

ARES CAPITAL CORP
Form 10-Q
August 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period to

Commission File No. **000-50697**

ARES CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

33-1089684

(I.R.S. Employer
Identification Number)

280 Park Avenue, 22nd Floor, Building East, New York, NY 10017

(Address of principal executive office) (Zip Code)

(212) 750-7300

(Registrant's telephone number, including area code)

N/A

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

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

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

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Large accelerated filer

Accelerated filer X

Non-accelerated filer O

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

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

Class	Outstanding at August 9, 2007
Common stock, \$0.001 par value	69,757,588

ARES CAPITAL CORPORATION

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ARES CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Investments at fair value (amortized cost of \$1,605,205,297 and \$1,245,758,040, respectively)		
Non-control/non-affiliate investments	\$ 1,231,614,106	\$ 991,529,464
Non-control affiliated company investments	377,418,736	244,292,372
Control affiliated company investments	6,980,400	
Total investments at fair value	1,616,013,242	1,235,821,836
Cash and cash equivalents	61,543,795	91,538,878
Receivable for open trades	1,023,688	1,026,053
Interest receivable	17,966,360	10,121,104
Other assets	7,943,269	9,483,083
Total assets	\$ 1,704,490,354	\$ 1,347,990,954
LIABILITIES		
Debt	\$ 552,000,000	\$ 482,000,000
Payable for open trades	30,000,000	60,000,000
Accounts payable and accrued expenses	2,218,476	2,027,948
Management and incentive fees payable	12,042,680	12,485,016
Interest and facility fees payable	3,089,043	2,044,586
Total liabilities	599,350,199	558,557,550
Commitments and contingencies (Note 6)		
STOCKHOLDERS EQUITY		
Common stock, par value \$.001 per share, 100,000,000 common shares authorized, 69,757,588 and 52,036,527 common shares issued and outstanding, respectively	69,757	52,037
Capital in excess of par value	1,094,284,316	785,192,573
Accumulated undistributed net investment income	415,395	7,038,469
Accumulated net realized gains (losses) on sale of investments	(437,258)	7,086,529
Net unrealized appreciation (depreciation) on investments	10,807,945	(9,936,204)
Total stockholders equity	1,105,140,155	789,433,404
Total liabilities and stockholders equity	\$ 1,704,490,354	\$ 1,347,990,954
NET ASSETS PER SHARE	\$ 15.84	\$ 15.17

ARES CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

	For the three months ended June 30, 2007 (unaudited)	For the three months ended June 30, 2006 (unaudited)	For the six months ended June 30, 2007 (unaudited)	For the six months ended June 30, 2006 (unaudited)
INVESTMENT INCOME:				
From non-control/non-affiliate investments:				
Interest from investments	\$ 34,250,691	\$ 20,737,226	\$ 64,145,489	\$ 35,788,359
Capital structuring service fees	1,982,411	4,670,493	6,266,957	6,416,698
Interest from cash & cash equivalents	671,122	199,948	1,491,956	431,177
Dividend income	375,000	1,170,000	750,000	1,170,000
Other income	388,589	244,466	506,681	287,009
Total investment income from non-control/non-affiliate investments	37,667,813	27,022,133	73,161,083	44,093,243
From non-control affiliated company investments:				
Interest from investments	5,469,490	2,760,198	9,416,130	5,237,130
Capital structuring service fees	3,224,500	600,000	3,262,000	1,183,810
Dividend income	502,705		502,705	
Other income	314,010	107,420	551,623	166,873
Total investment income from non-control affiliated company investments	9,510,705	3,467,618	13,732,458	6,587,812
From control affiliated company investments:				
Interest from investments	55,400		55,400	
Capital structuring service fees	165,000		165,000	
Total investment income from control affiliated company investments	220,400		220,400	
Total investment income	47,398,918	30,489,751	87,113,941	50,681,056
EXPENSES:				
Interest and credit facility fees	7,564,573	4,773,743	16,113,887	6,503,364
Base management fees	5,814,174	3,107,197	10,903,671	5,650,856
Incentive management fees	6,228,506	6,940,399	10,983,170	9,863,283
Professional fees	1,523,592	676,637	2,489,406	1,148,088
Insurance	266,039	198,431	530,856	386,532
Administrative	235,000	188,488	445,357	366,025
Depreciation	102,301	49,302	203,478	49,302
Directors fees	63,250	73,919	128,000	137,169
Interest to the Investment Adviser				25,879
Other	653,457	217,105	1,413,598	385,612
Total expenses	22,450,892	16,225,221	43,211,423	24,516,110
NET INVESTMENT INCOME BEFORE INCOME TAXES	24,948,026	14,264,530	43,902,518	26,164,946
Income tax expense (benefit), including excise tax	(43,447)	) 4,971,635	(33,281)	) 5,180,515
NET INVESTMENT INCOME	24,991,473	9,292,895	43,935,799	20,984,431
REALIZED AND UNREALIZED NET GAINS ON INVESTMENTS:				
Net realized gains (losses):				
Net realized gains (losses) from non-control/non-affiliate investments	(8,113,543)) 23,879,988	(7,844,257)) 24,443,591

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Net realized gains (losses) from non-control affiliated company investments	230,470		320,470	47,283
Net realized gains (losses) from investments	(7,883,073	) 23,879,988	(7,523,787	) 24,490,874
Net unrealized gains (losses):				
Net unrealized gains (losses) from non-control/non-affiliate investments	14,376,312	(16,480,203	) 12,283,900	(12,494,673
Net unrealized gains (losses) from non-control affiliated company investments	2,082,621		8,460,249	(2,444,918
Net unrealized gains (losses) from investments	16,458,933	(16,480,203	) 20,744,149	(14,939,591
Net realized and unrealized gains (losses) from investments	8,575,860	7,399,785	13,220,362	9,551,283
NET INCREASE IN STOCKHOLDERS EQUITY RESULTING FROM OPERATIONS	\$ 33,567,333	\$ 16,692,680	\$ 57,156,161	\$ 30,535,714
BASIC AND DILUTED EARNINGS PER COMMON SHARE (see Note 4)	\$ 0.49	\$ 0.44	\$ 0.93	\$ 0.80
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING (see Note 4)	68,806,785	38,089,889	61,375,116	38,039,574

