$ 11,077

Table of Contents

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

Further 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 March 31, 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 March 31, 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 Accounting Standards Codification (ASC) 825-10 (previously Statement of Financial Accounting Standards (SFAS) No. 159, the Fair Value Option for Financial Assets and Liabilities), which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 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.

Effective January 1, 2008, the Company adopted ASC 820-10 (previously SFAS No. 157, Fair Value Measurements), which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Company to assume that the portfolio investment is sold in 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:

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- 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.

Table of Contents

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. The below table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to our determination of fair values.

Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input		Weighted Average
			Input	Range	
Senior term debt	\$ 2,700,735	Yield analysis	Market yield	4.0% - 23.7%	10.4%
Subordinated Certificates of the SSLP	1,125,702	Discounted cash flow analysis	Discount rate	14.0% - 16.0%	15.0%
Senior subordinated debt	499,482	Yield Analysis	Market yield	9.0% - 16.0%	14.0%
Collateralized loan obligations	54,480	Discounted cash flow analysis	Discount rate	9.0% - 13.5%	10.4%
Preferred equity securities	256,619	EV market multiple analysis	EBITDA multiple	4.5x - 10.5x	8.2x
Other equity securities and other	567,513	EV market multiple analysis	EBITDA multiple	4.5x - 12.0x	7.2x
<b>Total</b>	<b>\$ 5,204,531</b>				

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



Table of Contents

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 March 31, 2012:

	Total	Fair Value Measurements Using		Level 3
		Level 1	Level 2	
Cash and cash equivalents	\$ 216,412	\$ 216,412	\$	\$
Investments	\$ 5,204,531	\$	\$	\$ 5,204,531

The following table presents changes in investments that use Level 3 inputs as of and for the three months ended March 31, 2012:

	As of and for the three months ended March 31, 2012
Balance as of December 31, 2011	\$ 5,094,506
Net realized and unrealized gains	28,509
Purchases	382,571
Sales	(8,051)
Redemptions	(303,805)
Payment-in-kind interest and dividends	6,847
Accretion of discount on securities	3,954
Net transfers in and/or out of Level 3	
Balance as of March 31, 2012	\$ 5,204,531

As of March 31, 2012, the net unrealized appreciation on the investments that use Level 3 inputs was \$22,023.

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 3
		Level 1	Level 2	
Cash and cash equivalents	\$ 120,782	\$ 120,782	\$	\$
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 months ended March 31, 2011:

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	<b>As of and for the three months ended March 31, 2011</b>	
Balance as of December 31, 2010	\$	4,312,657
Net realized and unrealized gains (losses)		83,524
Purchases		468,269
Sales		(290,549)
Redemptions		(332,518)
Payment-in-kind interest and dividends		11,038
Accretion of discount on securities		3,999
Net transfers in and/or out of Level 3		
Balance as of March 31, 2011	\$	4,256,420

As of March 31, 2011, the net unrealized appreciation on the investments that use Level 3 inputs was \$50,689.

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

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### Table of Contents

Following are the carrying and fair values of our debt instruments as March 31, 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.

	March 31, 2012		As of December 31, 2011	
	Carrying value(1)	Fair value	Carrying value(1)	Fair value
Revolving Credit Facility	\$	\$	\$	\$
Revolving Funding Facility	485,000	485,000	463,000	467,900
SMBC Funding Facility	31,800	31,800		
Debt Securitization	60,049	51,211	77,531	68,215
February 2016 Convertible Notes (principal amount outstanding of \$575,000)	542,944(3)	601,605	541,152(3)	545,445
June 2016 Convertible Notes (principal amount outstanding of \$230,000)	216,621(3)	234,455	215,931(3)	215,717
2017 Convertible Notes (principal amount outstanding of \$162,500)	157,663(3)	161,348		
2022 Notes (principal amount outstanding of \$143,750)	143,750	144,200		
2040 Notes (principal amount outstanding of \$200,000)	200,000	199,848	200,000	198,808
2047 Notes (principal amount outstanding of \$230,000)	181,039(2)	220,682	180,988(2)	212,218
	\$	\$	\$	\$
	2,018,866(4)	2,130,149	2,073,602(4)	2,107,703

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

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

(3) 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.

(4) Total principal amount of debt outstanding totaled \$2,118,099 and \$2,170,531 as of March 31, 2012 and December 31, 2011, respectively.

The following table presents fair value measurements of our debt instruments as of March 31, 2012 and December 31, 2011:

As of

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<b>Fair Value Measurements Using</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Level 1	\$ 564,730	\$ 411,026
Level 2	1,565,419	1,696,677
Level 3		
Total	\$ 2,130,149	\$ 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 three months ended March 31, 2012:

	<b>Shares issued</b>	<b>Offering price per share</b>	<b>Proceeds net of underwriting and offering costs</b>
January 2012 public offering	16,422	\$ 15.41	\$ 252,415
Total for the three months ended March 31, 2012	16,422	\$ 15.41	\$ 252,415

Table of Contents

The Company used the net proceeds from the above public equity offering to repay outstanding indebtedness and for general corporate purposes, which included funding investments.

There were no sales of our equity securities for the three months ended March 31, 2011.

## 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 months ended March 31, 2012 and 2011:

	For the three months ended March 31,	
	2012	2011
Net increase in stockholders' equity resulting from operations available to common stockholders:	\$ 105,547	\$ 123,766
Weighted average shares of common stock outstanding - basic and diluted:	217,044	204,419
Basic and diluted net increase in stockholders' equity resulting from operations per share:	\$ 0.49	\$ 0.61

For the purposes of calculating diluted earnings per share, the average closing price of the Company's common stock for the three months ended March 31, 2012 and for the period from the time of issuance for the 2017 Convertible Notes through March 31, 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 had no impact. The average closing price of the Company's common stock for the period from the time of issuance of both the February 2016 Convertible Notes and the June 2016 Convertible Notes through March 31, 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 had no impact.

