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As filed with the Securities and Exchange Commission on January 18, 2008

Securities Act File No. 333-

# U.S. SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM N-2

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933** ☒

(Check appropriate box or boxes)

**Pre-Effective Amendment No.** ☐
**Post-Effective Amendment No.** ☐

# SOLAR CAPITAL LTD.

(Exact name of Registrant as specified in charter)

**500 Park Avenue, 5th Floor**
**New York, NY 10022**
(Address of Principal Executive Offices)
**Registrant's telephone number, including Area Code: (212) 993-1670**

**Michael S. Gross**
**Chief Executive Officer**
**Solar Capital Ltd.**
**500 Park Avenue, 5th Floor**
**New York, NY 10022**
(Name and address of agent for service)

*COPIES TO:*

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**Approximate date of proposed public offering:** As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☐

It is proposed that this filing will become effective (check appropriate box):

☐ when declared effective pursuant to Section 8(c).

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

| Title of Securities Being Registered | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee(1) |
|---|---|---|
| Common Stock, $0.01 par value per share | $300,000,000 | $11,790.00 |

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED , 2008**

**PRELIMINARY PROSPECTUS**

SOLAR CAPITAL

# Shares

# Solar Capital Ltd.

## Common Stock

## $ per share

We are an externally managed finance company. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged companies, including middle-market companies, in the form of senior secured loans, mezzanine loans and equity securities.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. Immediately prior to the closing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., an externally managed, non-diversified, closed-end management investment company that intends to elect to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act, prior to the consummation of this offering. We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

This is our initial public offering and our shares have no history of public trading. We currently expect that the initial offering price per share of our common stock will be between $ and $ . We have applied to have our common stock approved for listing on the New York Stock Exchange under the symbol "SLR."

This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing and keep it for future reference. Upon the completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information will be available free of charge by contacting us by mail at 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*. The Securities and Exchange Commission also maintains a website at *http://www.sec.gov* that contains such information. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

**An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it may increase the risk of loss for purchasers in this offering. In addition, the companies in which we invest are subject to special risks. See " Risk Factors" beginning on page 16 to read about factors you should consider, including the risk of leverage, before investing in our common stock.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

| | Per Share | Total(1) |
|---|---|---|
| Public Offering Price | $ | $ |
| Sale Load (Underwriting Discounts and Commissions) | $ | $ |
| Proceeds to Solar Capital Ltd. (before expenses)(2) | $ | $ |

(1) We have granted the underwriters a 30-day option, which we refer to as the over-allotment option, to purchase up to an additional shares of our common stock at the public offering price, less underwriting discounts and commissions (sales load). If the over-allotment option is exercised in full, the total public offering price will be $ and the total underwriting discounts and commissions (sales load) will be $ . The proceeds to us would be $ , before deducting expenses payable by us. See "Underwriting."

(2) We estimate that we will incur approximately $ in offering expenses in connection with this offering. Stockholders will indirectly bear such expenses as investors in Solar Capital Ltd.

The underwriters expect to deliver the shares on or about , 2008.

**Citi** **JPMorgan**

, 2008

**You should rely on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. This prospectus will be amended to reflect material changes to the information contained herein.**

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Until , 2008 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## SUMMARY

*This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus and the documents to which we have referred.*

*We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. Immediately prior to the closing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a newly-formed Maryland corporation, which we refer to as the "Solar Merger." Except where the context suggests otherwise, the terms "we," "us," "our" and "Solar Capital" refer to Solar Capital LLC prior to the Solar Merger, and Solar Capital Ltd. after the Solar Merger. In addition, the terms "Solar Capital Partners" or "investment adviser" refer to Solar Capital Partners, LLC, and "Solar Capital Management" or the "administrator" refers to Solar Capital Management, LLC.*

*In this prospectus, we use the term "leveraged" to refer to companies of any size with non-investment grade debt outstanding or, if not explicitly rated, those which we believe would be rated as non-investment grade based on their leverage levels and other terms. In addition, we use the term "middle-market" to refer to companies with annual revenues between $50 million and $1 billion.*

*Unless otherwise noted, the information contained in this prospectus assumes that the underwriters' over-allotment option is not exercised.*

### Solar Capital

We are an externally managed finance company. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged companies, including middle-market companies, in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

As of September 30, 2007, we had approximately $728 million of long-term investments. As of September 30, 2007, our portfolio was comprised of debt and equity investments in 29 portfolio companies, and our debt investments, including preferred equity investments, had a weighted average annualized yield of approximately 12.4%.

Our portfolio primarily consists of direct investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans made to private leveraged companies organized and located in the United States, including middle-market companies. We also invest in equity securities, such as preferred stock, common stock, warrants and other equity interests received in connection with our debt investments or through direct investments. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base.

In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These

investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and on March 13, 2007, we conducted a $700 million private placement of membership units, or units, in Solar Capital LLC, which we refer to as our initial private placement. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, invested approximately $50 million in us in exchange for approximately 3.3 million units in connection with the initial private placement. In addition, in connection with the initial private placement, certain funds managed by Magnetar Financial LLC, which we refer to as Magnetar, and certain entities affiliated therewith (collectively, the "Magnetar Entities"), invested an aggregate of approximately $525 million in us in exchange for approximately 35 million units. We refer to investors in the initial private placement, together with our other equity holders prior to the Solar Merger, as the LLC Holders.

Immediately prior to the closing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a newly-formed Maryland corporation. In connection with the Solar Merger, each of the outstanding units of Solar Capital LLC will be converted into the right to receive one share of common stock of Solar Capital Ltd. An aggregate of approximately 81.7 million shares of common stock will be issued to the LLC Holders in connection with the Solar Merger. In accordance with the limited liability company operating agreement of Solar Capital LLC, no vote of Solar Capital LLC's unitholders is required in order to consummate the Solar Merger.

**About Solar Capital Partners**

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, and is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross, Spohler, Gerson, Henley and Mait as Solar Capital Partners' senior investment professionals. Solar Capital Partners' investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by Messrs. Gross and Spohler has invested in 33 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 30 different financial sponsors. Since Solar Capital's inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to generate deal flow.

Mr. Gross, the former chairman and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded, has 20 years of experience in the private equity, distressed debt and mezzanine lending businesses and has been involved in originating, structuring, negotiating, consummating and managing private equity, distressed debt and mezzanine lending transactions. Since July 2006, Mr. Gross has been a co-chairman of the investment committee of Magnetar, a multi-strategy investment manager, which along with its affiliates manages over $ billion in assets, and a senior partner in Magnetar Capital Partners LP, the sole member of Magnetar. In such capacities, Mr. Gross heads Magnetar's fundamental credit and private equity business.

Mr. Gross is also a founder and a former senior partner of Apollo Management, L.P., a leading private equity firm. During his tenure at Apollo Management, L.P., Mr. Gross was a member of the investment committee that was responsible for overseeing more than $13 billion of investments in over 150 companies. Between February 2004 and February 2006, Mr. Gross was the president and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded and on whose board of directors and investment committee he served as chairman from February 2004 to July 2006. Under his management, Apollo Investment Corporation raised approximately $930 million in gross proceeds in an initial public offering in April 2004, built a dedicated investment team and infrastructure and invested approximately $2.3 billion in over 65 companies in conjunction with 50 different private equity sponsors. Mr. Gross was also

the managing partner of Apollo Distressed Investment Fund, L.P., an investment fund he founded in 2003 to invest principally in debt and other securities of leveraged companies.

Mr. Gross also currently serves on the boards of directors of five public companies, and in the past has served on the boards of directors of more than 20 public and private companies. As a result, Mr. Gross has developed an extensive network of private equity sponsor relationships as well as relationships with management teams of public and private companies, investment bankers, attorneys and accountants that we believe should provide us with significant business opportunities.

We also rely on the more than 20 years of experience of Mr. Spohler, who serves as our chief operating officer and a partner of our investment adviser. Mr. Spohler joined Magnetar in November 2006. Since that time, he has worked closely with Mr. Gross in the fundamental credit and private equity group. Mr. Spohler joined Magnetar from CIBC World Markets, where he was a managing director and a former co-head of U.S. Leveraged Finance. He held numerous senior roles across the firm, including serving on the U.S. Management Committee, Global Executive Committee and the Deals Committee, which approves all of the firm's U.S. corporate finance debt capital decisions. During Mr. Spohler's tenure, he was responsible for senior loan, high yield and mezzanine origination and execution, as well as the firm's below investment grade loan portfolio. As a co-head of U.S. Leveraged Finance, Mr. Spohler oversaw over 300 capital raising and merger and acquisition transactions, comprising over $40 billion in market capitalization.

In addition to Messrs. Gross and Spohler, Solar Capital Partners' senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners' senior investment professionals have an average of over 18 years of experience in the private equity and leveraged lending industries.

**Market Opportunity**

Solar Capital invests primarily in senior secured loans, mezzanine loans and equity securities of leveraged companies organized and located in the United States. We believe that the size of the leveraged company market, coupled with the demands of these companies for flexible sources of capital at attractive terms and rates, create an attractive investment environment for us.

- *Large pool of uninvested private equity capital should continue to drive loan volume.* Since 2006, U.S. leveraged buyouts led by private equity firms have accounted for over $1 trillion or 30% of the total U.S. mergers and acquisition volume, as compared to only 5% of total U.S. mergers and acquisition volume in 2000. The significant increase in leveraged buyout volume is driven by an increase in the amount of capital raised by private equity firms. Since 2004, U.S. buyout firms have raised approximately $375 billion. During that same period, middle-market U.S. buyout funds have raised approximately $95 billion. Industry sources suggest that, as of June 2007, all U.S. buyout firms still had approximately $100 billion of committed capital available for investment and middle-market U.S. buyout firms still had approximately $25 billion available for investment. We believe the abundance of uninvested capital and continued increase in fund size should continue to sustain the recent high volume of leveraged buyouts by private equity firms. As a result, loan volumes should remain robust as private equity firms seek to package their equity investments together with senior secured and/or mezzanine loans in leveraged buyouts, which should provide opportunities for us to partner with such firms.
- *Recent disruptions within the credit markets generally have led to reduced liquidity and a more lender-friendly environment.* Throughout the first half of 2007, the global debt markets witnessed ever- increasing amounts of liquidity. This translated into highly robust debt capital markets, resulting in more issuer-friendly terms, tighter spreads and higher leverage levels. Collateralized Loan Obligations ("CLOs"), which represented 60% of the buying power of new loan volume over the twelve-month period

beginning October 1, 2006 and ending September 30, 2007, had been a driving force in the increased appetite that existed in the debt capital markets. However, beginning at the end of June 2007, signs of strain emerged as fears of increasing defaults in the subprime mortgage lending market caused credit concerns and a loss of investor confidence in the leveraged loan and high yield markets. Due to credit concerns and the loss of investor confidence, there was a significant decline in CLO issuance leading to a liquidity shortage in the debt markets. We believe that this reduction in liquidity throughout the credit markets has improved the number and quality of investment opportunities available to Solar Capital, as many of the alternative methods of obtaining middle-market debt financing have significantly decreased in scope and availability while demand for financings has remained robust. We believe we will be able to structure investments with lower leverage, better terms, better yields, and longer duration than was typical before the recent market correction. In addition, our permanent capital structure makes us an attractive alternative to other sources of financing for companies.

- *Bank consolidation has been high, resulting in fewer key players willing to provide debt financing to the companies we target.* In the last 20 years, the number of U.S. commercial banks has shrunk from over 13,700 in 1987 to approximately 7,300 as of September 2007. As a result, we believe that this trend towards greater concentration of assets in larger banks has reduced the availability of debt capital to the companies we target for such financing sources.
- *Commercial and investment banks have been syndicating larger volumes of loans.* To mitigate their exposure to a single credit, commercial and investment banks have been syndicating larger volumes of loans, rather than holding them. The syndication process can be cumbersome for issuers and demonstrates a lack of commitment by the bank to the relationship with the issuer. We believe that this trend should provide more efficient and committed financing sources, like us, with increased investment opportunities. Additionally, many banks have reduced further their credit exposure in response to the credit market turmoil. This pullback is disproportionately impairing middle-market companies' access to loans, as banks allocate their capital to larger clients. The resulting reduction in access to capital for middle-market companies increases the value proposition for alternative financing sources who can underwrite large commitments in place of the banks.
- *Less competition and the potential for greater reward for a willingness to accept illiquidity make the middle-market an attractive opportunity.* We believe there is a considerable opportunity in the middle-market sector given the significant number of companies and transactions within this sector. Increasingly, sponsors have been drawn to the segment because of less competition for deals and the segment's growth characteristics, resulting in more than 1,800 acquisitions since 2005 between $10 million and $500 million. We expect that private equity firms will continue to be active investors in middle-market companies and that these private equity funds will seek to leverage their equity investments by combining capital with senior secured and/or mezzanine loans from other sources. Solar Capital believes there is a large pool of uninvested private equity capital likely to seek mezzanine capital to support their investments. For the twelve months ended September 30, 2007, leveraged loan volume for companies with EBITDA of less than $50 million totaled $32 billion, and we expect this trend to continue.