ARES CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

As of June 30, 2007

Company {1}	Industry	Investment	Interest {21}	Initial Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
Healthcare - Services								
American Renal Associates, Inc.	Dialysis provider	Senior secured loan (\$2,688,524 par due 12/2010)	8.61% (Libor+ 3.25%/Q)	12/14/05	\$ 2,688,524	\$ 2,688,524	\$ 1.00	{3}
		Senior secured loan (\$16,393 par due 12/2010)	10.00% (Base Rate + 1.75%/D)	12/14/05	16,393	16,393	\$ 1.00	{3}
		Senior secured loan (\$5,788,525 par due 12/2011)	8.61% (Libor + 3.25%/Q)	12/14/05	5,788,525	5,788,525	\$ 1.00	{3}
		Senior secured loan (\$39,344 par due 12/2011)	10.00% (Base Rate + 1.75%/D)	12/14/05	39,344	39,344	\$ 1.00	{3}
		Senior secured loan (\$393,741 par due 12/2011)	8.61% (Libor + 3.25%/Q)	12/14/05	393,741	393,741	\$ 1.00	
		Senior secured loan (\$261,997 par due 12/2011)	8.61% (Libor + 3.25%/Q)	12/14/05	261,997	261,997	\$ 1.00	{3}
		Senior secured loan (\$3,937,406 par due 12/2011)	8.60% (Libor + 3.25%/Q)	12/14/05	3,937,406	3,937,406	\$ 1.00	
		Senior secured loan (\$2,619,971 par due 12/2011)	8.60% (Libor + 3.25%/Q)	12/14/05	2,619,971	2,619,971	\$ 1.00	{3}
Capella Healthcare, Inc.	Acute care hospital operator	Junior secured loan (\$19,000,000 par due 11/2013)	10.86% (Libor + 5.50%/Q)	12/1/05	19,000,000	19,000,000	\$ 1.00	
		Junior secured loan (\$30,000,000 par due 11/2013)	10.86% (Libor + 5.50%/Q)	12/1/05	30,000,000	30,000,000	\$ 1.00	{2}
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC {15}	Healthcare information management services	Senior secured revolving loan (\$2,430,000 par due 3/2012)	12.25% (Base Rate + 4.00%/D)	6/15/07	2,430,000	2,430,000	\$ 1.00	
		Senior secured loan (\$61,000,000 par due 3/2012)	12.25% (Base Rate + 4.00%/D)	6/15/07	61,000,000	61,000,000	\$ 1.00	
		Preferred Stock (6,000 shares)		6/15/07	6,000,000	6,000,000	\$ 1.00	{5}
		Common Stock (9,679 shares)		6/15/07	4,000,000	4,000,000	\$ 413.27	{5}
DSI Renal, Inc.	Dialysis provider	Senior subordinated note (\$55,196,910 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	55,196,911	55,196,910	\$ 1.00	{4}

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		Senior subordinated note (\$11,460,271 par due 4/2014)	12.00% Cash, 2.00% PIK	4/4/06	11,460,272	11,460,271	\$ 1.00 {4} {3}
		Senior secured revolving loan (\$3,200,000 par due 3/2013)	8.38% (Libor + 3.00%/Q)	4/4/06	3,200,000	3,200,000	\$ 1.00
		Senior secured revolving loan (\$960,000 par due 3/2013)	8.38% (Libor + 3.00%/Q)	4/4/06	960,000	960,000	\$ 1.00
		Senior secured revolving loan (\$2,400,000 par due 3/2013)	8.38% (Libor + 3.00%/Q)	4/4/06	2,400,000	2,400,000	\$ 1.00
		Senior secured revolving loan (\$1,600,000 par due 3/2013)	8.38% (Libor + 3.00%/Q)	4/4/06	1,600,000	1,600,000	\$ 1.00
		Senior secured revolving loan (\$1,440,000 par due 3/2013)	10.75% (Base Rate + 2.50%/D)	4/4/06	1,440,000	1,440,000	\$ 1.00
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Junior secured loan (\$20,000,000 par due 1/2014)	11.61% (Libor + 6.25%/Q)	1/31/07	20,000,000	20,000,000	\$ 1.00
		Junior secured loan (\$12,000,000 par due 1/2014)	11.61% (Libor + 6.25%/Q)	1/31/07	12,000,000	12,000,000	\$ 1.00 {3}
		Common stock (50,000 shares)		1/31/07	5,000,000	5,000,000	\$ 100.00{5}
MWD Acquisition Sub, Inc.	Dental services	Senior secured loan (\$4,987,500 par due 5/2013)	8.61% (Libor + 3.25%/B)	5/3/07	4,987,500	4,987,500	\$ 1.00
		Junior secured loan (\$5,000,000 par due 5/2012)	11.61% (Libor + 6.25%/B)	5/3/07	5,000,000	5,000,000	\$ 1.00
OnCURE Medical Corp.	Radiation oncology care provider	Senior subordinated note (\$25,857,583 par due 8/2013)	11.00% Cash, 1.50% PIK	8/18/06	25,857,583	25,857,583	\$ 1.00 {4}
		Senior secured loan (\$696,690 par due 8/2008)	8.82% (Libor + 3.50%/Q)	8/23/06	696,690	696,690	\$ 1.00
		Senior secured loan (\$720,000 par due 8/2008)	10.25% (Base Rate + 2.00%D)	8/23/06	720,000	720,000	\$ 1.00
		Senior secured loan (\$3,259,375 par due 8/2011)	8.82% (Libor + 3.50%/S)	8/23/06	3,259,375	3,259,375	\$ 1.00
		Common stock (857,143 shares)		8/18/06	3,000,000	3,000,000	\$ 3.50 {5}
The Parker Group, Inc. {23}	Diversified healthcare services	Senior secured loan (\$16,222,500 par due 3/2012)	12.32% (Libor + 7.00%/M)	3/1/07	15,750,000	15,750,000	\$ 1.00
		Senior secured loan (\$12,360,000 par due 3/2012)	12.32% (Libor + 7.00%/M)	3/1/07	12,000,000	12,000,000	\$ 1.00 {3}