## 10. DIVIDENDS AND DISTRIBUTIONS

The following table summarizes our dividends declared during the three months ended March 31, 2012 and 2011:

Date Declared	Record Date	Payment Date	Per Share Amount	Total Amount
February 28, 2012	March 15, 2012	March 30, 2012	\$ 0.37	\$ 81,974
Total declared for the three months ended March 31, 2012			\$ 0.37	\$ 81,974
March 1, 2011	March 15, 2011	March 31, 2011	\$ 0.35	\$ 71,547

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Total declared for the three months ended March 31, 2011	\$	0.35	\$	71,547
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The Company has a dividend reinvestment plan, 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. If the Company issues new shares, the issue price is equal to closing price on the record date. Dividend reinvestment plan activity for the three months ended March 31, 2012 and 2011, was as follows:

	For the three months ended March 31,			
	2012		2011	
Shares issued		323		333
Average price per share	\$	16.35	\$	16.39
Shares purchased by plan agent for shareholders				
Average price per share	\$		\$	

Table of Contents

**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 of such costs and expenses incurred in the operation of the Company. For the three months ended March 31, 2012 and 2011, the investment adviser incurred such expenses totaling \$909 and \$643, respectively. As of March 31, 2012, \$447 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 months ended March 31, 2012, such amounts payable to the Company totaled \$368. For the three months ended March 31, 2011, there were no amounts payable to the Company. 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 three months ended March 31, 2011, such amounts payable to the Company totaled \$396.

As of March 31, 2012, Ares Investments Holdings LLC, an affiliate of Ares Management (the sole member of our investment adviser), owned approximately 2.9 million shares of the Company's common stock representing approximately 1.3% of the total shares outstanding as of March 31, 2012.

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

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

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 March 31, 2012, the Company's total investment in IHAM at fair value was \$201,199, including unrealized appreciation of \$88,323. 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 months ended March 31, 2012 and 2011, the Company received distributions consisting entirely of dividend income from IHAM of \$4,762.

IHAM manages 10 unconsolidated credit vehicles and sub-manages or sub-advises four other unconsolidated credit vehicles (these vehicles managed or sub-managed /sub-advised by IHAM are collectively referred to as the IHAM Vehicles ). As of March 31, 2012 and December 31, 2011, the Company had investments in two of the IHAM Vehicles.

IHAM or certain of the IHAM Vehicles purchased investments from the Company of \$6,162, during the three months ended March 31, 2012. No realized gain or loss was recorded on these transactions for the three months ended March 31, 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.



Table of Contents

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 \$104 at fair value, including unrealized depreciation of \$103, as of March 31, 2012.

**13. FINANCIAL HIGHLIGHTS**

The following is a schedule of financial highlights for the three months ended March 31, 2012 and 2011:

Per Share Data:	For the three months ended	
	March 31, 2012	March 31, 2011
Net asset value, beginning of period(1)	\$ 15.34	\$ 14.92
Issuance of common stock		
Issuances of the Convertible Notes	0.02	0.27
Effect of antidilution		
Net investment income for period(2)	0.35	0.24
Net realized and unrealized gains for period(2)	0.13	0.37
Net increase in stockholders' equity	0.50	0.88
Total distributions to stockholders	(0.37)	(0.35)
Net asset value at end of period(1)	\$ 15.47	\$ 15.45
Per share market value at end of period	\$ 16.35	\$ 16.95
Total return based on market value(3)	8.22%	4.96%
Total return based on net asset value(4)	3.17%	4.06%
Shares outstanding at end of period	221,875	204,752
Ratio/Supplemental Data:		
Net assets at end of period	\$ 3,433,261	\$ 3,163,008
Ratio of operating expenses to average net assets(5)(6)	10.51%	11.00%
Ratio of net investment income to average net assets(5)(7)	9.21%	6.13%
Portfolio turnover rate(5)	25%	45%

(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 three months ended March 31, 2012, the total return based on market value equals the increase of the ending market value at March 31, 2012 of \$16.35 per share from the ending market value at December 31, 2011 of \$15.45 per share plus the declared dividends of \$0.37 per share for the three months ended March 31, 2012, divided by the market value at December 31, 2011. For the three months ended March 31, 2011, the total return based on market value equals the increase of the ending market value at March 31, 2011 of \$16.95 per share over the ending market value at December 31, 2010 of \$16.48 per share plus the declared dividends of \$0.35 per share for the three months ended March 31, 2011, divided by the market value at December 31, 2010. Total return based on market value is not annualized. The Company's

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shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4) For the three months ended March 31, 2012, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.37 per share for the three months ended March 31, 2012 divided by the beginning net asset value at January 1, 2012. For the three months ended March 31, 2011, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.35 per share for the three months ended March 31, 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.

Table of Contents

(6) For the three months ended March 31, 2012, the ratio of operating expenses to average net assets consisted of 2.39% of base management fees, 3.15% of incentive management fees, 3.92% of the cost of borrowing and other operating expenses of 1.05%. For the three months ended March 31, 2011, the ratio of operating expenses to average net assets consisted of 2.14% of base management fees, 3.97% of incentive management fees, 3.87% of the cost of borrowing and other operating expenses of 1.02%. 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 three months ended March 31, 2012, except as disclosed below.