We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, creates an attractive investment environment for us. The middle-market has distinct characteristics in terms of risk, capital requirements and rates of return. We believe that the segment's strong growth prospects, combined with the growing demand for capital and the corporate finance and advisory services we offer, enhances our market opportunity.

Therefore, we believe that there is an opportunity to invest in senior secured loans, mezzanine loans and equity securities of leveraged companies and that we are well positioned to serve this market.

**Competitive Advantages and Strategy**

We believe that we have the following competitive advantages over other providers of financing to leveraged companies:

***Management Expertise***

Mr. Gross has principal management responsibility for Solar Capital Partners as its managing partner. He currently dedicates a significant portion of his time to managing Solar Capital Partners. Mr. Gross has 20 years of experience in leveraged finance, private equity and distressed debt investing. Mr. Spohler, our chief operating officer and a partner of our investment adviser, has over 20 years of experience in evaluating and executing leverage finance transactions. We believe that Messrs. Gross and Spohler have developed a strong reputation in the capital markets, and that this experience provides us with a competitive advantage in identifying and investing in leveraged companies with the potential to generate returns. We believe that our investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. We believe that our investment team has a proven track record of valuing companies and assets and negotiating transactions.

In addition to Messrs. Gross and Spohler, Solar Capital Partners' senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners' senior investment professionals have an average of over 18 years of experience in the private equity and leveraged lending industries.

***Proprietary Sourcing and Origination***

We believe that Solar Capital Partners' senior investment professionals' longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We believe the broad expertise of Solar Capital Partners' senior investment professionals and their ability to draw upon their average of 18 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC's U.S. Leveraged Finance Group.

Our investment team's strong relationship network is enhanced by the collaborative role Solar Capital plays in the private equity industry. We offer tailored solutions to our portfolio companies, and we believe that this role provides us with greater deal flow as opposed to being viewed as a competitor bidding for control stakes. Because Solar Capital is not associated with a private equity firm, we are not precluded from partnering with most of the top tier financial sponsors. We believe that our relationship with Magnetar, which does not have a private equity fund that targets control investments, strengthens our ties and industry knowledge without creating competition or significant conflicts of interest.

These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company's operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 33 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 30 different financial sponsors.

***Versatile Transaction Structuring and Flexibility of Capital***

We believe our senior investment professionals' broad expertise and ability to draw upon their extensive experience enable us to identify, assess and structure investments successfully across all levels of a company's capital structure and to manage potential risk and return at all stages of the economic cycle. While we will be subject to significant regulation as a business development company, we will not be subject to many of the regulatory limitations that govern traditional lending institutions such as banks. As a result, we believe that we can be more flexible than such lending institutions in selecting and structuring investments, adjusting investment criteria, transaction structures and, in some cases, the types of securities in which we invest. We believe financial sponsors, management teams and investment banks see this flexibility as a benefit, making us an attractive financing partner. We believe that this approach enables us to procure attractive investment opportunities throughout the economic cycle so that we can make investments consistent with our stated investment objective even during turbulent periods in the capital markets.

***Emphasis on Achieving Strong Risk-Adjusted Returns***

Solar Capital Partners uses a disciplined investment and risk management process that emphasizes a rigorous fundamental research and analysis framework. Solar Capital Partners seeks to build our portfolio on a "bottom-up" basis, choosing and sizing individual positions based on their relative risk/reward profiles as a function of the associated downside risk, volatility, correlation with the existing portfolio and liquidity. At the same time, Solar Capital Partners takes into consideration a variety of factors in managing our portfolio and imposes portfolio-based risk constraints promoting a more diverse portfolio of investments and limiting issuer and industry concentration. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We do not pursue short-term origination targets. We believe this approach enables us to build an attractive investment portfolio that meets our return and value criteria over the long term.

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through our investment adviser, conduct a rigorous due diligence process that draws upon investment experience, industry expertise and network of contacts of our senior investment professionals, as well as the other members of our investment team. Among other things, our due diligence is designed to ensure that a prospective portfolio company will be able to meet its debt service obligations.

We have the ability to invest across an issuer's capital structure, which we believe enables us to provide comprehensive financing solutions for our portfolio companies, as well as access the best risk-adjusted opportunities. The overall transaction size and product mix is based upon the needs of the customer, as well as our risk-return hurdles. We also focus on downside protection and preservation of capital throughout the structuring process.

***Deep Industry Focus with Substantial Information Flow***

We concentrate our investing activities in industries characterized by strong cash flow and in which Solar Capital Partners' investment professionals have deep investment experience. During his time with the Apollo entities, Mr. Gross oversaw investments in over 200 companies in 20 industries. As a result of their investment experience, Messrs. Gross and Spohler, together with Solar Capital Partners' other investment professionals, have long-term relationships with management consultants and management teams in the industries we target, as well as substantial information concerning those industries. Solar Capital Partners' investment team also has significant experience in evaluating and making investments in the industries we target. We believe that the in-depth experience of Solar Capital Partners' investment team in investing throughout various stages of the

economic cycle provides our investment adviser with access to ongoing market insights in addition to a powerful asset for investment sourcing. See "Business — Investments."

***Longer Investment Horizon***

Unlike private equity and venture capital funds, we are not subject to standard periodic capital return requirements. Such requirements typically stipulate that the capital of these funds, together with any capital gains on such invested funds, can only be invested once and must be returned to investors after a pre-agreed time period. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles provides us with the opportunity to generate favorable returns on invested capital and enables us to be a better long-term partner for our portfolio companies.

***Relationship with Magnetar***

Solar Capital seeks to capitalize upon the synergies enabled by its association with Magnetar, a multi-strategy investment manager with offices in Evanston, Illinois, New York, London and Philadelphia, and which, along with its affiliates, has over $ billion in assets under management across multiple strategies. We believe that our origination capabilities are further strengthened by leveraging the other investment strategies of Magnetar, which focuses primarily on non-control investments and whose senior management also has developed a strong reputation in the investment management sector, as well as a broad network of contacts within the investment, commercial banking, private equity and investment management communities. We believe that Magnetar has significant depth among its investment professionals across its global equities, reinsurance, fundamental credit and private equity and structured credit groups, as well as among its back-office support staff. We believe that Magnetar's disciplined, institutionalized process and collaborative culture serves as a competitive advantage for us, enabling us to further improve our ability to source investments from non-traditional sources. Our collaboration with Magnetar includes shared research and due diligence, shared industry expertise, shared investment ideas and deal flow. We believe that the ability of Magnetar to co-invest with us increases the size of investment opportunities available to us, allowing us to speak for entire tranches in many middle market financings. We believe this should result in greater influence in negotiating terms and sourcing transactions among prospective portfolio companies.

In connection with the initial private placement, the Magnetar Entities invested an aggregate of approximately $525 million in us in exchange for approximately 35 million units. The consideration paid by the Magnetar Entities in connection with such transactions consisted of a portfolio of debt and equity investments originated by investment professionals at Magnetar who are currently a part of Solar Capital Partners' investment team, together with accrued and unpaid interest thereon and additional funding commitments in such investments, as well as a cash investment. The Magnetar Entities currently own, either directly or indirectly, approximately 42.8% of our outstanding equity, and are expected to own, either directly or indirectly, approximately % of our outstanding shares of common stock upon the completion of this offering.

Subsequent to the completion of this offering, so long as our relationship with Magnetar exists, we intend to offer certain of the Magnetar Entities the opportunity to invest an amount equal to up to 33% of the total amount available for investment in each investment opportunity identified by Solar Capital Partners that exceeds $30 million. In addition, there may be circumstances under which Solar Capital Partners determines to offer to Magnetar the ability to participate at amounts greater than 33%, including, for example, circumstances where Solar Capital Partners determines that the investment is too large for us or if we would be prohibited from making such investment because of the restrictions contained in the 1940 Act. Any co-investment by the Magnetar Entities will be made only to the extent permitted by applicable law and interpretive positions of the Securities and Exchange Commission, or SEC, and its staff, and consistent with Solar Capital Partners' allocation procedures. In certain circumstances, negotiated co-investments, either with a Magnetar Entity or another fund

managed by Solar Capital Partners or its affiliates, may be made only if we receive an order from the SEC permitting us to do so. We intend to seek an order from the SEC to permit the above-referenced co-investments with certain of the Magnetar Entities following consummation of this offering. There can be no assurance when, or if, such an order may be obtained.

**Risk Factors**

We have a limited operating history and are dependent on our senior investment professionals. We invest primarily in private companies. These activities may involve a high degree of business and financial risk. We are also subject to risks associated with access to additional capital, fluctuating quarterly results and variation in our portfolio value. In addition, if we fail to qualify as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, we could become subject to federal income tax on all of our income, which would have a material adverse effect on our financial performance. See "Risk Factors" beginning on page 16, and the other information included in this prospectus, for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

**Operating and Regulatory Structure**

Immediately prior to the closing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a newly-formed Maryland corporation that is an externally managed, non-diversified, closed-end management investment company that intends to elect to be treated as a business development company under the 1940 Act prior to consummation of this offering. As a business development company, we will be required to meet regulatory tests, including the requirement to invest at least 70% of our total assets in "qualifying assets." Qualifying assets generally include, among other things, securities of "eligible portfolio companies." "Eligible portfolio companies" generally include U.S. companies that are not investment companies and that do not have securities listed on a national exchange. See "Regulation as a Business Development Company." We may also borrow funds to make investments, including before we have fully invested the proceeds of this offering. In addition, we intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. See "Material U.S. Federal Income Tax Considerations."

Our investment activities are managed by Solar Capital Partners and supervised by our board of directors. Solar Capital Partners is an investment adviser that intends to register under the Investment Advisers Act of 1940, as amended, or the Advisers Act, prior to consummation of this offering. Under our investment advisory and management agreement, which we refer to as the Investment Advisory and Management Agreement, we have agreed to pay Solar Capital Partners an annual base management fee based on our gross assets as well as an incentive fee based on our performance. See "Investment Advisory and Management Agreement." We have also entered into an administration agreement, which we refer to as the Administration Agreement, under which we have agreed to reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. See "Administration Agreement."

**Our Corporate Information**

Our offices are located at 500 Park Avenue, 5th Floor, New York, New York 10022, and our telephone number is (212) 993-1670.

**THE OFFERING**

| | |
|---|---|
| Common Stock Offered by Us | shares, plus shares issuable pursuant to the over-allotment option granted to the underwriters. |
| Common Stock to be Outstanding After this Offering | Approximately shares (including 81,702,847 shares to be issued to the LLC Holders in connection with the Solar Merger), plus shares issuable pursuant to the over-allotment option granted to the underwriters. |
| Use of Proceeds | Our net proceeds from this offering will be approximately $ or, approximately $ if the underwriters fully exercise their over-allotment option, in each case assuming an initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus). We plan to invest the net proceeds of this offering in portfolio companies in accordance with our investment objective and strategies as described in this prospectus. We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We anticipate that substantially all of the net proceeds of this offering will be used for the above purposes within three to six months from the consummation of this offering, depending on the availability of investment opportunities that are consistent with our investment objective and other market conditions. Pending such investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature 12 months or less from the date of investment. See "Use of Proceeds." |
| Proposed New York Stock Exchange Symbol | SLR |
| Distributions | Subsequent to the completion of this offering, and to the extent that we have income available, we intend to distribute quarterly dividends to our stockholders, beginning with our first full quarter after the completion of this offering. The amount of our dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. In addition, Solar Capital LLC intends to declare a distribution to its unitholders immediately prior to the consummation of this offering and completion of the Solar Merger to offset the tax liabilities that certain investors in Solar Capital LLC may incur. See "Solar Merger." |
| Taxation | We intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level |

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| | federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See "Distributions" and "Material U.S. Federal Income Tax Considerations." |
| Investment Advisory Fees | We pay Solar Capital Partners a fee for its services under the Investment Advisory and Management Agreement consisting of two components — a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% of our gross assets, which includes any borrowings for investment purposes. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of our "pre-incentive fee net investment income" for the immediately preceding quarter, subject to a preferred return, or "hurdle," and a "catch up" feature. The second part is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement) in an amount equal to 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See "Investment Advisory and Management Agreement." |
| Administration Agreement | We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. In addition, we reimburse Solar Capital Management for the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and any administrative support staff. See "Administration Agreement." |
| Leverage | We may borrow funds to make investments, including before we have fully invested the proceeds of this offering. As a result, we may be exposed to the risks of leverage, which may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts invested and therefore increases the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in the management fee payable to our investment adviser, Solar Capital Partners, will be borne by our common stockholders. |

