

ARES CAPITAL CORP
Form 10-Q
August 05, 2010
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period to

Commission File No. 000-50697

ARES CAPITAL CORPORATION

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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)

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

(Address of principal executive office) (Zip Code)

(212) 750-7300

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

Class	Outstanding at August 5, 2010
Common stock, \$0.001 par value	192,167,337

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(dollar amounts in thousands, except per share data)

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

See accompanying notes to consolidated financial statements.

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(dollar amounts in thousands, except per share data)

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

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

See accompanying notes to consolidated financial statements.

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As of June 30, 2010 (unaudited)

(dollar amounts in thousands, except per unit data)

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

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

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

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

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

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

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

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

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

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