In May 2012, the Company amended the Revolving Credit Facility to, among other things, (i) increase the commitment size of the facility from \$810,000 to \$900,000, (ii) extend the maturity date from January 22, 2013 to May 4, 2016, (iii) extend the expiration of the revolving period from January 22, 2013 to May 4, 2015, (iv) reduce the stated interest rate by replacing the pricing grid with an applicable spread over LIBOR of 2.25% (with no floor) and an applicable spread over base rate of 1.25% (with no floor) and (v) reduce the commitment fee to 0.375% for any unused portion of the Revolving Credit Facility. The amended Revolving Credit Facility includes an accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to a maximum of \$1,350,000.

**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:

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- 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;
- 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;

Table of Contents

- 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 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 projected 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.

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 opportunistically 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,

Table of Contents

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.

**PORTFOLIO AND INVESTMENT ACTIVITY**

The Company's investment activity for the three months ended March 31, 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	
	March 31, 2012	March 31, 2011
<b>New investment commitments (1):</b>		
New portfolio companies	\$ 235.9	\$ 151.5
Existing portfolio companies(2)	148.4	350.8
Total new investment commitments	384.3	502.3
Less:		
Investment commitments exited	331.4	567.4
Net investment commitments (exits)	\$ 52.9	\$ (65.1)
<b>Principal amount of investments funded:</b>		
Senior term debt	\$ 314.1	\$ 316.7
Subordinated Certificates of the Senior Secured Loan Fund LLC (the SSLP ) (3)	66.0	123.3
Preferred equity securities		10.0
Other equity securities	2.4	18.3
Total	\$ 382.5	\$ 468.3
<b>Principal amount of investments sold or repaid:</b>		
Senior term debt	\$ 289.5	\$ 200.2
Senior subordinated debt	20.9	194.3
Collateralized loan obligations		114.4
Preferred equity securities	1.2	16.3
Other equity securities	6.9	31.4
Commercial real estate	0.6	3.9
Total	\$ 319.1	\$ 560.5
<b>Number of new investment commitments (4)</b>	12	16

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<b>Average new investment commitment amount</b>	\$	32.0	\$	31.4
<b>Weighted average term for new investment commitments (in months)</b>		69		58
<b>Percentage of new investment commitments at floating rates</b>		99%		87%
<b>Percentage of new investment commitments at fixed rates</b>		%		8%
<b>Weighted average yield of debt and other income producing securities (5):</b>				
Funded during the period at fair value		10.6%		12.0%
Funded during the period at amortized cost		10.6%		12.0%
Exited or repaid during the period at fair value (6)		9.1%		14.5%
Exited or repaid during the period at amortized cost		9.2%		16.4%



Table of Contents

- (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 stretch senior and unitranche loans of middle market companies of \$66.0 million and \$123.3 million for the three months ended March 31, 2012 and 2011, respectively.
- (3) See Note 4 to our consolidated financial statements for the three months ended March 31, 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 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 as of the most recent quarter end.

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

(in millions)	March 31, 2012		As of December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior term debt	\$ 2,722.5	\$ 2,700.7	\$ 2,691.0	\$ 2,671.1
Subordinated Certificates of the SSLP(1)	1,100.2	1,125.7	1,034.3	1,059.2
Senior subordinated debt	574.7	499.5	592.6	515.0
Collateralized loan obligations	55.5	54.5	55.5	54.0
Preferred equity securities	250.6	256.6	251.2	251.1
Other equity securities	459.4	550.8	463.9	527.0
Commercial real estate	19.6	16.7	20.2	17.1
Total	\$ 5,182.5	\$ 5,204.5	\$ 5,108.7	\$ 5,094.5

- (1) The proceeds from these certificates were applied to co-investments with GE to fund stretch senior and unitranche loans to 33 and 32 different borrowers as of March 31, 2012 and December 31, 2011, respectively.

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

	March 31, 2012		As of		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt and other income producing securities	12.2%	12.0%	12.1%	12.0%	12.1%	12.0%
Total portfolio	10.5%	10.4%	10.4%	10.4%	10.4%	10.4%
Senior term debt	10.3%	10.4%	10.5%	10.5%	10.5%	10.5%
First lien senior term debt	9.5%	9.6%	9.6%	9.7%	9.6%	9.7%
Second lien senior term debt	12.1%	12.1%	12.4%	12.4%	12.4%	12.4%
Subordinated Certificates of the SSLP (1)	16.0%	15.6%	16.0%	15.7%	16.0%	15.7%
Senior subordinated debt	11.0%	12.7%	10.3%	11.9%	10.3%	11.9%
Collateralized loan obligations	8.8%	9.0%	8.8%	9.1%	8.8%	9.1%
Income producing equity securities (excluding collateralized loan obligations)	10.3%	10.0%	10.4%	10.0%	10.4%	10.0%

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(1) The proceeds from these certificates were applied to co-investments with GE to fund stretch senior and unitranche loans.

Table of Contents

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.

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

(dollar amounts in millions)	As of							
	March 31, 2012				December 31, 2011			
	Fair Value	%	Number of Companies	%	Fair Value	%	Number of Companies	%
Grade 1	\$ 85.4	1.6%	10	7.0%	\$ 77.1	1.5%	9	6.4%
Grade 2	180.2	3.5%	11	7.7%	184.4	3.7%	11	7.8%
Grade 3	4,418.4	84.9%	109	76.2%	4,265.5	83.7%	110	78.0%
Grade 4	520.5	10.0%	13	9.1%	567.5	11.1%	11	7.8%
	\$ 5,204.5	100.0%	143	100.0%	\$ 5,094.5	100.0%	141	100.0%

As of each March 31, 2012, and December 31, 2011 the weighted average grade of the investments in our portfolio was 3.0.