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| Trading | Shares of closed-end investment companies frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. |
| License Agreement | We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive license to use the name "Solar Capital." See "License Agreement." |
| Shares Eligible for Resale | In connection with the initial private placement, we entered into a registration rights agreement, pursuant to which we agreed to file a registration statement with the SEC within 270 days of the closing of the initial private placement (December 8, 2007) to register for resale units sold in the initial private placement (or shares of common stock if we have elected to be regulated as a business development company prior to such filing) and to use our best efforts to cause such registration statement to become effective within 730 days of the closing of the initial private placement (March 13, 2009), subject to limited exceptions. Concurrently with our initial private placement, we also entered into a separate registration rights agreement with respect to the units issued to Magnetar that granted Magnetar certain demand, piggy-back and shelf registration rights beginning 365 days after the consummation of an initial public offering. Each of the LLC Holders, including Magnetar, are also subject to certain lock-up provisions with respect to the shares of common stock of Solar Capital Ltd. they will receive as a result of the Solar Merger. See "Registration Rights Agreement." |
| Dividend Reinvestment Plan | We have adopted an "opt out" dividend reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our dividend reinvestment plan in additional whole and fractional shares of common stock, unless you "opt out" of our dividend reinvestment plan so as to receive cash dividends by delivering a written notice to our dividend paying agent. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our dividend reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan." |
| Certain Anti-Takeover Measures | Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the |

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| | opportunity to realize a premium over the market price for our common stock. See "Description of Securities." |
| Available Information | After the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549 and on the SEC's website at *http://www.sec.gov*. The public may obtain information on the operation of the SEC's public reference room by calling the SEC at (202) 551-8090. This information will also be available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*. |

## FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "us" or "Solar Capital," or that "we" will pay fees or expenses, you will indirectly bear such fees or expenses as an investor in Solar Capital Ltd.

| | |
|---|---|
| **Stockholder transaction expenses:** | |
| Sales load (as a percentage of offering price) | %(1) |
| Offering expenses borne by us (as a percentage of offering price) | %(2) |
| Dividend reinvestment plan expenses | None (3) |
| Total stockholder transaction expenses (as a percentage of offering price) | % |
| **Annual expenses (as a percentage of net assets attributable to common stock):** | |
| Base management fee | %(4) |
| Incentive fees payable under our Investment Advisory and Management Agreement | %(5) |
| Interest payments on borrowed funds | %(6) |
| Other expenses (estimated) | %(7) |
| Total annual expenses (estimated) | % |

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage subsequent to this offering.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5% annual return | $ | $ | $ | $ |

(1) The underwriting discounts and commissions (the sales load) with respect to shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $ .

(3) The expenses of the dividend reinvestment plan are included in "other expenses."

(4) Our base management fee under the Investment Advisory and Management Agreement is based on our gross assets, which is defined as all the assets of Solar Capital, including those acquired using leverage. See "Investment Advisory and Management Agreement."

(5) The incentive fee consists of two parts:

The first part, which is payable quarterly in arrears beginning with the quarter ended March 31, 2007, equals 20% of the excess, if any, of our "Pre-Incentive Fee Net Investment Income" that exceeds a 1.75% quarterly (7.00% annualized) hurdle rate, which we refer to as the Hurdle, subject to a "catch-up" provision measured at the end of each calendar quarter. The first part of the incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. The operation of the first part of the incentive fee for each quarter is as follows:

- no incentive fee is payable to our investment adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle of 1.75%;
- 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 but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle but is less than 2.1875%) as the

"catch-up." The "catch-up" is meant to provide our investment adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a Hurdle did not apply when our Pre-Incentive Fee Net Investment Income exceeds 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 (8.75% annualized) is payable to our investment adviser (once the Hurdle is reached and the catch-up is achieved, 20% of all Pre-Incentive Fee Investment Income thereafter is allocated to our investment adviser).

The second part of the incentive fee equals 20% of our "Incentive Fee Capital Gains," if any, which equals our realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second part of the incentive fee is payable, in arrears, at the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date), commencing with the year ending December 31, 2007. For a more detailed discussion of the calculation of this fee, see "Investment Advisory and Management Agreement."

(6) We may borrow funds to make investments, including before we have fully invested the proceeds of this offering, to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities, or if our board of directors determines that leveraging our portfolio would be in our best interests and the best interests of our stockholders. We do not currently anticipate issuing any preferred stock. To the extent that we determine it is appropriate to borrow funds to make investments, the costs associated with such borrowing will be indirectly born by our investors. For purposes of this section, we have assumed that we will borrow for investment purposes an amount equal to % of our total assets (including such borrowed funds) and that the annual interest rate on the borrowed amount equals %. As of January 16, 2008, we had $200 million available to us under our current credit facility (which allows for a commitment increase up to $600 million) and no borrowings outstanding.

(7) "Other expenses" ($ million, including costs and expenses associated with our formation and organization) are based upon estimates of the first full year of operations.

**The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.** While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. In addition, the example assumes inclusion of the sales load of $ . Also, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

## SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto. Financial information at and for the period from March 13, 2007 (inception) through September 30, 2007 has been derived from our financial statements that were audited by KPMG LLP ("KPMG"), an independent registered public accounting firm. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below for more information.

| | Period from March 13, 2007 (inception) through September 30, 2007 (dollars in thousands) |
|---|---|
| **Income statement data:** | |
| Total investment income | $ 49,751 |
| Total expenses | 16,983 |
| Net investment income | 32,768 |
| Net realized loss from investments | (4,411) |
| Net unrealized depreciation on investments | (4,026) |
| Net increase in net assets resulting from operations | 24,331 |
| **Other data:** | |
| Weighted average annualized yield on debt investments(1) | 12.4% |
| Number of portfolio companies at period end | 29 |

| | As of September 30, 2007 (dollars in thousands) |
|---|---|
| **Balance sheet data:** | |
| Total investment portfolio | $ 728,431 |
| Total cash and cash equivalents | 531,399 |
| Total assets | 1,276,817 |
| Net assets | 1,233,815 |
| **Per unit data:** | |
| Net asset value per unit(2) | $ 15.10 |

(1) Weighted average annualized yield on debt investments is calculated based upon the interest or other payments received on our debt investments, including amortization of deferred origination fees and original issue discount, if any, for the period indicated.

(2) Based on 81,702,847 units of Solar Capital LLC outstanding as of September 30, 2007. Each of the outstanding units of Solar Capital LLC will be converted into the right to receive one share of common stock of Solar Capital Ltd. in connection with the Solar Merger, which is expected to be completed immediately prior to the closing of this offering.

## RISK FACTORS

*Before you invest in our common stock, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value could decline, and you may lose all or part of your investment.*

### Risks Relating to Our Business and Structure

***We have a limited operating history.***

We were formed in February 2007 and commenced operations in March 2007. As a result of our limited operating history, we are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. We anticipate that it will take us between three and six months to invest substantially all of the net proceeds of this offering. During this period, we will invest these amounts in temporary investments, such as cash, cash equivalents, U.S. government securities and other short-term high quality debt instruments, which we expect will earn yields substantially lower than the income that we anticipate receiving in respect of investments in senior secured loans, mezzanine loans and equity securities.

***We are dependent upon Solar Capital Partners' key personnel for our future success.***

We depend on the diligence, skill and network of business contacts of Messrs. Gross and Spohler, who serve as the managing member and a partner of Solar Capital Partners, respectively, and who lead Solar Capital Partners' investment team. Messrs. Gross and Spohler, together with the other investment professionals available to Solar Capital Partners, evaluate, negotiate, structure, close and monitor our investments. Our future success will depend on the continued service of Messrs. Gross and Spohler and the other investment professionals available to Solar Capital Partners. We cannot assure you that unforeseen business, medical, personal or other circumstances would not lead any such individual to terminate his employment. The loss of Mr. Gross or Mr. Spohler, or any of the other senior investment professionals who serve on Solar Capital Partner's investment team, could have a material adverse effect on our ability to achieve our investment objective as well as on our financial condition and results of operations. In addition, we can offer no assurance that Solar Capital Partners will remain our investment adviser. We may also depend on Solar Capital Partners' access to the investment information and deal flow generated by Magnetar.

The senior investment professionals of Solar Capital Partners are and may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us, and may have conflicts of interest in allocating their time. We expect that Messrs. Gross and Spohler will dedicate a significant portion of their time to the activities of Solar Capital; however, they will be engaged in other business activities which could divert their time and attention in the future.

***Our financial condition and results of operations will depend on our ability to manage future growth effectively.***

Our ability to achieve our investment objective and to grow depends on Solar Capital Partners' ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of Solar Capital Partners' structuring of the investment process, its ability to provide competent, attentive and efficient services to us and its ability to access financing for us on acceptable terms. The investment team of Solar Capital Partners has substantial

responsibilities under the Investment Advisory and Management Agreement, and they may also be called upon to provide managerial assistance to our portfolio companies as the principals of our administrator. Such demands on their time may distract them or slow our rate of investment. In order to grow, we and Solar Capital Partners will need to retain, train, supervise and manage new investment professionals. However, we can offer no assurance that any such investment professionals will contribute effectively to the work of the investment adviser. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

***Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.***

We intend to qualify as a business development company under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of business development companies. For example, business development companies are required to invest at least 70% of their total assets in specified types of securities, primarily in private companies or thinly-traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Furthermore, any failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a business development company. If we decide to withdraw our election, or if we otherwise fail to qualify as a business development company, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business.

***Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.***

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted, as a business development company, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. As of January 16, 2008, we had $200 million available to us under our current credit facility (which allows for a commitment increase up to $600 million) and no borrowings outstanding. If we issue preferred stock, the preferred stock would rank "senior" to common stock in our capital structure, preferred stockholders would have separate voting rights and might have rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our board of directors determines that such sale is in the best interests of Solar Capital and its stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution.

***We may borrow money, which would magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.***

The use of leverage magnifies the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We may borrow from and issue senior debt securities to banks, insurance companies and other lenders. Lenders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could also negatively affect our ability to make dividend payments on our common stock. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to our investment adviser, Solar Capital Partners, will be payable based on our gross assets, including those assets acquired through the use of leverage, Solar Capital Partners will have a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Solar Capital Partners.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we may not be able to incur additional debt and could be required by law to sell a portion of our investments to repay some debt when it is disadvantageous to do so, which could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

In addition, any debt facility into which we may enter would likely impose financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code.

As of January 16, 2008, we had $200 million available to us under our current credit facility (which allows for a commitment increase up to $600 million) and no borrowings outstanding.

***To the extent we use debt to finance our investments, changes in interest rates may affect our cost of capital and net investment income.***

To the extent we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We expect that our long-term fixed-rate investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to our pre-incentive fee net investment income.

As of January 16, 2008, we had $200 million available to us under our current credit facility (which allows for a commitment increase up to $600 million) and no borrowings outstanding.

***There may be uncertainty as to the value of our portfolio investments.***

A large percentage of our portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities quarterly at fair value as determined in good faith by our board of directors. Our board of directors utilizes the services of several third-party valuation firms to aid it in determining the fair value of these securities. The factors that may be considered in fair value pricing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparisons to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

***We may experience fluctuations in our quarterly results.***

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

***There are significant potential conflicts of interest which could impact our investment returns.***

Our executive officers and directors, as well as the current and future partners of our investment adviser, Solar Capital Partners, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do. Accordingly, they may have obligations to investors in those entities, the fulfillment of which obligations might not be in the best interests of us or our stockholders. We note that any affiliated investment vehicle formed in the future and managed by our investment adviser may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. As a result, Solar Capital Partners may face conflicts in allocating investment opportunities between us and such other entities. Although Solar Capital Partners will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by our investment adviser or an investment manager affiliated with our investment adviser. In any such case, when Solar Capital Partners identifies an investment, it will be forced to choose which investment fund should make the investment.

Affiliates of Solar Capital Partners also manage other funds that may have investment mandates that are similar, in whole and in part, with ours, and Solar Capital Partners may choose to do so in the future. Solar Capital Partners and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures.

If our investment adviser forms other affiliates in the future, we may co-invest on a concurrent basis with such other affiliates, subject to compliance with applicable regulations and regulatory guidance and our allocation procedures.

In the course of our investing activities, we pay management and incentive fees to Solar Capital Partners and reimburse Solar Capital Partners for certain expenses it incurs. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in a lower rate of return than an investor might achieve through direct investments. Accordingly, there may be times when the management team of Solar Capital Partners has interests that differ from those of our stockholders, giving rise to a conflict.

We have entered into a royalty-free license agreement with our investment adviser, pursuant to which our investment adviser has granted us a non-exclusive license to use the name "Solar Capital." Under the license agreement, we have the right to use the "Solar Capital" name for so long as Solar Capital Partners or one of its affiliates remains our investment adviser. In addition, we pay Solar Capital Management, an affiliate of Solar Capital Partners, our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and any administrative support staff. These arrangements create conflicts of interest that our board of directors must monitor.