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Triad Laboratory Alliance, LLC	Laboratory services	Senior subordinated note (\$14,959,352 par due 12/2012)	12.00% cash, 1.75% PIK	12/21/05	14,959,352	14,959,352	\$ 1.00 {4}
		Senior secured loan (\$6,895,000 par due 12/2011)	8.61% (Libor + 3.25%/Q)	12/21/05	6,895,000	6,895,000	\$ 1.00
		Senior secured loan (\$2,955,000 par due 12/2011)	8.61% (Libor + 3.25%/Q)	12/21/05	2,955,000	2,955,000	\$ 1.00 {3}
					347,513,585	347,513,583	31.70 %
Printing, Publishing and Media							
Canon Communications LLC	Print publications services	Junior secured loan (\$7,525,000 par due 11/2011)	12.07% (Libor + 6.75%/M)	5/25/05	7,525,000	7,525,000	\$ 1.00
		Junior secured loan (\$4,250,000 par due 11/2011)	12.07% (Libor + 6.75%/M)	5/25/05	4,250,000	4,250,000	\$ 1.00 {2}
		Junior secured loan (\$12,000,000 par due 11/2011)	12.07% (Libor + 6.75%/M)	5/25/05	12,000,000	12,000,000	\$ 1.00 {3}
Courtside Acquisition Corp.	Community newspaper publisher	Senior subordinated loan (\$30,000,000 par due 6/2014)	15.00% PIK	6/29/07	30,000,000	30,000,000	\$ 1.00 {4}
Daily Candy, Inc. {11}	Internet publication provider	Senior secured loan (\$10,355,330 par due 5/2009)	10.38% (Libor + 5.00%/S)	5/25/06	10,917,986	10,355,330	\$ 1.00
		Senior secured loan (\$11,695,431 par due 5/2009)	10.38% (Libor + 5.00%/S)	5/25/06	12,330,901	11,695,431	\$ 1.00 {3}
		Senior secured loan (\$152,267 par due 5/2009)	10.38% (Libor + 5.00%/S)	5/25/06	160,540	152,267	\$ 1.00
		Senior secured loan (\$171,972 par due 5/2009)	10.38% (Libor + 5.00%/S)	5/25/06	181,316	171,972	\$ 1.00 {3}
		Senior secured loan (\$58,701 par due 5/2009)	10.36% (Libor + 5.00%/Q)	5/25/06	61,891	58,701	\$ 1.00
		Senior secured loan (\$66,299 par due 5/2009)	10.36% (Libor + 5.00%/Q)	5/25/06	69,901	66,299	\$ 1.00 {3}
		Common stock (1,250,000 shares)		5/25/06	2,375,000	4,085,000	\$ 3.27 {5}
		Warrants to purchase 1,381,578 shares		5/25/06	2,624,998	4,514,997	\$ 3.27 {5}

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National Print Group, Inc.	Printing management services	Senior secured revolving loan (\$905,238 par due 3/2012)	10.75% (Base Rate + 2.50%/D)	3/2/06	905,238	905,238	\$ 1.00		
		Senior secured revolving loan (\$684,783 par due 3/2012)	8.82% (Libor + 3.50%/M)	3/2/06	684,783	684,783	\$ 1.00		
		Senior secured loan (\$5,147,283 par due 3/2012)	8.86% (Libor + 3.50%/Q)	3/2/06	5,147,283	5,147,283	\$ 1.00	{3}	
		Senior secured loan (\$239,674 par due 3/2012)	10.75% (Base Rate + 2.50%/D)	3/2/06	239,674	239,674	\$ 1.00	{3}	
		Senior secured loan (\$5,295,652 par due 3/2012)	8.86% (Libor + 3.50%/Q)	3/2/06	5,295,652	5,295,652	\$ 1.00	{3}	
		Senior secured loan (\$2,319,368 par due 8/2012)	12.34% (Libor + 7.00%/B)	3/2/06	2,319,368	2,319,368	\$ 1.00		
		Senior secured loan (\$419,763 par due 8/2012)	12.34% (Libor + 7.00%/B)	3/2/06	419,763	419,763	\$ 1.00	{3}	
		Senior secured loan (\$1,932,806 par due 8/2012)	12.36% (Libor + 7.00%/Q)	3/2/06	1,932,806	1,932,806	\$ 1.00		
		Senior secured loan (\$349,802 par due 8/2012)	12.36% (Libor + 7.00%/Q)	3/2/06	349,802	349,802	\$ 1.00	{3}	
			Preferred stock (9,344 shares)			3/2/06	2,000,000	2,000,000	\$ 214.04	{5}
The Teaching Company, LLC and The Teaching Company Holdings, Inc. {22}	Education publications provider	Senior secured loan (\$40,000,000 par due 9/2012)	10.50%	9/29/06	40,000,000	40,000,000	\$ 1.00		
		Preferred stock (29,969 shares)		9/29/06	2,996,921	2,996,921	\$ 100.00	{5}	
		Common stock (15,393 shares)		9/29/06	3,079	3,079	\$ 0.20	{5}	
					144,791,902	147,169,366		13.42 %	
Education									
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$2,728,379 par due 11/2012)	9.13% (Libor + 3.75%/S)	11/30/06	2,728,379	2,728,379	\$ 1.00		
		Junior secured loan (\$8,333,333 par due 11/2013)	12.36% (Libor + 7.00%/S)	11/30/06	8,333,333	8,333,333	\$ 1.00	{3}	
		Senior secured loan (\$357,335 par due 11/2012)	9.13% (Libor + 3.75%/Q)	11/30/06	357,335	357,335	\$ 1.00	{3}	
Equinox Partners LLC and MUA Management Company, LTD. {18} {19}	Medical school operator	Senior secured revolving loan (\$4,000,000 par due 12/2012)	11.36% (Libor + 6.00%/Q)	4/3/07	4,000,000	4,000,000	\$ 1.00		
		Senior secured revolving loan	13.25% (Base Rate +	4/3/07	4,738,503	4,738,503	\$ 1.00		