As of March 31, 2012, 3.6% and 1.0% of the total investments at amortized cost and at fair value, respectively, were on non-accrual status. As of December 31, 2011, 3.3% and 0.9% of the total investments at amortized cost and at fair value, respectively, were on non-accrual status.

**RESULTS OF OPERATIONS**

*For the three months ended March 31, 2012 and 2011*

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Operating results for the three months ended March 31, 2012 and 2011 are as follows:

(in millions)	For the three months ended March 31,			
		2012		2011
Total investment income	\$	167.7	\$	135.7
Total expenses		88.0		85.8
Net investment income before income taxes		79.7		49.9
Income tax expense, including excise tax		2.7		2.0
Net investment income		77.0		47.9
Net realized gains (losses) on investments		(7.7)		62.6
Net unrealized gains on investments		36.2		22.2
Realized losses on extinguishment of debt				(8.9)
Net increase in stockholders' equity resulting from operations	\$	105.5	\$	123.8

Table of Contents

Net income can vary substantially from period to period due to various factors, including acquisitions, 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 March 31,			
	2012		2011	
Interest income	\$	132.9	\$	110.6
Capital structuring service fees		17.7		11.0
Dividend income		9.2		8.8
Management fees		4.9		3.4
Other income		3.0		1.9
Total investment income	\$	167.7	\$	135.7

The increase in interest income for the three months ended March 31, 2012 was primarily due to the increase in the size of the portfolio, which increased from an average of \$4.3 billion at amortized cost for the three months ended March 31, 2011 to an average of \$5.1 billion at amortized cost for the comparable period in 2012. Even though new investment commitments decreased from \$502 million for the three months ended March 31, 2011 to \$384 million for the comparable period in 2012, capital structuring service fees increased for the three months ended March 31, 2012 as compared to 2011 primarily due to the increase in the average capital structuring service fees received on new investments which increased from 2.2% in 2011 to 4.6% in 2012. Management fees for the three months ended March 31, 2012 included management fees earned from the SSLP totaling \$3.9 million, as compared to \$2.4 million for the comparable period in 2011.

**Operating Expenses**

(in millions)	For the three months ended March 31,			
	2012		2011	
Interest and credit facility fees	\$	32.8	\$	30.2
Incentive management fees related to pre-incentive fee net investment income		20.7		15.8
Incentive management fees related to capital gains per GAAP		5.7		15.1
Base management fees		20.0		16.7
Professional fees		3.7		2.7
Administrative fees		2.3		2.4
Other general and administrative		2.8		2.9
Total operating expenses	\$	88.0	\$	85.8

Interest and credit facility fees for the three months ended March 31, 2012 and 2011 were comprised of the following:

For the three months ended  
March 31,

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(in millions)	2012		2011	
Stated interest expense	\$	25.5	\$	21.8
Facility fees		1.3		2.0
Amortization of debt issuance costs		3.4		2.8
Accretion of discount on notes payable		2.6		3.6
Total interest and credit facility fees expense	\$	32.8	\$	30.2

Stated interest expense for the three months ended March 31, 2012 increased from the comparable period in 2011 due to the increase in our average principal debt outstanding partially offset by a decrease in our weighted average stated interest rate. For the three months ended March 31, 2012, our average principal debt outstanding was \$2.0 billion as compared to \$1.5 billion for the comparable period in 2011, and the weighted average stated interest rate on our debt was 5.1% as compared to 5.6% for the comparable period in 2011.

Table of Contents

The increase in base management fees and incentive management fees related to pre-incentive fee net investment income for the three months ended March 31, 2012 from the comparable period in 2011 was primarily due to the increase in the size of the portfolio and in the case of incentive management fees, the related increase in pre-incentive fee net investment income. For the three months ended March 31, 2012, the capital gains incentive fee expense was \$5.7 million bringing the total capital gains incentive fee accrual in accordance with GAAP to \$54.7 million (included in management and incentive fees payable in the consolidated balance sheet) as of March 31, 2012. 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 months ended March 31, 2012 we did not incur a capital gains fee under the investment advisory and management agreement and therefore there are no amounts currently due under the agreement. See Note 3 to the Company's consolidated financial statements for the three months ended March 31, 2012 for more information on the incentive and base management fees.

Professional fees include legal, accounting, valuation and other professional fees incurred related to the management of the Company. 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.

**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. For the three months ended March 31, 2012 and 2011, a net expense of \$2.0 million and \$0.7 million was recorded for U.S. federal excise tax, respectively.

Certain of our wholly owned subsidiaries are subject to U.S. federal and state income taxes. For the three months ended March 31, 2012 and 2011, we recorded a tax expense of approximately \$0.7 million and \$1.3 million, respectively, for these subsidiaries.

**Net Realized Gains/Losses**

During the three months ended March 31, 2012, the Company had \$311.1 million of sales, repayments or exits of investments resulting in \$7.7 million of net realized losses. These sales, repayments or exits included \$6.2 million of investments sold to IHAM or certain vehicles managed by IHAM (see Note 12 to the Company's consolidated financial statements for the three months ended March 31, 2012 for more detail

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on IHAM and its managed vehicles). There were no realized gains or losses on these transactions. Net realized losses of \$7.7 million on investments were comprised of \$0.6 million of gross realized gains and \$8.3 million of gross realized losses. The realized gains and losses on investments during the three months ended March 31, 2012 consisted of the following:

(in millions)		Net Realized
Portfolio Company		Gains (Losses)
Huddle House, Inc.	\$	(1.7)
LVCG Holdings LLC		(6.6)
Other, net		0.6
Total	\$	(7.7)