***Our relationship with Magnetar may create conflicts of interest.***

Since July 2006, Mr. Gross has been a co-chairman of the investment committee of Magnetar, a multi-strategy investment manager, which, along with its affiliates, manages over $ billion in assets, and a senior partner of Magnetar Capital Partners LP, the sole member of Magnetar. In such capacities, Mr. Gross heads Magnetar's fundamental credit and private equity business. In addition, the Magnetar Entities currently own, either directly or indirectly, approximately 42.8% of our outstanding equity, and are expected to own, either directly or indirectly, approximately % of our outstanding shares of common stock upon the completion of this offering. Magnetar also provides certain services to Solar Capital Partners and Solar Capital Management, and is reimbursed by Solar Capital Partners and Solar Capital Management for the expenses it incurs in connection with providing such services.

Subsequent to the completion of this offering, so long as our relationship with Magnetar exists, we intend to offer certain of the Magnetar Entities the opportunity to invest an amount equal to up to 33% of the total amount available for investment in each investment opportunity identified by Solar Capital Partners that exceeds $30 million. In addition, there may be circumstances under which Solar Capital Partners determines to offer to Magnetar the ability to participate at amounts greater than 33%, including the opportunity to invest an amount equal to up to 100% of total amount available for investment in an investment opportunity, including, for example, circumstances where Solar Capital Partners determines that the investment is too large for us or if we would be prohibited from making such investment because of the restrictions contained in the 1940 Act. Any co-investment by the Magnetar Entities will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with Solar Capital Partners' allocation procedures. In certain circumstances, negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. We intend to seek an order from the SEC to permit the above-referenced co-investments with certain of the Magnetar Entities following consummation of this offering. There can be no assurance when, or if, such an order may be obtained. To the extent we fail to receive an order permitting such co-investments, the size of investments available to us may decrease. In addition, the Magnetar Entities may make investments similar to those targeted by Solar Capital in the future.

***Our incentive fee may induce Solar Capital Partners to pursue speculative investments.***

The incentive fee payable by us to Solar Capital Partners may create an incentive for Solar Capital Partners to pursue investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to our investment adviser is calculated based on a percentage of our return on invested capital. This may encourage our investment adviser to use leverage to

increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock. In addition, the investment adviser receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the investment adviser may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to our investment adviser also may induce Solar Capital Partners to invest on our behalf in instruments that have a deferred interest feature, even if such deferred payments would not provide cash necessary to enable us to pay current distributions to our unitholders. Under these investments, we would accrue interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, a portion of this incentive fee would be based on income that we have not yet received in cash. In addition, the "catch-up" portion of the incentive fee may encourage Solar Capital Partners to accelerate or defer interest payable by portfolio companies from one calendar quarter to another, potentially resulting in fluctuations in timing and dividend amounts.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to Solar Capital Partners with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our stockholders will bear his or her share of the management and incentive fee of Solar Capital Partners as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which we invest.

***We may fail to realize any benefits from our relationship with Magnetar, and our relationship with Magnetar may end.***

We expect that we will continue to benefit from our investment adviser's access to investment information and deal flow generated by Magnetar, whose senior management has developed a strong reputation in the investment management sector as well as a broad network of contacts within the investment, commercial banking, private equity and investment management communities. We believe that other benefits from our investment adviser's relationship with Magnetar include shared research and due diligence, shared industry expertise, shared investment ideas and deal flow. If any of these benefits fail to materialize or continue, or if our relationship with Magnetar ends, then our business could be adversely affected.

***We will become subject to corporate-level income tax if we are unable to qualify as a regulated investment company under Subchapter M of the Code.***

Although we intend to elect to be treated as a RIC under Subchapter M of the Code for 2008 and succeeding tax years, no assurance can be given that we will be able to qualify for and maintain RIC status. To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

- The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Because we may use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

- The income source requirement will be satisfied if we obtain at least 90% of our income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for RIC tax treatment for any reason and remain or become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

***We may have difficulty satisfying the annual distribution requirement in order to qualify and maintain RIC status if we recognize income before or without receiving cash representing such income.***

For federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or contracted "payment in kind," or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term. We also may be required to include in income certain other amounts that we will not receive in cash.

Because in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty satisfying the annual distribution requirement applicable to RICs. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investments to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus be subject to corporate-level income tax.

***Our board of directors is authorized to reclassify any unissued shares of common stock into one or more classes of preferred stock, which could convey special rights and privileges to its owners.***

Under Maryland General Corporation Law, our board of directors is permitted to reclassify any authorized but unissued shares of common stock into one or more classes of preferred stock. If the board of directors undertakes such a reclassification, it is required to file Articles of Incorporation Supplementary, which include, among other things, a description of the stock and a statement that the stock has been reclassified by the board of directors under authority contained in the charter. The board of directors is not required to make a specific finding prior to approving a reclassification, though we would generally expect the board of directors to determine, at a minimum, that any reclassification was in the best interests of Solar Capital. In the event that our board of directors opts to reclassify a portion of our unissued shares of common stock into a class of preferred stock, those preferred shares would have a preference over our common stock with respect to dividends and liquidation, which would reduce the amount distributable to our common stockholders. The cost of any such reclassification would be borne by our existing common stockholders. The class voting rights of any preferred shares we may issue could make it more difficult for us to take some actions that may, in the future, be proposed by the board of directors and/or the holders of our common stock, such as a merger, exchange of securities, liquidation or alteration of the rights of a class of our securities, if these actions were perceived by the holders of preferred shares as not in their best interests. The issuance of preferred shares convertible into shares of common stock might also reduce the net income and net asset value per share of our common stock upon conversion, provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on your investment in our common stock.

***Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.***

The Maryland General Corporation Law, our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of Solar Capital or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

***Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.***

Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

***Changes in laws or regulations governing our operations may adversely affect our business.***

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse affect on our business.

***Our investment adviser can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.***

Our investment adviser has the right, under the Investment Advisory and Management Agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If our investment adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single

institution or group of executives having the expertise possessed by our investment adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

***We will incur significant costs as a result of being a publicly traded company.***

As a publicly traded company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, and other rules implemented by the SEC. We believe that complying with these rules and regulations will make some activities time-consuming and costly and may divert significant attention of the senior investment professionals from implementing our investment objective to these and related matters.

**Risks Related to Our Investments**

***We operate in a highly competitive market for investment opportunities.***

A number of entities compete with us to make the types of investments that we target in leveraged companies. We compete with public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including making investments in leveraged companies. As a result of these new entrants, competition for investment opportunities at leveraged companies has intensified, and we expect the trend to continue. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we do, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We will not seek to compete primarily based on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

***Our investments may be risky, and you could lose all or part of your investment in us.***

We invest primarily in senior secured term loans, mezzanine debt and select equity investments issued by leveraged companies.

***Senior Secured Loans***. When we make a senior secured term loan investment in a portfolio company, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may

be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

***Mezzanine Loans***. Our mezzanine debt investments are generally subordinated to senior loans and are generally unsecured. As such, other creditors may rank senior to us in the event of an insolvency. This may result in an above average amount of risk and loss of principal.

***Equity Investments***. When we invest in senior secured loans or mezzanine loans, we may acquire equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

In addition, investing in middle-market companies involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

***The lack of liquidity in our investments may adversely affect our business.***

We generally make investments in private companies. Substantially all of these securities are subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

***We have not yet identified all of the portfolio company investments we will acquire using the proceeds of this offering.***

While currently holding a portfolio of investments, we have not yet identified all of the additional potential investments for our portfolio we will acquire with the proceeds of this offering. As a result, you will be unable to evaluate any future portfolio company investments prior to purchasing our shares. Additionally, our investment adviser will select our investments subsequent to the closing of this offering, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our common stock.

***Our portfolio may be concentrated in a limited number of portfolio companies and industries, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.***

Our portfolio may be concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

***Economic recessions or downturns could impair our portfolio companies and harm our operating results.***

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and the value of our assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors.

***Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.***

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: (i) increase or maintain in whole or in part our equity ownership percentage; (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (iii) attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We will have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a

successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are subject to business development company requirements that would prevent such follow-on investments or the desire to maintain our RIC tax status.

***Because we generally do not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.***

Although we may do so in the future, we do not currently hold controlling equity positions in our portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

***An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.***

We invest primarily in privately held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of Solar Capital Partners' investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

***Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.***

We invest primarily in senior secured loans, mezzanine loans and equity securities issued by our portfolio companies. Our portfolio companies typically have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.***

Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the

case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments will be U.S. dollar-denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or that if we do, such strategies will be effective.

***We may expose ourselves to risks if we engage in hedging transactions.***

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transaction may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging transactions will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

***Our investment adviser may not be able to achieve the same or similar returns as those achieved by our senior investment professionals while they were employed at prior positions.***

Although in the past Mr. Gross held senior positions at a number of investment firms, including Apollo Investment Corporation and Apollo Management, L.P., Mr. Gross' track record and achievements are not necessarily indicative of future results that will be achieved by our investment adviser. In his role at such other firms, Mr. Gross was part of an investment team, and he was not solely responsible for generating investment ideas. In addition, such investment teams arrived at investment decisions by consensus. Other than Mr. Gross, none of the senior investment professionals from such other firms is employed by our investment adviser.

**Risks Relating to This Offering**

***Prior to our initial public offering, there will be no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following our initial public offering.***

Before our initial public offering, there will be no public trading market for our common stock, and we cannot assure you that one will develop or be sustained after our initial public offering. We cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through our negotiations with the underwriters and may not bear any relationship to the market price at which it may trade after our initial public offering. Shares of closed-end management investment companies offered in an initial public offering often trade at a discount to the initial public offering price due to sales loads, including underwriting discounts, and related offering expenses. In addition, shares of closed-end management investment companies have in the past frequently traded at discounts to their net asset values and our stock may also be discounted in the market. This characteristic of closed-end management investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. The risk of loss associated with this characteristic of closed-end management investment companies may be greater for investors expecting to sell shares of common stock purchased in the offering soon after the offering. In addition, if our common stock trades below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of our stockholders (including our unaffiliated stockholders) and our independent directors for such issuance.

***Our common stock price may be volatile and may decrease substantially.***

The trading price of our common stock may fluctuate substantially. The price of our common stock that will prevail in the market after our initial public offering may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- investor demand for our shares;
- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines with respect to RICs or business development companies;
- failure to qualify as a RIC, or the loss of RIC status;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- changes, or perceived changes, in the value of our portfolio investments;
- departures of Solar Capital Partners' key personnel;
- operating performance of companies comparable to us; or
- general economic conditions and trends and other external factors.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price once a market for our stock is established, we may become the target of securities litigation in the future.

Securities litigation could result in substantial costs and divert management's attention and resources from our business.

***We cannot assure you that we will be able to successfully deploy the proceeds of our initial public offering within the timeframe we have contemplated.***

We currently anticipate that substantially all of the net proceeds of our initial public offering will be invested in accordance with our investment objective within three to six months after the completion of our initial public offering. We cannot assure you, however, that we will be able to locate a sufficient number of suitable investment opportunities to allow us to successfully deploy substantially all of the net proceeds of our initial public offering in that timeframe. To the extent we are unable to invest substantially all of the net proceeds of our initial public offering within our contemplated timeframe after the completion of our initial public offering, our investment income, and in turn our results of operations, will likely be materially adversely affected.

***There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time.***

We intend to make distributions on a quarterly basis to our stockholders. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions.

***We will have broad discretion over the use of proceeds of our initial public offering and will use proceeds in part to satisfy operating expenses.***

We will have significant flexibility in applying the proceeds of our initial public offering and may use the net proceeds from our initial public offering in ways with which you may not agree, or for purposes other than those contemplated at the time of our initial public offering. We will also pay operating expenses, and may pay other expenses such as due diligence expenses of potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that net proceeds of our initial public offering, pending full investment, are used to pay operating expenses.

***Investors in our initial public offering will incur dilution.***

Assuming an initial offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), the net cash proceeds that we receive from this offering will be net of the underwriting discount of $ per share as well as other offering and organizational expenses of approximately $ per share. As a result, our net asset value per share immediately after the completion of this offering is estimated to be approximately $ per share, compared to an estimated offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus). Accordingly, assuming an initial offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) investors purchasing shares in this offering will pay a price per share of common stock that exceeds the net asset value per share of common stock after this offering by $ and will bear the costs of the underwriting discount and, indirectly, other offering expenses. See "Dilution."

***Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.***

As a result of agreements we previously entered into with the LLC Holders who purchased units in the initial private placement, we are contractually obligated to register for resale an aggregate of approximately 46.7 million shares that will be held by such LLC Holders subsequent to consummation of this offering and the completion of the Solar Merger. Upon registration and the expiration of any applicable lock-up periods, such shares will generally be freely tradable in the public market, subject to certain contractual transfer restrictions applicable immediately following this offering. Concurrently with our initial private placement, we also entered into a separate registration rights agreement with respect to the 35,000,000 units issued to Magnetar that granted Magnetar certain demand, piggy-back and shelf registration rights beginning 365 days after the consummation of an initial public offering. Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

## FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about Solar Capital, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- an economic downturn could impair our portfolio companies' ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;
- interest rate volatility could adversely affect our results, particularly if we elect to use leverage as part of our investment strategy;
- currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars; and
- the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. The forward-looking statements and projections contained in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act.

## USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately $ , or approximately $ if the underwriters fully exercise their over-allotment option, in each case assuming an initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $ payable by us.

We plan to invest the net proceeds of this offering in portfolio companies in accordance with our investment objective and strategies described in this offering memorandum. We anticipate that substantially all of the net proceeds of this offering will be used for the above purposes within three to six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We cannot assure you we will achieve our targeted investment pace.

Pending such investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of investment. The management fee payable by us will not be reduced while our assets are invested in such securities. See “Regulation as a Business Development Company — Temporary Investments” for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

## DISTRIBUTIONS

To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders, beginning with our first full quarter after the completion of this offering. Our quarterly dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code, beginning with our 2008 taxable year. To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of: (1) 98% of our ordinary income for the calendar year; (2) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year; and, (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. In addition, although we currently intend to distribute realized net capital gains (i.e., net long term capital gains in excess of short term capital losses), if any, at least annually, we may in the future decide to retain such capital gains for investment and elect to treat such gains as deemed distributions to you. If this happens, you will be treated as if you had received an actual distribution of the capital gains we retain and reinvested the net after tax proceeds in us. In this situation, you would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. See “Material U.S. Federal Income Tax Considerations.” We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, to the extent that we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

Our current intention is to make any distributions in additional shares of our common stock under our dividend reinvestment plan out of assets legally available therefor, unless you elect to receive your dividends and/or long-term capital gains distributions in cash. See “Dividend Reinvestment Plan.” If you hold shares in the

name of a broker or financial intermediary, you should contact the broker or financial intermediary regarding your election to receive distributions in cash. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

## CAPITALIZATION

The following table sets forth:

- the actual capitalization of Solar Capital LLC at September 30, 2007; and
- the pro forma capitalization of Solar Capital Ltd. as adjusted to reflect (a) the sale of shares of our common stock in this offering at an assumed public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $ payable by us; and (b) completion of the Solar Merger, including the conversion of the outstanding units of Solar Capital LLC into shares of common stock of Solar Capital Ltd. in connection therewith.

| | As of September 30, 2007 | |
|---|---|---|
| | Solar Capital LLC Actual (in thousands) | Solar Capital Ltd. Pro Forma As Adjusted (in thousands) |
| **Assets:** | | |
| Cash | $ 531,399 | $ |
| Investments | $ 728,431 | $ |
| Other assets | $ 16,987 | $ |
| Total assets | $ 1,276,817 | $ |
| **Unitholders' equity:** | | |
| Net assets | $ 1,233,815 | |
| **Stockholders' equity:** | | |
| Common stock, par value $0.01 per share; 200,000,000 shares authorized, shares outstanding, pro forma, as adjusted | | $ |
| Capital in excess of par value | | $ |
| Total stockholders' equity | | $ |

## DILUTION

The dilution to investors in this offering is represented by the difference between the offering price per share and the pro forma net asset value per share after (a) the completion of this offering; and (b) the conversion of the outstanding units of Solar Capital LLC into shares of common stock of Solar Capital Ltd. in connection with the Solar Merger. Net asset value per share is determined by dividing our net asset value, which is our total assets less total liabilities, by the number of outstanding shares.

Immediately prior to this offering, the net asset value of Solar Capital Ltd. will be $ , or approximately $ per share. After giving effect to (a) the sale of shares of our common stock in this offering at an assumed public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $ payable by us, and (b) completion of Solar Merger, including the conversion of the outstanding units of Solar Capital LLC into shares of common stock of Solar Capital Ltd. in connection therewith, the pro forma net asset value of Solar Capital Ltd. is expected to be approximately $ , or approximately $ per share, representing an immediate decrease in net asset value of $ per share, or %, to shares sold in this offering. The foregoing assumes no exercise of the underwriters' over-allotment option. If the underwriters' over-allotment option is exercised in full, there would be an immediate decrease in net asset value of $ per share, or %, to shares sold in this offering.

The following table illustrates the dilution to the shares on a per share basis, taking into account the assumptions set forth above:

| | |
|---|---|
| Offering price per share | $ |
| Net asset value before this offering | $ |
| Decrease attributable to stockholders | $ |
| Pro forma net asset value after this offering and completion of the Solar Merger | $ |
| Dilution to stockholders (without exercise of the over-allotment option) | $ |

## SOLAR MERGER

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. Immediately prior to the closing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a newly-formed Maryland corporation. In connection with the Solar Merger, each of the outstanding units of Solar Capital LLC will be converted into the right to receive one share of common stock of Solar Capital Ltd. An aggregate of approximately 81.7 million shares of common stock will be issued to the LLC Holders in connection with the Solar Merger. In accordance with the limited liability company operating agreement of Solar Capital LLC, no vote of Solar Capital LLC's unitholders is required in order to consummate the Solar Merger.

Prior to the Solar Merger, certain of the LLC Holders held their interests in Solar Capital LLC indirectly through one or more offshore entities, or Feeder Corporations. In connection with the Solar Merger, these Feeder Corporations will be dissolved and the interests in these Feeder Corporations will be converted into direct interests in Solar Capital LLC. Pursuant to certain agreements Solar Capital LLC entered into in connection with its initial private placement, Solar Capital LLC will declare a dividend on the outstanding units of Solar Capital LLC immediately prior to completion of the Solar Merger in the aggregate amount of approximately $ , which is designed to approximate certain tax liabilities incurred by the LLC Holders who hold their interests in Solar Capital LLC indirectly through such Feeder Corporations. All of the LLC Holders, including those holding a direct interest in Solar Capital LLC, are entitled to the above-referenced dividend.

## 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 and Other Data and our Financial Statements and notes thereto appearing elsewhere in this prospectus.*

### Overview

We are an externally managed finance company. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged companies, including middle-market companies, in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

As of September 30, 2007, we had approximately $728 million of long-term investments. As of September 30, 2007, our portfolio was comprised of debt and equity investments in 29 portfolio companies, and our debt investments, including preferred equity investments, had a weighted average annualized yield of approximately 12.4%.

Our portfolio primarily consists of direct investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans made to private leveraged companies organized and located in the United States, including middle-market companies. We also invest in equity securities, such as preferred stock, common stock, warrants and other equity interests received in connection with our debt investments or through direct investments. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base.

In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company. Immediately prior to the closing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a newly-formed Maryland corporation that is an externally managed, non-diversified, closed-end management investment company that intends to elect to be treated as a business development company under the 1940 Act prior to consummation of this offering. In addition, we intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code.

### Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

#### *Valuation of Portfolio Investments*

Investments for which market quotations are readily available are valued at such market quotations. We may also obtain indicative prices with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments. Debt and equity securities that are not publicly traded or whose

market prices are not readily available are valued at fair value as determined in good faith by our board of directors. We expect that there will not be a readily available market value for many of the investments in our portfolio. We expect to value such investments at fair value as determined in good faith by our board of directors using a documented valuation policy and a consistently applied valuation process. With respect to certain of our debt and equity securities, each investment will be valued by independent third party valuation firms, pricing services or quotations from brokers or dealers. Third party valuation firms use methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate our private equity valuation. 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 differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Our board of directors is ultimately and solely responsible for determining the fair value of our portfolio investments that are not publicly traded or whose market prices are not readily available on a quarterly basis in good faith.

With respect to investments for which market quotations are not readily available or for which we have not received indicative prices from pricing services or brokers or dealers, 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.
- Preliminary valuation conclusions are then documented and discussed with our senior management.
- Third-party valuation firms engaged by, or on behalf of, our board of directors conduct independent reviews and consider management's preliminary valuations and make their own independent assessment.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, 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, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

***Revenue Recognition***

We calculate gains or losses on the sale of investments by using the specific identification method. We record Interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, we record any prepayment penalties and unamortized loan origination, closing and commitment fees part of interest income. We may enter into forward exchange contracts in order to economically hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled. We place loans 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. Accrued interest is generally reversed when a loan is placed on non-accrual status. We may recognize as income,

or apply to principal, interest payments received on non-accrual loans, depending upon management's judgment. We restore non-accrual loans to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current.

**Portfolio Composition and Investment Activity**

The total portfolio value of our investments was approximately $728 million at September 30, 2007. From March 13, 2007 (inception) through September 30, 2007, we originated approximately $333 million of new investments in 14 portfolio companies, all of which represented investments in new portfolio companies. The foregoing amounts are in addition to the approximately $501.1 million of portfolio investments originated by investment professionals at Magnetar who are currently a part of Solar Capital Partners' investment team that we acquired from the Magnetar Entities prior to and immediately following the initial private placement.

In certain instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. From March 13, 2007 (inception) through September 30, 2007, we had approximately $75 million of debt repayments in 4 portfolio companies.

Portfolio activity also reflects sales of securities of 1 portfolio company in the amount of approximately $6 million for the period from March 13, 2007 (inception) through September 30, 2007. In addition, during such period we had unrealized appreciation on 19 portfolio company investments totaling approximately $14 million, which was more than offset by unrealized depreciation on 14 portfolio company investments totaling approximately $18 million.

At September 30, 2007, we had investments in debt and preferred securities of 24 portfolio companies, totaling approximately $572 million, and equity investments in 12 portfolio companies, totaling approximately $156 million. The debt investments include accrued PIK interest which is added to the carrying value of our investments, reduced by repayments of principal.

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2007:

| | September 30, 2007 | |
|---|---|---|
| Asset Class | Investments at Fair Value (in thousands) | Percentage of Total Portfolio |
| Bank Debt/Senior Secured Loans | $ 115,647 | 15.9% |
| Subordinated Debt/Corporate Notes | 395,239 | 54.3% |
| Preferred Equity | 61,993 | 8.5% |
| Common Equity/Partnership Interests/Warrants | 155,552 | 21.3% |
| Total | $ 728,431 | 100% |

**Results of Operations**

We commenced operations on March 13, 2007. Therefore, there is no period with which to compare the results of operations for the period from March 13, 2007 (inception) through September 30, 2007.

***Investment Income***

Investment income for the period from March 13, 2007 (inception) through September 30, 2007 was approximately $50 million, consisting of approximately $30 million in interest and dividends from debt and

preferred investments, and approximately $20 million in interest from cash and cash equivalents. We received no fees for managerial assistance provided to our portfolio companies during the period from March 13, 2007 (inception) through September 30, 2007.

***Operating Expenses***

Operating expenses for the period from March 13, 2007 (inception) through September 30, 2007 were approximately $17 million. This amount consisted primarily of investment advisory fees, professional fees, compensation expense, and general and administrative expenses.

The investment advisory fee for the period from March 13, 2007 (inception) through September 30, 2007 was approximately $13 million, representing the base fee for the period as provided for in the Investment Advisory and Management Agreement. At September 30, 2007, approximately $2 million of investment advisory fees remained payable to Solar Capital Partners.

Professional fees, consisting of legal, valuation, audit and consulting fees, were approximately $1 million for the period from March 13, 2007 (inception) through September 30, 2007. General and administrative expenses, consisting primarily of directors' fees, insurance, and transfer agent fees, office supplies, facilities costs and other expenses, were approximately $2 million for the period from March 13, 2007 (inception) through September 30, 2007. Office supplies, facilities costs and other expenses, including our allocable portion of the compensation of any administrative personnel who provide services to us, are allocated to us under the terms of the Administration Agreement with Solar Capital Management. For the period from March 13, 2007 (inception) through September 30, 2007, total reimbursements to Solar Capital Management under our Administration Agreement amounted to approximately $1 million. At September 30, 2007, approximately $840,000 remained payable to Solar Capital Management under the terms of our Administration Agreement.

Expenses incurred for the period from March 13, 2007 (inception) through September 30, 2007 are not necessarily indicative of the expenses we will likely incur as a public company subsequent to the completion of this offering.

***Realized and Unrealized Gains/Losses on Investments***

For the period from March 13, 2007 (inception) through September 30, 2007, we had net realized losses of approximately $4 million. We realized gains of approximately $1 million on 3 portfolio company investments, which were offset by realized losses of approximately $1 million on 2 portfolio company investments and $4 million of realized losses on 3 forward contracts.

During the period we also had net unrealized depreciation on investments of approximately $4 million. We recorded unrealized appreciation of approximately $14 million on 19 portfolio company investments, which was more than offset by unrealized depreciation of approximately $18 million on 14 portfolio company investments.

***Net Increase in Net Assets Resulting from Operations***

We had a net increase in net assets resulting from operations of approximately $24 million for period from March 13, 2007 (inception) through September 30, 2007, which was primarily attributable to investment income realized during the period, offset to some extent by realized losses and unrealized depreciation during the period, as described above.