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		(\$4,738,503 par due 12/2012)	5.00%/D)						
		Senior secured loan (\$7,500,000 par due 12/2012)	11.36% (Libor + 6.00%/Q)	4/3/07	7,500,000	7,500,000	\$ 1.00	{3}	
		Senior secured loan (\$2,500,000 par due 12/2012)	11.36% (Libor + 6.00%/Q)	4/3/07	2,500,000	2,500,000	\$ 1.00		
		Preferred membership interest (22,222 shares)		4/3/07	4,444,400	4,444,400	\$ 200.00	{5}	
		Common membership interest (15,556 shares)		4/3/07	1,555,600	1,555,600	\$ 100.00	{5}	
Equinox SMU Partners LLC and SMU Acquisition Corp. {9} {19}	Medical school operator	Senior secured revolving loan (\$3,482,342 par due 12/2010)	13.25% (Base Rate + 5.00%/D)	1/26/06	3,482,342	3,482,342	\$ 1.00		
		Senior secured revolving loan (\$2,000,000 par due 12/2010)	11.33% (Libor + 6.00%/S)	1/26/06	2,000,000	2,000,000	\$ 1.00		
		Senior secured loan (\$8,475,000 par due 12/2010)	11.36% (Libor + 6.00%/Q)	1/26/06	8,475,000	8,475,000	\$ 1.00		
		Senior secured loan (\$500,000 par due 12/2010)	11.36% (Libor + 6.00%/Q)	1/26/06	500,000	500,000	\$ 1.00		
		Common stock (15,251 shares)		1/25/06	4,000,000	4,000,000	262.28	{5}	
Instituto de Banca y Comercio, Inc. {19}	Private school operator	Senior secured revolving loan (\$1,125,000 par due 3/2014)	8.32% (Libor + 3.00%/M)	3/15/07	1,125,000	1,125,000	\$ 1.00		
		Senior secured revolving loan (\$2,625,000 par due 3/2014)	8.32% (Libor + 3.00%/M)	3/15/07	2,625,000	2,625,000	\$ 1.00		
		Senior secured revolving loan (\$750,000 par due 3/2014)	8.34% (Libor + 3.00%/B)	3/15/07	750,000	750,000	\$ 1.00		
		Senior secured loan (\$37,000,000 par due 3/2014)	10.34% (Libor + 5.00%/M)	3/15/07	37,000,000	37,000,000	\$ 1.00		
		Senior secured loan (\$12,000,000 par due 3/2014)	10.34% (Libor + 5.00%/M)	3/15/07	12,000,000	12,000,000	\$ 1.00	{3}	
Lakeland Finance, LLC	Private school operator	Senior secured note (\$18,000,000 par due 12/2012)	11.50%	12/13/05	18,000,000	18,000,000	\$ 1.00		
		Senior secured note (\$15,000,000 par due 12/2012)	11.50%	12/13/05	15,000,000	15,000,000	\$ 1.00	{2}	
					141,114,892	141,114,893		12.87	%
Financial									
Abingdon Investments Limited {13} {19} {20}	Investment company	Ordinary shares (948,500 shares)		12/15/06	9,032,978	9,143,540	\$ 9.64	{5}	
Firstflight Financial Corporation {14} {20}	Investment company	Senior subordinated loan (\$61,773,712 par due 12/2016)	10.00% PIK	12/31/06	61,773,712	61,773,712	\$ 1.00	{4}	
		Common stock (10,000 shares)		12/31/06	10,000,000	10,000,000	\$ 1,000.00	{5}	
				12/31/06	30,000,000	30,000,000	\$ 1,000.00	{5}	

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Common stock (30,000 shares)

Imperial Capital Group, LLC {20}	Investment banking services	Membership units (7,710 shares)		5/10/07	14,997,159	14,997,159	\$ 1,945.16	{5}
		Membership units (2,526 shares)		5/10/07	2,526	2,526	\$ 1.00	{5}
		Membership units (315 units)		5/10/07	315	315	\$ 1.00	{5}
Partnership Capital Growth Fund I, L.P. {20}	Investment partnership	Limited partnership interest (25% interest)		6/16/06	1,232,810	1,232,810		{5}
					127,039,499	127,150,061		11.60 %

Retail

Apogee Retail, LLC	For-profit thrift retailer	Senior secured loan (\$19,445,769 par due 3/2012)	10.58% (Libor + 5.25%/S)	3/27/07	19,445,769	19,445,769	\$ 1.00	
		Senior secured loan (\$19,950,000 par due 3/2012)	10.58% (Libor + 5.25%/S)	3/27/07	19,950,000	19,950,000	\$ 1.00	{2}
		Senior secured loan (\$11,970,000 par due 3/2012)	10.58% (Libor + 5.25%/S)	3/27/07	11,970,000	11,970,000	\$ 1.00	{3}