During the three months ended March 31, 2011, the Company had \$623.0 million of sales, repayments or exits of investments resulting in \$62.6 million of net realized gains. These sales, repayments or exits included \$41.9 million of investments sold to IHAM or certain vehicles managed by IHAM, resulting in \$0.8 million of net realized losses. Net realized



Table of Contents

gains of \$62.6 million on investments were comprised of \$108.3 million of gross realized gains and \$45.7 million of gross realized losses. The realized gains and losses on investments during the three months ended March 31, 2011 consisted of the following:

(in millions) Portfolio Company	Net Realized Gains (Losses)
Callidus Debt Partners CLO Fund VI, Ltd.	\$ 23.9
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
Callidus Debt Partners CLO Fund III, Ltd.	4.4
Direct Buy Holdings, Inc.	3.6
Pangaea CLO 2007-1 Ltd.	2.0
Coverall North America, Inc.	(6.8)
Universal Trailer Corporation	(7.9)
MPBP Holdings, Inc.	(27.7)
Other	4.1
<b>Total</b>	<b>\$ 62.6</b>

During the three months ended March 31, 2011, in connection with the redemption of the remaining balance outstanding on its 6.625% Notes due on July 15, 2011, the Company recognized a loss on the extinguishment of debt of \$8.9 million.

**Net Unrealized Gains/Losses**

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 March 31,	
	2012	2011
Unrealized appreciation	\$ 63.2	\$ 88.8
Unrealized depreciation	(35.8)	(64.1)
Net unrealized (appreciation) depreciation reversed related to net realized gains or losses (1)	8.8	(2.5)
<b>Total net unrealized gains</b>	<b>\$ 36.2</b>	<b>\$ 22.2</b>

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(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.

The changes in net unrealized appreciation and depreciation during the three months ended March 31, 2012 consisted of the following:

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(in millions)		Net Unrealized Appreciation (Depreciation)
<b>Portfolio Company</b>		
Ivy Hill Asset Management, L.P.	\$	6.6
Firstlight Financial Corporation		6.2
ADF Restaurant Group, LLC		4.4
Savers, Inc.		4.2
Ciena Capital LLC		3.0
ICSH, Inc.		2.4
The Teaching Company, LLC		2.2
The Dwyer Group		2.1
Community Education Centers, Inc.		(2.4)
American Broadband Communications, LLC		(2.5)
RE Community Holdings II, Inc.		(2.5)
Orion Foods, LLC		(3.3)
Prommis Solutions, LLC		(4.3)
eInstruction Corporation		(6.3)
Other, net		17.6
Total	\$	27.4

Table of Contents

The changes in net unrealized appreciation and depreciation during the three months ended March 31, 2011 consisted of the following:

(in millions) Portfolio Company	Net unrealized appreciation (depreciation)
Ivy Hill Asset Management, L.P.	\$ 24.8
ADF Restaurant Group, LLC	4.1
Border Foods, Inc.	4.0
American Broadband Communications, LLC	3.7
Penn Detroit Diesel Allison, LLC	3.5
Bushnell Inc.	3.5
Knightsbridge CLO 2007-1 Ltd.	3.1
Knightsbridge CLO 2008-1 Ltd.	2.8
Firstlight Financial Corporation	2.5
Allbridge Financial, LLC	2.4
DSI Renal, Inc.	2.4
Savers, Inc.	2.3
Passport Health Communications, Inc.	(2.8)
Cook Inlet Alternative Risk, LLC	(3.5)
Callidus Capital Corporation	(3.6)
Making Memories Wholesale, Inc.	(3.6)
Senior Secured Loan Fund LLC	(3.7)
eInstruction Corporation	(5.1)
CitiPostal Inc.	(5.6)
Ciena Capital LLC	(7.8)
Direct Buy Holdings, Inc.	(8.8)
Prommis Solutions, LLC	(9.0)
Other	19.1
Total	\$ 24.7

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company's liquidity and capital resources have been 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 March 31, 2012, the Company had \$216.4 million in cash and cash equivalents and \$2.0 billion in total indebtedness outstanding at carrying value (\$2.1 billion at principal amount). Subject to leverage and borrowing base restrictions, the Company had approximately \$945.8 million available for additional borrowings under the Facilities as of March 31, 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.

**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 and offering costs for the three months ended March 31, 2012:

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Table of Contents

(in millions, except per share data)	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
January 2012 public offering	16.4	\$ 15.41(1)\$	252.4
Total for the three months ended March 31, 2012	16.4	\$ 15.41(1)\$	252.4

(1) 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. The underwriters have advised that the average price paid by the public for such shares was \$15.60.

The Company used the net proceeds from the above public equity offering to repay outstanding indebtedness and for general corporate purposes, which included funding investments.

As of March 31, 2012, total market capitalization for the Company was \$3.6 billion compared to \$3.2 billion as of December 31, 2011.

**Debt Capital Activities**

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

(dollar amounts in millions)	March 31, 2012			As of December 31, 2011		
	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value	Total Aggregate Principal Amount Available/ Outstanding(1)	Principal Amount	Carrying Value
Revolving Credit Facility	\$ 810.0(2)	\$	\$	\$ 810.0(2)	\$ 395.0	\$ 395.0
Revolving Funding Facility	500.0	485.0	485.0	500.0	463.0	463.0
SMBC Funding Facility	200.0	31.8	31.8	200.0	77.5	77.5
Debt Securitization	60.0	60.0	60.0	77.5	77.5	77.5
February 2016 Convertible Notes	575.0	575.0	542.9(4)	575.0	575.0	541.2(4)
June 2016 Convertible Notes	230.0	230.0	216.6(4)	230.0	230.0	215.9(4)
2017 Convertible Notes	162.5	162.5	157.7(4)	162.5	162.5	157.7(4)
2022 Notes	143.8	143.8	143.8	143.8	143.8	143.8
2040 Notes	200.0	200.0	200.0	200.0	200.0	200.0
2047 Notes	230.0	230.0	181.0(3)	230.0	230.0	181.0(3)
<b>Total</b>	<b>\$ 3,111.3</b>	<b>\$ 2,118.1</b>	<b>\$ 2,018.8</b>	<b>\$ 2,622.5</b>	<b>\$ 2,170.5</b>	<b>\$ 2,073.6</b>

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

(2) The Revolving Credit Facility provides for an accordion feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility to a maximum of \$1,050.0 million.