Based on a weighted-average of 81,702,847 units outstanding (basic and diluted), the net increase in net assets resulting from operations per unit for the period from March 13, 2007 (inception) through September 30, 2007 was approximately $0.30 for basic and diluted earnings.

**Liquidity and Capital Resources**

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On March 13, 2007, we conducted a $700 million (before offering costs) private placement of units in Solar Capital LLC. Approximately 46.7 million units were issued for cash at a purchase price of $15.00 per unit in connection with the initial private placement. In addition, in connection with the initial private placement, the Magnetar Entities invested an aggregate of approximately $525 million in us in exchange for approximately 35 million units. The consideration paid by the Magnetar Entities in connection with such transactions consisted of a portfolio of debt and equity investments, together with accrued and unpaid interest thereon and additional funding commitments in such investments, as well as a cash investment.

At September 30, 2007, we had cash and cash equivalents of approximately $531 million. Cash used by operating activities for the period from March 13, 2007 (inception) through September 30, 2007 was approximately $314 million, consisting primarily of the items described in "— Results of Operations." Net cash provided by financing activities during the period was approximately $845 million, No dividends were paid during the period from March 13, 2007 (inception) through September 30, 2007.

As a business development company, we will have an ongoing need to raise additional capital for investment purposes. As a result, we expect from time to time to access the debt and/or equity markets when we believe it is necessary and appropriate to do so.

***Contractual Obligations***

We have certain obligations with respect to the investment advisory and administration services we receive. See "— Overview". We incurred approximately $13 million for investment advisory services and approximately $1 million for administrative services for the period from March 13, 2007 (inception) through September 30, 2007.

***Off-Balance Sheet Arrangements***

We currently have no off-balance sheet arrangements, including any risk management of commodity pricing or other hedging practices.

***Borrowings***

We had no outstanding borrowings at September 30, 2007.

***Distributions***

We have paid no dividends or other distributions on our outstanding equity since our inception.

***Related Parties***

We have entered into a number of business relationships with affiliated or related parties, including the following:

- We have entered into an Investment Advisory and Management Agreement with Solar Capital Partners. Mr. Gross, our chairman and chief executive officer, is the managing member and a senior investment professional of, and has financial and controlling interests in, Solar Capital Partners. In addition, Mr. Spohler, our chief operating officer is a partner and a senior investment professional of, and has financial interests in, Solar Capital Partners.

- Solar Capital Management provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement. We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the compensation of our chief financial officer and any administrative support staff. Solar Capital Partners, our investment adviser, is the sole member of and controls Solar Capital Management.
- We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has granted us a non-exclusive, royalty-free license to use the name "Solar Capital."
- Since July 2006, Mr. Gross, our chairman and chief executive officer, has been a co-chairman of the investment committee of Magnetar, a multi-strategy investment manager, a senior partner in Magnetar Capital Partners LP, the sole member of Magnetar, and the head of Magnetar's fundamental credit and private equity investment business. Mr. Spohler, our chief operating officer together with Solar Capital Partners' other investment professionals, currently manage investments on behalf of Magnetar. As a result of certain transactions prior to and immediately following our initial private placement, the Magnetar Entities currently own, either directly or indirectly, approximately 42.8% of our outstanding equity, and are expected to own, either directly or indirectly, approximately % of our outstanding shares of common stock upon the completion of this offering.

Subsequent to the completion of this offering, so long as our relationship with Magnetar exists, we intend to offer certain of the Magnetar Entities the opportunity to invest an amount equal to up to 33% of the total amount available for investment in each investment opportunity identified by Solar Capital Partners that exceeds $30 million. In addition, there may be circumstances under which Solar Capital Partners determines to offer to Magnetar the ability to participate at amounts greater than 33%, including, for example, circumstances where Solar Capital Partners determines that the investment is too large for us or, if we would be prohibited from making such investment because of the restrictions contained in the 1940 Act. Any co-investment by the Magnetar Entities will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with Solar Capital Partners' allocation procedures. In addition, the Magnetar Entities may make investments similar to those targeted by Solar Capital.

Affiliates of Solar Capital Partners also manage other funds that may have investment mandates that are similar, in whole and in part, with ours, and Solar Capital Partners may choose to do so in the future. Solar Capital Partners and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures.

In certain circumstances, negotiated co-investments, either with a Magnetar Entity or another fund managed by Solar Capital Partners or its affiliates, may be made only if we receive an order from the SEC permitting us to do so. We intend to seek an order from the SEC to permit the above-referenced co-investments with certain of the Magnetar Entities following consummation of this offering. There can be no assurance when, or if, such an order may be obtained.

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors. Our officers and directors also remain subject to the fiduciary obligations imposed by both the 1940 Act and applicable state corporate law.

**Subsequent Events**

On January 11, 2008, we entered into a $200 million three-year Senior Secured Revolving Credit Facility (the "Credit Facility") with Citibank, N.A. as administrative agent, and various parties serving as lenders. The Credit Facility has a stated maturity date of January 11, 2011, and allows for a commitment increase to $600 million. At our option, we may draw down amounts at the following interest rates (each varying based on the applicable terms of the Credit Facility): (a) the Alternate Base Rate, which means, for any day, a rate per annum equal to the greater of (i) the prime rate in effect on such day and (ii) the Federal Funds Effective Rate for such day plus 0.5%, (b) LIBOR plus 1.375% per annum, or (c) LIBOR plus 2.00% per annum. A portion of the Credit Facility not in excess of $25,000,000 shall be available on same day notice ("Swingline loans"). Swingline loans denominated in foreign currencies shall bear interest at a rate per annum agreed between us and the swingline lender at the respective time the swingline loans are made. We have the right to prepay any borrowing under the Credit Facility prior to maturity.

# BUSINESS

## Solar Capital

We are an externally managed finance company. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged companies, including middle-market companies, in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. We are managed by Solar Capital Partners. Solar Capital Management provides the administrative services necessary for us to operate.

As of September 30, 2007, we had approximately $728 million of long-term investments. As of September 30, 2007, our portfolio was comprised of debt and equity investments in 29 portfolio companies, and our debt investments, including preferred equity investments, had a weighted average annualized yield of approximately 12.4%.

Our portfolio primarily consists of direct investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans made to private leveraged companies organized and located in the United States, including middle-market companies. We also invest in equity securities, such as preferred stock, common stock, warrants and other equity interests received in connection with our debt investments or through direct investments. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base.

In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On March 13, 2007, we conducted a $700 million private placement of membership units, or units, in Solar Capital LLC, which we refer to as our initial private placement. Approximately 46.7 million units were issued for cash at a purchase price of $15.00 per unit in connection with the initial private placement. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, invested approximately $50 million in us in exchange for approximately 3.3 million units in connection with the initial private placement. In addition, in connection with the initial private placement, the Magnetar Entities invested an aggregate of approximately $525 million in us in exchange for approximately 35 million units. The consideration paid by the Magnetar Entities in connection with such transactions consisted of a portfolio of debt and equity investments, originated by investment professionals at Magnetar who are currently a part of Solar Capital Partners' investment team, having a value of approximately $478 million (including $66.4 million paid in cash by Magnetar to fund an existing commitment transferred to Solar), together with accrued and unpaid interest thereon having a value of approximately $8.5 million, and additional funding commitments in such investments, as well as a cash investment of approximately $38.4 million. We refer to investors in the initial private placement, together with our other equity holders prior to this offering, as the LLC Holders.

## About Solar Capital Partners

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, and is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross, Spohler, Gerson, Henley and Mait as Solar Capital Partners' senior investment professionals. Solar Capital Partners' investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by

Messrs. Gross and Spohler has invested in 33 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 30 different financial sponsors. Since Solar Capital's inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to generate deal flow.

Mr. Gross, the former chairman and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded, has 20 years of experience in the private equity, distressed debt and mezzanine lending businesses and has been involved in originating, structuring, negotiating, consummating and managing private equity, distressed debt and mezzanine lending transactions. Since July 2006, Mr. Gross has been a co-chairman of the investment committee of Magnetar, a multi-strategy investment manager, which along with its affiliates manages over $ billion in assets, and a senior partner in Magnetar Capital Partners LP, the sole member of Magnetar Financial LLC. In such capacities, Mr. Gross heads Magnetar's fundamental credit and private equity business.

Mr. Gross is also a founder and a former senior partner of Apollo Management, L.P., a leading private equity firm. During his tenure at Apollo Management, L.P., Mr. Gross was a member of the investment committee that was responsible for overseeing more than $13 billion of investments in over 150 companies. Between February 2004 and February 2006, Mr. Gross was the president and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded and on whose board of directors and investment committee he served as chairman from February 2004 to July 2006. Under his management, Apollo Investment Corporation raised approximately $930 million in gross proceeds in an initial public offering in April 2004, built a dedicated investment team and infrastructure and invested approximately $2.3 billion in over 65 companies in conjunction with 50 different private equity sponsors. Mr. Gross was also the managing partner of Apollo Distressed Investment Fund, L.P., an investment fund he founded in 2003 to invest principally in debt and other securities of leveraged companies.

Mr. Gross also currently serves on the boards of directors of five public companies, and in the past has served on the boards of directors of more than 20 public and private companies. As a result, Mr. Gross has developed an extensive network of private equity sponsor relationships as well as relationships with management teams of public and private companies, investment bankers, attorneys and accountants that we believe should provide us with significant business opportunities.

We also rely on the more than 20 years of experience of Mr. Spohler, who serves as our chief operating officer and a partner of our investment adviser. Mr. Spohler joined Magnetar in November 2006. Since that time, he has worked closely with Mr. Gross in the fundamental credit and private equity group. Mr. Spohler joined Magnetar from CIBC World Markets, where he was a managing director and a former co-head of U.S. Leveraged Finance. He held numerous senior roles across the firm, including serving on the U.S. Management Committee, Global Executive Committee and the Deals Committee, which approves all of the firm's U.S. corporate finance debt capital decisions. During Mr. Spohler's tenure, he was responsible for senior loan, high yield and mezzanine origination and execution, as well as the firm's below investment grade loan portfolio. As a co-head of U.S. Leveraged Finance, Mr. Spohler oversaw over 300 capital raising and merger and acquisition transactions, comprising over $40 billion in market capitalization.

In addition to Messrs. Gross and Spohler, Solar Capital Partners' senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners' senior investment professionals have an average of over 18 years of experience in the private equity and leveraged lending industries.

**Market Opportunity**

Solar Capital invests primarily in senior secured loans, mezzanine loans and equity securities of leveraged companies organized and located in the United States. We believe that the size of the leveraged company market,

coupled with the demands of these companies for flexible sources of capital at attractive terms and rates, create an attractive investment environment for us.

- *Large pool of uninvested private equity capital should continue to drive loan volume.* Since 2006, U.S. leveraged buyouts led by private equity firms have accounted for over $1 trillion or 30% of the total U.S. mergers and acquisition volume, as compared to only 5% of total U.S. mergers and acquisition volume in 2000. The significant increase in leveraged buyout volume is driven by an increase in the amount of capital raised by private equity firms. Since 2004, U.S. buyout firms have raised approximately $375 billion. During that same period, middle-market U.S. buyout funds have raised approximately $95 billion. Industry sources suggest that, as of June 2007, all U.S. buyout firms still had approximately $100 billion of committed capital available for investment and middle-market U.S. buyout firms still had approximately $25 billion available for investment. We believe the abundance of uninvested capital and continued increase in fund size should continue to sustain the recent high volume of leveraged buyouts by private equity firms. As a result, loan volumes should remain robust as private equity firms seek to package their equity investments together with senior secured and/or mezzanine loans in leveraged buyouts, which should provide opportunities for us to partner with such firms.
- *Recent disruptions within the credit markets generally have led to reduced liquidity and a more lender-friendly environment.* Throughout the first half of 2007, the global debt markets witnessed ever-increasing amounts of liquidity. This translated into highly robust debt capital markets, resulting in more issuer-friendly terms, tighter spreads and higher leverage levels. CLOs, which represented 60% of the buying power of new loan volume over the twelve-month period beginning October 1, 2006 and ending September 30, 2007, had been a driving force in the increased appetite that existed in the debt capital markets. However, beginning at the end of June 2007, signs of strain emerged as fears of increasing defaults in the subprime mortgage lending market caused credit concerns and a loss of investor confidence in the leveraged loan and high yield markets. Due to credit concerns and the loss of investor confidence, there was a significant decline in CLO issuance leading to a liquidity shortage in the debt markets. We believe that this reduction in liquidity throughout the credit markets has improved the number and quality of investment opportunities available to Solar Capital, as many of the alternative methods of obtaining middle-market debt financing have significantly decreased in scope and availability while demand for financings has remained robust. We believe we will be able to structure investments with lower leverage, better terms, better yields, and longer duration than was typical before the recent market correction. In addition, our permanent capital structure makes us an attractive alternative to other sources of financing for companies.
- *Bank consolidation has been high, resulting in fewer key players willing to provide debt financing to the companies we target.* In the last 20 years, the number of U.S. commercial banks has shrunk from over 13,700 in 1987 to approximately 7,300 as of September, 2007. As a result, we believe that this trend towards greater concentration of assets in larger banks has reduced the availability of debt capital to the companies we target for such financing sources.
- *Commercial and investment banks have been syndicating larger volumes of loans.* To mitigate their exposure to a single credit, commercial and investment banks have been syndicating larger volumes of loans, rather than holding them. The syndication process can be cumbersome for issuers and demonstrates a lack of commitment by the bank to the relationship with the issuer. We believe that this trend should provide more efficient and committed financing sources, like us, with increased investment opportunities. Additionally, many banks have reduced further their credit exposure in response to the credit market turmoil. This pullback is disproportionately impairing middle-market companies' access to loans, as banks allocate their capital to larger clients. The resulting reduction in access to capital for middle-market companies increases the value proposition for alternative financing sources who can underwrite large commitments in place of the banks.
- *Less competition and the potential for greater reward for a willingness to accept illiquidity make the middle-market an attractive opportunity.* We believe there is a considerable opportunity in the middle-

market sector given the significant number of companies and transactions within this sector. Increasingly, sponsors have been drawn to the segment because of less competition for deals and the segment's growth characteristics, resulting in more than 1,800 acquisitions since 2005 between $10 million and $500 million. We expect that private equity firms will continue to be active investors in middle-market companies and that these private equity funds will seek to leverage their equity investments by combining capital with senior secured and/or mezzanine loans from other sources. Solar Capital believes there is a large pool of uninvested private equity capital likely to seek mezzanine capital to support their investments. For the twelve months ended September 30, 2007, leveraged loan volume for companies with EBITDA of less than $50 million totaled $32 billion, and we expect this trend to continue.