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Savers, Inc. and SAI Acquisition Corporation	For-profit thrift retailer	Senior subordinated note (\$28,556,391 par due 8/2014)	10.00% cash, 2.00% PIK	8/8/06	28,556,391	28,556,391	\$ 1.00	{2} {4}
		Common stock (1,170,182 shares)		8/8/06	4,500,000	4,500,000	\$ 3.85	{5}
Things Remembered, Inc. and TRM Holdings Corporation	Personalized gifts retailer	Senior secured loan (\$2,388,000 par due 9/2012)	10.11% (Libor + 4.75%/M)	9/28/06	2,388,000	2,388,000	\$ 1.00	{3}
		Senior secured loan (\$2,388,000 par due 9/2012)	10.07% (Libor + 4.75%/M)	9/28/06	2,388,000	2,388,000	\$ 1.00	{3}
		Senior secured loan (\$2,795,792 par due 9/2012)	11.36% (Libor + 6.00%/Q)	9/28/06	2,795,792	2,795,792	\$ 1.00	{2}
		Senior secured loan (\$2,795,792 par due 9/2012)	11.36% (Libor + 6.00%/Q)	9/28/06	2,795,792	2,795,792	\$ 1.00	
		Senior secured loan (\$1,437,836 par due 9/2012)	11.36% (Libor + 6.00%/Q)	9/28/06	1,437,836	1,437,836	\$ 1.00	{3}
		Senior secured loan (\$11,204,208 par due 9/2012)	11.32% (Libor + 6.00%/M)	9/28/06	11,204,208	11,204,208	\$ 1.00	{2}
		Senior secured loan (\$11,204,208 par due 9/2012)	11.32% (Libor + 6.00%/M)	9/28/06	11,204,208	11,204,208	\$ 1.00	
		Senior secured loan (\$5,762,164 par due 9/2012)	11.32% (Libor + 6.00%/M)	9/28/06	5,762,164	5,762,164	\$ 1.00	{3}
		Preferred stock (80 shares)		9/28/06	1,800,000	1,800,000	\$ 22,500.00	{5}
		Common stock (800 shares)		9/28/06	200,000	200,000	\$ 250.00	{5}
				126,398,160	126,398,160		11.53 %	
Services - Other								
American Residential Services, LLC	Plumbing, heating and air-conditioning services	Junior secured loan (\$10,041,666 par due 4/2015)	10.00% Cash, 2.00% PIK	4/17/07	10,041,666	10,041,666	\$ 1.00	{4}
Diversified Collection Services, Inc.	Collections services	Senior secured loan (\$5,126,932 par due 2/2011)	10.32% (Libor + 5.00%/M)	2/2/05	5,126,932	4,460,431	\$ 0.87	{3}
		Senior secured loan (\$1,742,026 par due 8/2011)	13.25% (Base rate + 5.00%/D)	2/2/05	1,742,026	1,358,781	\$ 0.78	{2}
		Senior secured loan (\$6,757,974 par due 8/2011)	13.25% (Base rate + 5.00%/D)	2/2/05	6,757,974	5,271,219	\$ 0.78	{3}
		Preferred stock (14,927 shares)		5/18/06	169,123		\$	{5}
		Common stock (114,004 shares)		2/2/05	295,270		\$	{5}
GCA Services Group, Inc.	Custodial services	Senior secured loan (\$8,000,000 par due 12/2011)	12.00%	12/15/06	8,000,000	8,000,000	\$ 1.00	
		Senior secured loan (\$30,000,000 par due	12.00%	12/15/06	30,000,000	30,000,000	\$ 1.00	{2}

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		12/2011)							
		Senior secured loan (\$12,000,000 par due 12/2011)	12.00%	12/15/06	12,000,000	12,000,000	\$ 1.00	{3}	
Growing Family, Inc. and GFH Holdings, LLC	Photography services	Senior secured revolving loan (\$900,000 par due 8/2011)	9.75% (Base Rate + 1.50%/D)	3/16/07	900,000	900,000	\$ 1.00		
		Senior secured loan (\$319,764 par due 8/2011)	8.86% (Libor + 3.50%/Q)	3/16/07	319,764	319,764	\$ 1.00		
		Senior secured loan (\$8,405,236 par due 8/2011)	8.86% (Libor + 3.50%/Q)	3/16/07	8,405,236	8,405,236	\$ 1.00	{3}	
		Senior secured loan (\$47,186 par due 8/2011)	8.86% (Libor + 3.50%/Q)	3/16/07	47,186	47,186	\$ 1.00		
		Senior secured loan (\$1,240,314 par due 8/2011)	8.86% (Libor + 3.50%/Q)	3/16/07	1,240,314	1,240,314	\$ 1.00	{3}	
		Senior secured loan (\$70,550 par due 8/2011)	8.85% (Libor + 3.50%/Q)	3/16/07	70,550	70,550	\$ 1.00		
		Senior secured loan (\$1,854,450 par due 8/2011)	8.85% (Libor + 3.50%/Q)	3/16/07	1,854,450	1,854,450	\$ 1.00	{3}	
		Senior secured loan (\$3,575,000 par due 8/2011)	11.36% (Libor + 6.00%/Q)	3/16/07	3,575,000	3,575,000	\$ 1.00		
		Senior secured loan (\$16,000 par due 8/2011)	9.75% (Base Rate + 1.50%/D)	3/16/07	16,000	16,000	\$ 1.00		
				Common stock (552,430 shares)		3/16/07	872,286	872,286	\$ 1.58	{5}
NPA Acquisition, LLC	Powersport vehicle auction operator	Senior secured loan (\$4,466,667 par due 8/2012)	8.57% (Libor + 3.25%/M)	8/28/06	4,466,667	4,466,667	\$ 1.00		
		Senior secured loan (\$50,000 par due 8/2012)	10.25% (Base Rate + 2.00%/D)	8/28/06	50,000	50,000	\$ 1.00		
		Junior secured loan (\$2,000,000 par due 2/2013)	12.08% (Libor + 6.75%/S)	8/23/06	2,000,000	2,000,000	\$ 1.00		
		Junior secured loan (\$12,000,000 par due 2/2013)	12.08% (Libor + 6.75%/S)	8/23/06	12,000,000	12,000,000	\$ 1.00	{3}	
		Common units (1,709 units)		8/23/06	1,000,000	1,000,000	\$ 585.14	{5}	
					110,950,444	107,949,549		9.85	%
Consumer Products - Non-Durable									
Badanco Enterprises, Inc.	Luggage manufacturer	Senior secured loan (\$312,500 par due 1/2012)	11.50% (Base Rate + 3.25%/D)	1/24/07	312,500	312,500	\$ 1.00	{3}	
		Senior secured loan (\$5,937,500 par due 1/2012)	9.86% (Libor + 4.50%/Q)	1/24/07	5,937,500	5,937,500	\$ 1.00	{3}	
		Senior secured loan (\$5,312,500 par due 1/2012)	9.86% (Libor + 4.50%/Q)	1/24/07	5,312,500	5,312,500	\$ 1.00	{3}	
Innovative Brands, LLC	Consumer products and personal care manufacturer	Senior secured loan (\$12,935,000 par due 9/2011)	11.13%	10/12/06	12,935,000	12,935,000	\$ 1.00		