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

(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 \$32.1 million, \$13.4 million and \$4.8 million, respectively, at March 31, 2012.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all our principal debt outstanding as of March 31, 2012 were 5.1% and 10.5 years, respectively, and as of December 31, 2011 were 4.8% and 9.3 years, respectively.

Table of Contents

The ratio of total principal amount of debt outstanding to stockholders' equity as of March 31, 2012 was 0.62:1.00 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 March 31, 2012 was 0.59:1.00 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 March 31, 2012, our asset coverage for borrowed amounts was 270%.

***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 March 31, 2012, allows the Company to borrow up to \$810 million with a maturity date of January 22, 2013. The *Revolving Credit Facility* also includes an accordion feature that allows us, under certain circumstances, to increase the size of the facility to a maximum of \$1.05 billion. Subject to certain exceptions, as of March 31, 2012, the interest rate charged on the *Revolving Credit Facility* is based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on the alternate base rate plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending upon our credit ratings. As of March 31, 2012, the effective LIBOR spread under the *Revolving Credit Facility* was 3.00%. As of March 31, 2012, there were no principal amounts outstanding under the *Revolving Credit Facility* and we were in material compliance with the terms of the *Revolving Credit Facility* (see the Recent Developments section as well as Note 15 to our consolidated financial statements for the three months ended March 31, 2012 for more information regarding the *Revolving Credit Facility*).

***Revolving Funding Facility***

In October 2004, we established, through our wholly owned subsidiary, Ares Capital CP Funding LLC (Ares Capital CP) a revolving funding facility (as amended, the *Revolving Funding Facility*) which currently provides for up to \$500 million of borrowings by Ares Capital CP. The *Revolving Funding Facility* is secured by all of the assets held by, and the membership interest in, Ares Capital CP. On January 18, 2012, the *Revolving Funding Facility* was amended to, among other things, extend the reinvestment period by one year to January 18, 2015, extend the maturity date by one year to January 18, 2017 (both with a one-year extension option subject to our and the lenders' consent) and replace the pricing grid with an applicable spread over one month LIBOR of 2.50% and an applicable spread over base rate of 1.50%. Additionally, we are required to pay a commitment fee of between 0.50% and 2.00% depending on the usage level on any unused portion of the *Revolving Funding Facility*. As of March 31, 2012, the principal amount outstanding under the *Revolving Funding Facility* was \$485.0 million and we and Ares Capital CP were in material compliance with the terms of the *Revolving Funding Facility*.

***SMBC Funding Facility***

In January 2012, we established, through our wholly owned subsidiary, Ares Capital JB Funding LLC, (ACJB), a revolving funding facility (the *SMBC Funding Facility*), which currently provides for up to \$200 million of borrowings by ACJB. The *SMBC Funding Facility* is secured by all of the assets held by ACJB. The *SMBC Funding Facility* has a reinvestment period ending January 20, 2015 and a final maturity date of January 20, 2020, both of which are subject to two one-year extensions by mutual agreement. As of March 31, 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 (which is the greater of a prime

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rate and the federal funds rate plus 0.50%) plus an applicable spread of 1.125%. As of March 31, 2012, the principal amount outstanding under the SMBC Funding Facility was \$31.8 million and we and ACJB were in material compliance with the terms of the SMBC Funding Facility.

### *Debt Securitization*

In July 2006, through ARCC Commercial Loan Trust 2006 ( ARCC CLT ), a vehicle serviced by our wholly owned subsidiary ARCC CLO 2006 LLC ( ARCC CLO ), we completed a \$400 million debt securitization (the Debt Securitization ) and issued approximately \$314 million aggregate principal amount of asset backed notes (the CLO Notes ) to third parties that were secured by a pool of middle-market loans purchased or originated by the Company. We initially retained approximately \$86 million of aggregate principal amount of certain BBB and non-rated securities in the Debt Securitization. As of March 31, 2012, our total holdings of CLO Notes, including \$34.8 million of CLO Notes repurchased in the first quarter of 2009, was \$120.8 million (the Retained Notes ). During the three months ended March 31, 2012, we



Table of Contents

repaid \$17.5 million of the CLO Notes. As of March 31, 2012, \$60.0 million was outstanding under the Debt Securitization (excluding the Retained Notes), which are included in our March 31, 2012 consolidated balance sheet.

The CLO Notes, have a stated maturity of December 20, 2019 and have a blended interest rate charged of LIBOR plus 0.50% as of March 31, 2012. As of March 31, 2012, we, ARCC CLT and ARCC CLO were in material compliance with the terms of 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.