We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, creates an attractive investment environment for us. The middle-market has distinct characteristics in terms of risk, capital requirements and rates of return. We believe that the segment's strong growth prospects, combined with the growing demand for capital and the corporate finance and advisory services we offer, enhances our market opportunity.

Therefore, we believe that there is an opportunity to invest in senior secured loans, mezzanine loans and equity securities of leveraged companies and that we are well positioned to serve this market.

**Competitive Advantages and Strategy**

We believe that we have the following competitive advantages over other providers of financing to leveraged companies:

***Management Expertise***

Mr. Gross has principal management responsibility for Solar Capital Partners as its managing partner. He currently dedicates a significant portion of his time to managing Solar Capital Partners. Mr. Gross has 20 years of experience in leveraged finance, private equity and distressed debt investing. Mr. Spohler, our chief operating officer and a partner of our investment adviser, has over 20 years of experience in evaluating and executing leverage finance transactions. We believe that Messrs. Gross and Spohler have developed a strong reputation in the capital markets, and that this experience provides us with a competitive advantage in identifying and investing in leveraged companies with the potential to generate returns. We believe that our investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. We believe that our investment team has a proven track record of valuing companies and assets and negotiating transactions.

In addition to Messrs. Gross and Spohler, Solar Capital Partners' senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners' senior investment professionals have an average of over 18 years of experience in the private equity and leveraged lending industries.

***Proprietary Sourcing and Origination***

We believe that Solar Capital Partners' senior investment professionals' longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We believe the broad expertise of Solar Capital Partners' senior investment professionals and their ability to draw upon their average of 18 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC's U.S. Leveraged Finance Group.

Our investment team's strong relationship network is enhanced by the collaborative role Solar Capital plays in the private equity industry. We offer tailored solutions to our portfolio companies, and we believe that this role provides us with greater deal flow as opposed to being viewed as a competitor bidding for control stakes. Because Solar Capital is not associated with a private equity firm, we are not precluded from partnering with most of the top tier financial sponsors. We believe that our relationship with Magnetar, which does not have a private equity fund that targets control investments, strengthens our ties and industry knowledge without creating competition or significant conflicts of interest.

These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company's operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 33 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 30 different financial sponsors.

***Versatile Transaction Structuring and Flexibility of Capital***

We believe our senior investment professionals' broad expertise and ability to draw upon their extensive experience enable us to identify, assess and structure investments successfully across all levels of a company's capital structure and to manage potential risk and return at all stages of the economic cycle. While we will be subject to significant regulation as a business development company, we will not be subject to many of the regulatory limitations that govern traditional lending institutions such as banks. As a result, we believe that we can be more flexible than such lending institutions in selecting and structuring investments, adjusting investment criteria, transaction structures and, in some cases, the types of securities in which we invest. We believe financial sponsors, management teams and investment banks see this flexibility as a benefit, making us an attractive financing partner. We believe that this approach enables us to procure attractive investment opportunities throughout the economic cycle so that we can make investments consistent with our stated investment objective even during turbulent periods in the capital markets.

***Emphasis on Achieving Strong Risk-Adjusted Returns***

Solar Capital Partners uses a disciplined investment and risk management process that emphasizes a rigorous fundamental research and analysis framework. Solar Capital Partners seeks to build our portfolio on a "bottom-up" basis, choosing and sizing individual positions based on their relative risk/reward profiles as a function of the associated downside risk, volatility, correlation with the existing portfolio and liquidity. At the same time, Solar Capital Partners takes into consideration a variety of factors in managing our portfolio and imposes portfolio-based risk constraints promoting a more diverse portfolio of investments and limiting cross-correlation exposure and issuer and industry concentration. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We do not pursue short-term origination targets. We believe this approach enables us to build an attractive investment portfolio that meets our return and value criteria over the long term.

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through our investment adviser, conduct a rigorous due diligence process that draws upon investment experience, industry expertise and network of contacts of our senior investment professionals, as well as the other members of our investment team. Among other things, our due diligence is designed to ensure that a prospective portfolio company will be able to meet its debt service obligations.

We have the ability to invest across an issuer's capital structure, which we believe enables us to provide comprehensive financing solutions for our portfolio companies, as well as access the best risk-adjusted opportunities. The overall transaction size and product mix is based upon the needs of the customer, as well as

our risk-return hurdles. We also focus on downside protection and preservation of capital throughout the structuring process.

***Deep Industry Focus with Substantial Information Flow***

We concentrate our investing activities in industries characterized by strong cash flow and in which Solar Capital Partners' investment professionals have deep investment experience. During his time with the Apollo entities, Mr. Gross oversaw investments in over 200 companies in 20 industries. As a result of their investment experience, Messrs. Gross and Spohler, together with Solar Capital Partners' other investment professionals, have long-term relationships with management consultants and management teams in the industries we target, as well as substantial information concerning those industries. Solar Capital Partners' investment team also has significant experience in evaluating and making investments in the industries we target. We believe that the in-depth experience of Solar Capital Partners' investment team in investing throughout various stages of the economic cycle provides our investment adviser with access to ongoing market insights in addition to a powerful asset for investment sourcing. See "Business — Investments."

***Longer Investment Horizon***

Unlike private equity and venture capital funds, we are not subject to standard periodic capital return requirements. Such requirements typically stipulate that the capital of these funds, together with any capital gains on such invested funds, can only be invested once and must be returned to investors after a pre-agreed time period. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles provides us with the opportunity to generate favorable returns on invested capital and enables us to be a better long-term partner for our portfolio companies.

***Relationship with Magnetar***

Solar Capital seeks to capitalize upon the synergies enabled by its association with Magnetar, a multi-strategy investment manager with offices in Evanston, Illinois, New York, London and Philadelphia, and which, along with its affiliates, has over $ billion in assets under management across multiple strategies. We believe that our origination capabilities are further strengthened by leveraging the other investment strategies of Magnetar, which focuses primarily on non-control investments and whose senior management also has developed a strong reputation in the investment management sector, as well as a broad network of contacts within the investment, commercial banking, private equity and investment management communities. We believe that Magnetar has significant depth among its investment professionals across its global equities, reinsurance, fundamental credit and private equity and structured credit groups, as well as among its back-office support staff. We believe that Magnetar's disciplined, institutionalized process and collaborative culture serves as a competitive advantage for us, enabling us to further improve our ability to source investments from non-traditional sources. Our collaboration with Magnetar includes shared research and due diligence, shared industry expertise, shared investment ideas and deal flow. We believe that the ability of Magnetar to co-invest with us increases the size of investment opportunities available to us, allowing us to speak for entire tranches in many middle market financings. We believe this should result in greater influence in negotiating terms and sourcing transactions among prospective portfolio companies.

In connection with the initial private placement, the Magnetar Entities invested an aggregate of approximately $525 million in us in exchange for approximately 35 million units. The consideration paid by the Magnetar Entities in connection with such transactions consisted of a portfolio of debt and equity investments originated by investment professionals at Magnetar who are currently a part of Solar Capital Partners' investment team, together with accrued and unpaid interest thereon and additional funding commitments in such investments, as well as a cash investment. The Magnetar Entities currently own, either directly or indirectly, approximately 42.8% of our outstanding equity, and are expected to own, either directly or indirectly, approximately % of our outstanding shares of common stock upon the completion of this offering.

Subsequent to the completion of this offering, so long as our relationship with Magnetar exists, and subject to the approval of the SEC when required, we intend to offer certain of the Magnetar Entities the opportunity to invest an amount equal to up to 33% of the total amount available for investment in each investment opportunity identified by Solar Capital Partners that exceeds $30 million. In addition, there may be circumstances under which Solar Capital Partners determines to offer to Magnetar the ability to participate at amounts greater than 33%, including, for example, circumstances where Solar Capital Partners determines that the investment is too large for us or if we would be prohibited from making such investment because of the restrictions contained in the 1940 Act. Any co-investment by the Magnetar Entities will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures. In certain circumstances, negotiated co-investments, either with a Magnetar Entity or another fund managed by Solar Capital Partners or its affiliates, may be made only if we receive an order from the SEC permitting us to do so. We intend to seek an order from the SEC to permit the above-referenced co-investments with certain of the Magnetar Entities following consummation of this offering. There can be no assurance when, or if, such an order may be obtained.

**Investments**

Solar Capital seeks to create a diverse portfolio that includes senior secured loans, mezzanine loans and equity securities by investing approximately $20 to $100 million of capital, on average, in the securities of leveraged companies, including middle-market companies. Our portfolio includes both senior secured loans and mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of an insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers' capital structure. Typically, mezzanine loans have elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of warrants. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine loans generally earn a higher return than senior secured loans. The warrants associated with mezzanine loans are typically detachable, which allows lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Mezzanine loans also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula. We believe that mezzanine loans offer an attractive investment opportunity based upon their historic returns and resilience during economic downturns.

In addition to senior secured loans and mezzanine loans, we may invest a portion of our portfolio in opportunistic investments, which are not our primary focus, but are intended to enhance our returns to unitholders. These investments may include similar direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States.

Additionally, we may in the future seek to securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of loans.

Moreover, we may acquire investments in the secondary market and, in analyzing such investments, we will employ the same analytical process as we use for our primary investments.

Our principal focus is to provide senior secured loans and mezzanine loans to leveraged companies in a variety of industries. We generally seek to target companies that generate positive cash flows. We generally seek to invest in companies from the broad variety of industries in which our investment adviser has direct expertise. The following is a representative list of the industries in which we may invest.

- Aerospace and defense
- Beverage, food and tobacco
- Broadcasting and entertainment
- Business services
- Cable television
- Cargo transport
- Consumer products
- Consumer finance
- Consumer services
- Containers
- Direct marketing
- Distribution
- Diversified/conglomerate manufacturing
- Diversified services
- Education
- Electronics
- Energy/utilities
- Equipment rental
- Food and beverage
- Financial services
- Healthcare, education and childcare
- Hotels, motels, inns and gaming
- Industrial
- Infrastructure
- Insurance
- Leisure, motion pictures and entertainment
- Logistics
- Machinery
- Media
- Oil and gas
- Printing, publishing and broadcasting
- Real estate
- Retail
- Specialty finance
- Technology
- Telecommunications

We may invest in other industries if we are presented with attractive opportunities.

Set forth below is a list of our ten largest portfolio company investments as of September 30, 2007, as well as the top ten industries in which we were invested as of September 30, 2007, in each case calculated as a percentage of our total assets as of such date.

| Portfolio Company | % of Total Assets |
|---|---|
| The Reader's Digest Association, Inc. | 5.5% |
| Asurion Corporation | 3.9% |
| Fleetpride Corporation | 3.4% |
| Questex Media Group | 3.3% |
| Station Casino, Inc. | 3.1% |
| Advanstar Communications Inc. | 2.9% |
| Wire Rope Corporation (nka WireCo World Group) | 2.8% |
| NXP Semiconductors Netherlands B.V. | 2.7% |
| Greatwide Logistics Services, Inc. | 2.6% |
| Ark Real Estate Partners LP | 2.1% |

| Industry | % of Total Assets |
|---|---|
| Printing, Publishing, Broadcasting | 6.9% |
| Diversified Services | 6.2% |
| Cargo Transport | 5.1% |
| Insurance | 3.9% |
| Diversified/Conglomerate Manufacturing | 3.8% |
| Broadcasting & Entertainment | 3.7% |
| Beverage, Food, and Tobacco | 3.5% |
| Aerospace & Defense | 3.4% |
| Hotels, Motels, Inns & Gaming | 3.1% |
| Technology | 2.7% |

**Investment Selection**

Solar Capital Partners utilizes the same value oriented investment philosophy used by the professionals of our investment adviser in their work with previous funds they have managed and commits resources to managing downside exposure.