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		Senior secured loan (\$11,940,000 par due 9/2011)	11.13%	10/12/06	11,940,000	11,940,000	\$ 1.00	{3}
Making Memories Wholesale, Inc. {7}	Scrapbooking branded products manufacturer	Senior secured loan (\$7,441,667 par due 3/2011)	9.88% (Libor + 4.50%/Q)	5/5/05	7,441,667	7,441,667	\$ 1.00	{3}
		Senior subordinated loan (\$10,320,959 par due 5/2012)	12.50% cash, 2.00% PIK	5/5/05	10,320,959	10,320,959	\$ 1.00	{2} {4}
		Preferred stock (3,759 shares)		5/5/05	3,758,800	1,320,000	\$ 351.16	{5}
Shoes for Crews, LLC	Safety footwear and slip-related mats	Senior secured loan (\$1,120,241 par due 7/2010)	8.63% (Libor + 3.25%/S)	10/8/04	1,120,241	1,120,241	\$ 1.00	{3}
		Senior secured loan (\$74,683 par due 7/2010)	8.57% (Libor + 3.25%/S)	10/8/04	74,683	74,683	\$ 1.00	{3}
		Senior secured loan (\$61,104 par due 7/2010)	10.25% (Base Rate + 2.00%/D)	10/8/04	61,104	61,104	\$ 1.00	{3}
		Senior secured revolving loan (\$3,333,333 par due 7/2010)	10.25% (Base Rate + 2.00%/D)	6/16/06	3,333,333	3,333,333	\$ 1.00	
The Thymes, LLC {17}	Cosmetic products manufacturer	Preferred stock (6,925 shares)	8.00% PIK	6/21/07	6,980,400	6,980,400	\$ 1,008.00	{4}
Wear Me Apparel, LLC	Clothing manufacturer	Senior subordinated notes (\$22,556,875 par due 4/2013)	12.60% cash, 1.00% PIK	4/2/07	22,556,875	22,556,875	\$ 1.00	{2} {4}
		Common stock (10,000 shares)		4/2/07	10,000,000	10,000,000	1,000.00	{5}
					102,085,562	99,646,762		9.09 %

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Restaurants								
ADF Capital, Inc. & ADF Restaurant Group, LLC	Restaurant owner and operator	Senior secured revolving loan (\$1,000,000 par due 11/2013)	10.25% (Base Rate + 2.00%/D)	11/27/06	1,000,000	1,000,000	\$ 1.00	
		Senior secured revolving loan (\$1,236,726 par due 11/2013)	8.37% (Libor + 3.00%/S)	11/27/06	1,236,726	1,236,726	\$ 1.00	
		Senior secured loan (\$19,705,339 par due 11/2012)	12.87% (Libor + 7.50%/S)	11/27/06	19,705,339	19,705,339	\$ 1.00	
		Senior secured loan (\$995,000 par due 11/2012)	12.87% (Libor + 7.50%/S)	11/27/06	995,000	995,000	\$ 1.00	{2}
		Senior secured loan (\$14,124,661 par due 11/2012)	12.87% (Libor + 7.50%/S)	11/27/06	14,124,661	14,124,661	\$ 1.00	{3}
		Promissory note (\$10,205,556 par due 11/2016)	10.00% PIK	6/1/06	10,193,756	10,205,556	\$ 1.00	{4} {5}
		Warrants to purchase 0.61 shares		6/1/06			\$	{5}
Encanto Restaurants, Inc. {19}	Restaurant owner and operator	Junior secured loan (\$24,352,333 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/06	24,352,333	24,352,333	\$ 1.00	{4}
		Junior secured loan (\$1,014,681 par due 8/2013)	7.50% Cash, 3.50% PIK	8/16/06	1,014,681	1,014,681	\$ 1.00	{3} {4}
					72,622,496	72,634,296		6.63 %
Containers-Packaging								
Captive Plastics, Inc.	Plastics container manufacturer	Junior secured loan (\$15,500,000 par due 2/2012)	12.61% (Libor + 7.25%/Q)	12/19/05	15,500,000	15,500,000	\$ 1.00	
		Junior secured loan (\$12,000,000 par due 2/2012)	12.61% (Libor + 7.25%/Q)	12/19/05	12,000,000	12,000,000	\$ 1.00	{3}
Industrial Container Services, LLC {8}	Industrial container manufacturer, reconditioner and servicer	Senior secured loan (\$9,900,000 par due 9/2011)	11.34% (Libor + 6.00%/S)	9/30/05	9,900,000	9,900,000	\$ 1.00	
		Senior secured loan (\$13,181,953 par due 9/2011)	9.84% (Libor + 4.50%/S)	6/21/06	13,181,953	13,181,953	\$ 1.00	
		Senior secured loan (\$994,937 par due 9/2011)	9.84% (Libor + 4.50%/S)	6/21/06	994,937	994,937	\$ 1.00	{2}
		Senior secured loan (\$14,123,383 par due 9/2011)	9.84% (Libor + 4.50%/Q)	6/21/06	14,123,383	14,123,383	\$ 1.00	{3}
		Senior secured revolving loan (\$1,239,130 par due 9/2011)	9.82% (Libor + 4.50%/M)	9/30/05	1,239,130	1,239,130	\$ 1.00	
		Senior secured revolving loan (\$867,391 par due 9/2011)	11.25% (Base Rate + 3.00%/D)	9/30/05	867,391	867,391	\$ 1.00	
		Common stock (1,800,000 shares)		9/29/05	1,800,000	3,499,992	\$ 1.94	{5}