In certain circumstances, the Convertible Notes will be convertible into cash, shares of Ares Capital's common stock or a combination of cash and shares of our common stock, at our election, at their respective initial conversion rates (listed below) 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 Convertible Notes	June 2016 Convertible Notes	2017 Convertible Notes
Conversion premium	17.5%	17.5%	17.5%
Closing stock price	\$ 16.28	\$ 16.20	\$ 16.46
Closing stock price date	January 19, 2011	March 22, 2011	March 8, 2012
Initial conversion price	\$ 19.13	\$ 19.04	\$ 19.34
Initial conversion rate (shares per one thousand dollar principal amount)	52.2766	52.5348	51.7050

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Conversion dates

August 15, 2015

December 15, 2015

September 15, 2016

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 March 31, 2012, we were in material compliance with the terms of the indentures governing the Convertible Notes Indentures.

### *2022 Notes*

On February 2, 2012, we issued \$143.8 million in aggregate principal amount of senior unsecured notes which bear interest at a rate of 7.00% and mature on February 15, 2022 (the 2022 Notes ). The 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

Table of Contents

time at our option on or after February 15, 2015, at a par redemption price of \$25 per security plus accrued and unpaid interest.

*2040 Notes*

On October 21, 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*

As of March 31, 2012, there was \$230 million aggregate principal amount outstanding of the 2047 Notes which 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. These notes are redeemable in whole or in part at any time or from time to time at our option on or after April 15, 2012, 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 March 31, 2012, we were in material compliance with the terms of the 2022 Notes, the 2040 Notes and the 2047 Notes.

See Note 5 to our consolidated financial statements for the three months ended March 31, 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 March 31, 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 the funding of which is at (or substantially at) the Company's discretion:

<b>(in millions)</b>	<b>As of</b>	
	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Total revolving and delayed draw commitments	\$ 534.5	\$ 565.6
Less: funded commitments	(114.5)	(125.0)

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Total unfunded commitments	420.0	440.6
Less: commitments substantially at discretion of the Company	(24.7)	(64.8)
Less: unavailable commitments due to borrowing base or other covenant restrictions	(35.5)	(5.5)
Total net adjusted unfunded revolving and delayed draw commitments	\$ 359.8	\$ 370.3

Included within the total revolving and delayed draw commitments as of March 31, 2012 are commitments to issue up to \$86.0 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 March 31, 2012, the Company had \$43.6 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. Of these letters of credit \$40.5 million expire in 2012 and \$3.1 million expire in 2013.

As of March 31, 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	
	March 31, 2012		December 31, 2011
Total private equity commitments	\$ 149.1	\$	132.0
Less: funded private equity commitments	(78.9)		(67.4)
Total unfunded private equity commitments	70.2		64.6
Less: private equity commitments substantially at discretion of the Company	(58.6)		(53.5)
Total net adjusted unfunded private equity commitments	\$ 11.6	\$	11.1

Table of Contents

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

Further 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 March 31, 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 March 31, 2012, there are no known issues or claims with respect to this performance guaranty.

**RECENT DEVELOPMENTS**

In May 2012, the Company amended the Revolving Credit Facility to among other things, (i) increase the commitment size of the facility from \$810 million to \$900 million, (ii) extend the maturity date from January 22, 2013 to May 4, 2016, (iii) extend the expiration of the revolving period from January 22, 2013 to May 4, 2015, (iv) reduce the stated interest rate by replacing the pricing grid with an applicable spread over LIBOR of 2.25% (with no floor) and an applicable spread over base rate of 1.25% (with no floor) and (v) reduce the commitment fee to 0.375% for any unused portion of the Revolving Credit Facility. The amended Revolving Credit Facility includes an accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to a maximum of \$1,350 million.

From April 1, 2012 through May 4, 2012, we had made new investment commitments of \$340 million, of which \$335 million were funded. Of these new commitments, 65% were in first lien senior secured debt, 31% were in second lien senior secured debt and 4% were investments in subordinated certificates of the SSLP which were applied to co-investments with GE in stretch senior and unitranche loans. Of the \$340 million of new investment commitments, 88% were floating rate and 12% were fixed rate. The weighted average yield of debt and other income producing securities funded during the period at amortized cost was 9.3%. 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 April 1, 2012 through May 4, 2012, we exited \$221 million of investment commitments. Of these investment commitments, 41% were first lien senior secured debt, 24% were other equity securities, 20% were senior subordinated debt, 8% were investments in subordinated certificates of the SSLP, 6% were second lien senior secured debt and 1% were preferred equity securities. Of the \$221 million of exited investment commitments, 53% were floating rate investments, 25% were non-interest bearing and 22% were fixed rate investments. The weighted average yield of debt and other income producing securities exited or repaid during the period at amortized cost was 13.1%. On the \$221 million of investment commitments exited from April 1, 2012 through May 4, 2012, we recognized total net realized gains of approximately \$15 million.

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In addition, as of May 4, 2012, we had an investment backlog and pipeline of approximately \$460 million and \$590 million, respectively. Investment backlog includes transactions 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 significant 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.

Table of Contents

**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 wholly owned 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.

*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, 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.

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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.



Table of Contents

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.

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

Table of Contents

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 fluctuation and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

***Accounting for Derivative Instruments***

The Company does not utilize hedge accounting and marks its derivatives, if applicable at such time, to market through unrealized gains (losses) in the accompanying statement of operations.

***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 wholly owned subsidiaries are subject to U.S. federal and state income taxes.

Table of Contents

*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.

Table of Contents**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 March 31, 2012, approximately 19% of the investments at fair value in our portfolio were at fixed rates, approximately 68% were at variable rates, 12% were non-interest earning and 1% were on non-accrual status. Additionally, for the investments at variable rates, 62% of the investments contain interest rate floors (representing 42% of total investments at fair value). The Revolving Credit Facility, the Revolving Funding Facility, the SMBC Funding Facility and the Debt Securitization all bear interest at variable rates with no interest rate floors, while the 2022 Notes, 2040 Notes, 2047 Notes and the Convertible Notes bear interest at fixed rates.

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

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 March 31, 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)	Interest		Interest		Net
Basis Point Change	Income		Expense		Income
Up 300 basis points	\$	52.1	\$	17.3	\$ 34.8
Up 200 basis points	\$	28.8	\$	11.5	\$ 17.3
Up 100 basis points	\$	7.1	\$	5.8	\$ 1.3
Down 100 basis points	\$	(1.2)	\$	(1.8)	\$ 0.6
Down 200 basis points	\$	(1.5)	\$	(1.8)	\$ 0.3
Down 300 basis points	\$	(1.8)	\$	(1.8)	\$

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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)	Interest		Interest		Net
Basis Point Change	Income		Expense		Income
Up 300 basis points	\$	50.0	\$	28.1	\$ 21.9
Up 200 basis points	\$	28.0	\$	18.7	\$ 9.3
Up 100 basis points	\$	7.2	\$	9.4	\$ (2.2)
Down 100 basis points	\$	(1.0)	\$	(3.1)	\$ 2.1
Down 200 basis points	\$	(1.1)	\$	(3.1)	\$ 2.0
Down 300 basis points	\$	(1.3)	\$	(3.1)	\$ 1.8

### 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).

Table of Contents

Based on that evaluation, our President and our Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to the Company that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

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.**

On May 4, 2012, the Company entered into an agreement to amend and restate the Revolving Credit Facility (as amended and restated, the A&R Revolving Credit Facility ). The A&R Revolving Credit Facility, among other things:

- increased the commitment size of the facility from \$810 million to \$900 million,
- extended the maturity date from January 22, 2013 to May 4, 2016,
- extended the expiration of the revolving period from January 22, 2013 to May 4, 2015, during which period the Company, subject to certain conditions, may make borrowings under the A&R Revolving Credit Facility,
- requires the Company to make certain monthly amortization and other payments after the revolving period,
- increased the size of the Letter of Credit sub-facility from \$100 million to \$125 million,
- modified the types of collateral available to the secured parties under the A&R Revolving Credit Facility,
- modified certain provisions with respect to testing borrowing base values, and
- modified pricing.

Subject to certain exceptions, the stated borrowing rate under the Company's prior revolving credit facility was based on LIBOR plus an applicable spread of between 2.50% and 4.00% or on an alternate base rate (which is the highest of a prime

Table of Contents

rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%) plus an applicable spread of between 1.50% and 3.00%, in each case, based on a pricing grid depending on the Company's credit ratings. Subject to certain exceptions, the stated borrowing rate under the A&R Revolving Credit Facility is based on LIBOR plus 2.25% or on an alternate base rate (which is the highest of a prime rate, the federal funds rate plus 0.50%, or one month LIBOR plus 1.00%) plus 1.25%. The A&R Revolving Credit Facility continues to be secured by a material portion of the Company's assets (excluding, among other things, investments held in and by certain subsidiaries or investments in certain portfolio companies of the Company) and is guaranteed by certain subsidiaries of the Company.

The A&R Revolving Credit Facility includes an accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to a maximum of \$1.35 billion.

Under the A&R Revolving Credit Facility, the Company has made certain representations and warranties and 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 asset transfers and restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets (less total liabilities) to total indebtedness, of the Company and its subsidiaries, of not less than 2.0:1.0, and (f) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. The A&R Revolving Credit Facility also continues to include usual and customary events of default for senior secured revolving credit facilities of this nature.

In addition to the asset coverage ratio described above, borrowings under the A&R Revolving Credit Facility (and the incurrence of certain other permitted debt) will continue to be subject to compliance with a borrowing base that will apply different advance rates to different types of assets in the Company's portfolio. Borrowings under the A&R Revolving Credit Facility will also continue to be subject to the leverage restrictions contained in the Investment Company Act of 1940, as amended.

The documents related to the A&R Revolving Credit Facility will be filed as exhibits to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2012.

**Item 6. Exhibits.**

**EXHIBIT INDEX**

<b>Number</b>	<b>Description</b>
4.1	Second Supplemental Indenture, dated as of February 2, 2012, relating to the 7.00% Senior Notes due 2022, between Ares Capital Corporation and U.S. Bank National Association, as trustee(1)
4.2	Form of 7.00% Senior Note due 2022(1)
4.3	Indenture, dated as of March 14, 2012, between Ares Capital Corporation and U.S. Bank National Association, as trustee (2)
4.4	Form of 4.875% Convertible Senior Notes due 2017(2)
10.1	Dividend Reinvestment Plan of Ares Capital Corporation(3)
10.2	Amendment No. 4 to the Amended and Restated Sale and Servicing Agreement, dated as of January 18, 2012, among Ares Capital CP Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Wells Fargo Bank, National

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Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as collateral custodian, trustee and bank(4)

- 10.3 Loan and Servicing Agreement, dated as of January 20, 2012, among Ares Capital JB Funding LLC, as borrower, Ares Capital Corporation, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, collateral agent and lender, and U.S. Bank National Association, as collateral custodian and bank(5)
- 10.4 Purchase and Sale Agreement, dated as of January 20, 2012, between Ares Capital JB Funding LLC, as purchaser, and Ares Capital Corporation, as seller(5)
- 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\*

Table of Contents

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\* Filed herewith

(1) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Company's Form 8-K (File No. 814-00663), filed on February 2, 2012.

(2) 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 March 14, 2012.

(3) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on February 27, 2012.

(4) Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 814-00663), filed on January 19, 2012.

(5) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on January 24, 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: May 8, 2012

By

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

Dated: May 8, 2012

By

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