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					69,606,794	71,306,786		6.50	%
Manufacturing									
Arrow Group Industries, Inc.	Residential and outdoor shed manufacturer	Senior secured loan (\$5,650,664 par due 4/2010)	10.36% (Libor + 5.00%/Q)	3/28/05	5,650,664	5,616,000	\$ 0.99	{3}	
Emerald Performance Materials, LLC	Polymers and performance materials manufacturer	Senior secured loan (\$10,294,259 par due 5/2011)	9.61% (Libor + 4.25%/Q)	5/16/06	10,294,259	10,294,259	\$ 1.00	{3}	
		Senior secured loan (\$3,728,092 par due 5/2011)	11.36% (Libor + 6.00%/Q)	5/16/06	3,728,092	3,728,092	\$ 1.00		
		Senior secured loan (\$1,522,742 par due 5/2011)	11.36% (Libor + 6.00%/Q)	5/16/06	1,522,742	1,522,742	\$ 1.00	{3}	
		Senior secured loan (\$4,354,846 par due 5/2011)	13.00% cash, 3.00% PIK	5/16/06	4,354,846	4,354,846	\$ 1.00	{4}	
Saw Mill PCG Partners LLC	Precision components manufacturer	Common units (1,000 units)		2/2/07	1,000,000	1,000,000	1,000.00	{5}	
Qualitor, Inc.	Automotive aftermarket components supplier	Senior secured loan (\$1,950,000 par due 12/2011)	9.61% (Libor + 4.25%/Q)	12/29/04	1,950,000	1,950,000	\$ 1.00	{3}	
		Junior secured loan (\$5,000,000 par due 6/2012)	12.61% (Libor + 7.25%/Q)	12/29/04	5,000,000	5,000,000	\$ 1.00	{3}	
Professional Paint, Inc.	Paint manufacturer	Junior secured loan (\$1,000,000 par due 5/2013)	11.63% (Libor + 6.25%/M)	5/25/06	1,000,000	1,000,000	\$ 1.00	{3}	
Reflexite Corporation {10}	Developer and manufacturer of high-visibility reflective products	Common stock (1,729,627 shares)		3/28/06	25,682,891	32,862,913	\$ 19.00	{5}	
Universal Trailer Corporation {6}	Livestock and specialty trailer manufacturer	Common stock (50,000 shares)		10/8/04	6,424,645	1,331,814	\$ 59.97	{5}	
		Warrants to purchase 22,208 shares		10/8/04	1,505,776	2,998,500	\$ 59.97	{5}	
Varel Holdings, Inc.	Drill bit manufacturer	Common stock (30,451 shares)		5/18/05	3,045	1,011,569	\$ 33.22	{5}	
					68,116,960	72,670,734		6.63	%
Environmental Services									
AWTP, LLC	Water treatment services	Junior secured loan (\$1,600,000 par due 12/2012)	13.86% (Libor + 8.50%/Q)	12/23/05	1,600,000	1,600,000	\$ 1.00		
		Junior secured loan (\$12,000,000 par due 12/2012)	13.86% (Libor + 8.50%/Q)	12/23/05	12,000,000	12,000,000	\$ 1.00	{3}	
Mactec, Inc.	Engineering and environmental services	Common stock (16 shares)		11/3/04		334	\$ 20.78	{5}	
		Common stock (5,556 shares)		11/3/04		115,444	\$ 20.78	{5}	

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Waste Pro USA, Inc.	Waste management services	Senior subordinated loan (\$25,000,000 par due 11/2013)	11.50%	11/9/06	25,000,000	25,000,000	\$ 1.00	{2}		
		Preferred stock (15,000 shares)	10.00% PIK	11/9/06	15,000,000	15,000,000	\$ 1,000.00	{4}		
		Warrants to purchase 882,671 shares		11/9/06		1,900,037	\$ 2.15	{5}		
Wastequip, Inc.	Waste management equipment manufacturer	Senior subordinated loan (\$12,500,000 par due 2/2015)	12.00%	2/5/07	12,500,000	12,500,000	\$ 1.00			
		Common stock (13,889 shares)		2/2/07	1,388,889	1,388,889	\$ 100.00	{5}		
					67,488,889	69,504,704			6.34	%

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Business Services									
Investor Group Services, LLC {16}	Financial services	Senior secured loan (\$1,500,000 par due 6/2011)	12.00%	6/22/06	1,500,000	1,500,000	\$ 1.00	{3}	
		Limited liability company membership interest (10.00% interest)		6/22/06				{5}	
Miller Heiman, Inc.	Sales consulting services	Senior secured loan (\$2,802,917 par due 6/2010)	8.57% (Libor + 3.25%/M)	6/20/05	2,802,917	2,802,917	\$ 1.00	{3}	
		Senior secured loan (\$3,997,197 par due 6/2012)	9.10% (Libor + 3.75%/Q)	6/20/05	3,997,197	3,997,197	\$ 1.00	{3}	
MR Processing Holding Corp.	Bankruptcy and foreclosure processing services	Senior subordinated note (\$29,226,379 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/07	29,226,379	29,226,379	\$ 1.00	{2} {4}	
		Preferred stock (30,000 shares)		4/11/06	3,000,000	3,000,000	\$ 100.00	{5}	
Primis Marketing Group, Inc. and Primis Holdings, LLC {12}	Database marketing services	Senior subordinated note (\$10,212,604 par due 2/2013)	11.00% Cash, 2.50% PIK	8/24/06	10,212,604	10,212,604	\$ 1.00	{2} {4}	
		Preferred units (4,000 units)		8/24/06	3,600,000	3,600,000	\$ 900.00	{5}	
		Common units (4,000,000 units)		8/24/06	400,000	400,000	\$ 0.10	{5}	
R2 Acquisition Corp.	Advertising agency	Senior secured loan (\$2,000,000 par due 5/2013)	9.86% (Libor + 4.50%/Q)	5/29/07	2,000,000	2,000,000	\$ 1.00		
		Common stock (250,000 shares)		5/29/07	250,000	250,000	\$ 1.00	{5}	
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$10,200,000 par due 11/2013)	12.32% (Libor + 7.00%/M)	12/18/06	10,000,000	10,200,000	\$ 1.02	{3}	
					66,989,097	67,189,097		6.13	%
Beverage, Food and Tobacco									
Best Brands Corporation	Baked goods manufacturer	Junior secured loan (\$26,170,754 par due 6/2013)	11.82% (Libor + 6.50%/M)	12/14/06	26,170,754	26,170,754	\$ 1.00	{2}	
		Junior secured loan (\$11,744,367.65 par due 6/2013)	11.82% (Libor + 6.50%/M)	12/14/06	11,744,368	11,744,368	\$ 1.00	{3}	
Charter Baking Company, Inc.	Baked goods manufacturer	Preferred stock (6,258 shares)		9/1/06	2,500,000	2,500,000	\$ 399.49	{5}	

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Farley s & Sathers Candy Company, Inc.	Branded candy manufacturer	Junior secured loan (\$10,000,000 par due 3/2011)	11.38% (Libor + 6.00%/S)	3/23/06	10,000,000	10,000,000	\$ 1.00	{3}
					50,415,122	50,415,122		4.60 %

Computers and Electronics

RedPrairie Corporation	Software manufacturer	Junior secured loan (\$6,500,000 par due 1/2013)	11.86% (Libor + 6.50%/Q)	7/13/06	6,500,000	6,500,000	\$ 1.00	
		Junior secured loan (\$12,000,000 par due 1/2013)	11.86% (Libor + 6.50%/Q)	7/13/06	12,000,000	12,000,000	\$ 1.00	{3}
X-rite, Incorporated	Artwork software manufacturer	Junior secured loan (\$10,000,000 par due 7/2013)	10.36% (Libor + 5.00%/Q)	7/6/06	10,000,000	10,000,000	\$ 1.00	{3}
					28,500,000	28,500,000		2.60 %

Aerospace & Defense

ILC Industries, Inc.	Industrial products provider	Junior secured loan (\$12,000,000 par due 8/2012)	11.50%	6/27/06	12,000,000	12,000,000	\$ 1.00	{3}
		Junior secured loan (\$3,000,000 par due 8/2012)	11.50%	6/27/06	3,000,000	3,000,000	\$ 1.00	
Thermal Solutions LLC and TSI Group, Inc.	Thermal management and electronics packaging manufacturer	Senior secured loan (\$3,217,500 par due 3/2012)	9.61% (Libor + 4.25%/Q)	3/28/05	3,217,500	3,217,500	\$ 1.00	{3}
		Senior secured loan (\$1,565,789 par due 3/2011)	9.11% (Libor + 3.75%/Q)	3/28/05	1,565,789	1,565,789	\$ 1.00	{3}
		Senior subordinated notes (\$3,205,955 par due 9/2012)	11.50% cash, 2.75% PIK	3/28/05	3,205,955	3,190,956	\$ 1.00	{2} {4}
		Senior subordinated notes (\$2,580,889 par due 3/2013)	11.50% cash, 2.50% PIK	3/21/06	2,580,889	2,580,889	\$ 1.00	{2} {4}
		Preferred stock (53,900 shares)		3/28/05	539,000	539,000	\$ 10.00	{5}
		Common stock (1,100,000 shares)		3/28/05	11,000	11,000	\$ 0.01	{5}
					26,120,133	26,105,134		2.38 %

Broadcasting and Cable

Pappas Telecasting Incorporated	Television broadcasting	Senior secured loan (\$7,098,705 par due 2/2010)	15.17% (Libor + 4.79% cash, 5.00% PIK/Q)	3/1/06	8,029,106	7,908,705	\$ 0.99	{4}
		Senior secured loan (\$11,378,145 par due 2/2010)	15.17% (Libor + 4.79% cash, 5.00% PIK/Q)					