***Portfolio Company Characteristics***

We have identified several criteria that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions; however, not all of these criteria will be met by each prospective portfolio company in which we choose to invest. Generally, Solar Capital Partners seeks to utilize its access to information generated by our investment professionals, including through their relationship with Magnetar, to identify investment candidates and to structure investments quickly and effectively.

***Value Orientation/Positive Cash Flow.*** Our investment philosophy places a premium on fundamental analysis from an investor's perspective and has a distinct value orientation. We focus on companies in which we can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis. Additionally, we look for companies with a demonstrated ability to de-lever. Typically, we would not invest in start-up companies or companies having speculative business plans.

***Growth.*** We invest primarily in companies with strong prospects for growth. These companies are usually in high-growth industries or have a competitive advantage that creates the potential to increase market share.

***Strong Competitive Position in Industry.*** We seek to invest in target companies that have developed leading market positions within their respective markets and are well positioned to capitalize on growth opportunities. We seek companies that demonstrate significant competitive advantages versus their competitors, which we believe should help to protect their market position and profitability.

***Diversified Customer and Supplier Base.*** We seek to acquire businesses that have a diversified customer and supplier base. We believe that companies with a diversified customer and supplier base are generally better able to endure economic downturns, industry consolidation, changing business preferences and other factors that may negatively impact their customers, suppliers and competitors.

***Exit Strategy.*** We predominantly invest in companies which provide multiple alternatives for an eventual exit. We look for opportunities that provide an exit typically within three years of the initial capital commitment.

We seek companies that we believe will provide a steady stream of cash flow to repay our loans and reinvest in their respective businesses. We believe that such internally generated cash flow, leading to the payment of interest on, and the repayment of the principal of, our investments in portfolio companies represents a key means by which we will be able to exit from our investments over time.

In addition, we also seek to invest in companies whose business models and expected future cash flows offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay our investments through an initial public offering of common stock or another capital market transaction.

***Liquidation Value of Assets.*** The prospective liquidation value of the assets, if any, collateralizing loans in which we invest is an important factor in our credit analysis. Our analysis emphasizes both tangible assets, such as accounts receivable, inventory, equipment and real estate, and intangible assets, such as intellectual property, customer lists, networks and databases.

***Experienced and Committed Management.*** We generally require that portfolio companies have an experienced management team. We also require portfolio companies have in place proper incentives to induce management to succeed and to act in concert with our interests as investors, including having significant equity interests.

***Strong Sponsorship.*** We aim to invest alongside other sophisticated investors. We seek to partner with successful financial sponsors who have historically generated high returns. We believe that investing in these sponsors' portfolio companies enables us to benefit from their direct involvement and due diligence.

***Due Diligence***

Our investment adviser conducts diligence on prospective portfolio companies consistent with the approach adopted by the investment professionals of our investment adviser in their work with other funds they have managed. We believe that these investment professionals have a reputation for conducting extensive due diligence investigations in their investment activities. We also seek to leverage our relationship with Magnetar to deepen our expertise across industries. In conducting due diligence, our investment adviser uses publicly available information as well as information from its relationships with former and current management teams, consultants, competitors and investment bankers.

Our due diligence typically includes:

- review of historical and prospective financial information;
- research relating to the company's management, industry, markets, products and services and competitors;
- on-site visits;
- interviews with management, employees, customers and vendors of the potential portfolio company;
- review of senior loan documents; and
- background checks.

Upon the completion of due diligence and a decision to proceed with an investment in a company, the investment professionals leading the investment present the investment opportunity to our investment adviser's investment committee, which then determines whether to pursue the potential investment. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants prior to the closing of the investment, as well as other outside advisers, as appropriate.

***The Investment Committee***

All new investments are required to be approved by a consensus of the investment committee of our investment adviser, which is led by Messrs. Gross and Spohler. The members of Solar Capital Partners' investment committee receive no compensation from us. Such members may be employees or partners of our investment adviser and may receive compensation or profit distributions from our investment adviser. See "Portfolio Management."

***Investment Structure***

Once we determine that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers, including senior, junior and equity capital providers, to structure an investment. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure.

We structure our mezzanine investments primarily as unsecured, subordinated loans that provide for relatively high, fixed interest rates that provide us with significant current interest income. These loans typically have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loans. In some cases, we may enter into loans that, by their terms, convert into equity or additional debt securities or defer payments of interest for the first few years after our investment. Also, in some cases our mezzanine loans may be collateralized by a subordinated lien on some or all of the assets of the borrower. Typically, our mezzanine loans have maturities of five to ten years.

We also invest in portfolio companies in the form of senior secured loans. These senior secured loans typically provide for deferred interest payments in the first few years of the term of the loan. We generally obtain

security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company.

Typically, our mezzanine and senior secured loans have final maturities of five to ten years. However, we expect that our portfolio companies often may repay these loans early, generally within three years from the date of initial investment. To preserve an acceptable return on investment, we seek to structure these loans with prepayment premiums.

In the case of our mezzanine loan and senior secured loan investments, we tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a senior position in the capital structure of our portfolio companies, we will seek to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential capital appreciation) that compensates us for credit risk;
- incorporating "put" rights and call protection into the investment structure; and
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Our investments may include equity features, such as warrants or options to buy a minority interest in the portfolio company. Any warrants we receive with our debt securities generally require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we also obtain registration rights in connection with these equity securities, which may include demand and "piggyback" registration rights. In addition, we may from time to time make direct equity investments in portfolio companies.

We seek to hold most of our investments to maturity or repayment, but will sell our investments earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company.

***Managerial Assistance***

As a business development company, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may also receive fees for these services. Solar Capital Management will provide such managerial assistance on our behalf to portfolio companies that request this assistance.

***Ongoing Relationships with Portfolio Companies***

***Monitoring.*** Solar Capital Partners monitors our portfolio companies on an ongoing basis. Solar Capital Partners monitors the financial trends of each portfolio company to determine if it is meeting its business plan and to assess the appropriate course of action for each company.

Solar Capital Partners has several methods of evaluating and monitoring the performance and fair value of our investments, which include the following:

- Assessment of success in adhering to each portfolio company's business plan and compliance with covenants;

- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Comparisons to other Solar Capital portfolio companies in the industry, if any;
- Attendance at and participation in board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

In addition to various risk management and monitoring tools, Solar Capital Partners also uses an investment rating system to characterize and monitor our expected level of returns on each investment in our portfolio.

We use an investment rating scale of 1 to 5. The following is a description of the conditions associated with each investment rating:

| Investment Rating | Summary Description |
|---|---|
| 1 | Capital gain expected |
| 2 | Full return of principal and interest or dividend expected, with the portfolio company performing in accordance with our analysis of its business |
| 3 | Full return of principal and interest or dividend expected, but the portfolio company requires closer monitoring |
| 4 | Some loss of interest, dividend or capital appreciation expected, but still expecting an overall positive internal rate of return on the investment |
| 5 | Loss of interest or dividend and some loss of principal investment expected, which would result in an overall negative internal rate of return on the investment |

Solar Capital Partners monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. In connection with our valuation process, Solar Capital Partners reviews these investment ratings on a quarterly basis, and our board of directors affirms such ratings.

***Valuation Process.*** The following is a description of the steps we take each quarter to determine the value of our portfolio. Investments for which market quotations are readily available are valued at such market quotations. We may also obtain indicative prices with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by our board of directors. We expect that there will not be a readily available market value for many of the investments in our portfolio. We expect to value such investments at fair value as determined in good faith by our board of directors using a documented valuation policy and a consistently applied valuation process. With respect to certain of our debt and equity securities, each investment will be valued by independent third party valuation firms, pricing services or quotations from brokers or dealers. Third party valuation firms use methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate our private equity valuation. 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 differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Our board of directors is ultimately and solely responsible for determining the fair value of our portfolio investments that are not publicly traded or whose market prices are not readily available on a quarterly basis in good faith.

With respect to our investments for which market quotations are not readily available or for which we have not received indicative prices from pricing services or brokers or dealers, 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.
- Preliminary valuation conclusions are then documented and discussed with our senior management.
- Third-party valuation firms engaged by, or on behalf of, our board of directors conduct independent reviews and consider management's preliminary valuations and make their own independent assessment.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, 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, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

**Competition**

Our primary competitors to provide financing to leveraged companies include public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including making investments in leveraged companies. As a result of these new entrants, competition for investment opportunities at leveraged companies has intensified, and we expect the trend to continue. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company. We use the industry information available to Mr. Gross and the other investment professionals of our investment adviser to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that the relationships of Mr. Gross and the other investment professionals of our investment adviser enable us to learn about, and compete effectively for, financing opportunities with attractive leveraged companies in the industries in which we seek to invest. For additional information concerning the competitive risks we face, see "Risk Factors — Risks Related to Our Investments — We operate in a highly competitive market for investment opportunities."

**Staffing**

We do not currently have any employees. Mr. Gross, our chief executive officer, and Mr. Spohler, our chief operating officer, currently serve as the managing member and a partner, respectively, of our investment adviser, Solar Capital Partners. , our chief financial officer, is an employee of Solar Capital Management, and performs his functions as chief financial officer and interim chief compliance officer under the terms of our Administration Agreement. Subsequent to the completion of this offering, our board of directors may, at its discretion, choose to retain as our permanent chief compliance officer, appoint a new individual to serve as our permanent chief compliance officer, or retain a third-party compliance firm to perform such functions on our behalf. To the extent we retain a new individual to serve as our permanent chief compliance officer, such person would be an employee of Solar Capital Management and would perform his functions as

chief compliance officer under the terms of our Administration Agreement. Similarly, any third-party compliance firm would be retained by Solar Capital Management and would perform its compliance functions under the terms of our Administration Agreement. Our day-to-day investment operations will be managed by our investment adviser. See "Investment Advisory and Management Agreement." Solar Capital Partners' investment personnel currently consists of its senior investment professionals, Messrs. Gross, Spohler, Gerson, Henley and Mait, and a team of additional experienced investment professionals. Solar Capital Partners may hire additional investment professionals, based upon its needs, subsequent to the completion of this offering. In addition, we will reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the compensation of our chief financial officer and any administrative support staff. See "Administration Agreement."

**Properties**

Our executive offices are located at 500 Park Avenue, 5th Floor, New York, New York 10022, and are provided by Solar Capital Management in accordance with the terms of the Administration Agreement. We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

**Legal Proceedings**

None of us, our investment adviser or administrator, is currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us, or against our investment adviser or administrator. From time to time, we, our investment adviser or administrator, may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

## PORTFOLIO COMPANIES

The following table sets forth certain information as of September 30, 2007 for each portfolio company in which we had a debt or equity investment. The general terms of our debt and equity investments are described in "Business—Investments." Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance we may provide upon request and the board observer or participation rights we may receive in connection with our investment. Other than Alternative Asset Management Acquisition Corp., Ark Real Estate Partners LP, National Interest Security Corporation and National Specialty Alloys, LLC, we do not "control" and are not an "affiliate" of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would "control" a portfolio company if we owned more than 25% of its voting securities and would be an "affiliate" of a portfolio company if we owned more than 5% of its voting securities.

| Name and Address of Portfolio Company | Nature of Business | Type of Investment | Interest(1) | Maturity | % of Class Held(2) | Fair Value (in thousands) |
|---|---|---|---|---|---|---|
| Advanstar Communications Inc.<br>641 Lexington Ave., 8th Floor<br>New York, NY 10022 | Diversified Services | Senior secured loan<br>Subordinated notes<br>Common stock | 10.229% (L+500/Q)<br>12.229% (L+700/Q) | 12/01/2015<br>12/01/2015 | —<br>—<br>1.03% | $ 14,400<br>18,747(3)<br>3,701 |
| Affinity Group, Inc.<br>2575 Vista Del Mar<br>Ventura, CA 93001 | Printing, Publishing, Broadcasting | Subordinated notes | 10.875% | 2/16/2012 | — | 18,198 |
| Alternative Asset Management Acquisition Corp.<br>590 Madison Ave., 35th Floor<br>New York, NY 10022 | Specialty Finance | Common stock<br>Warrants to purchase common stock | | | 13.89%<br>15.39% | 3<br>641 |
| AMC Entertainment Holdings, Inc.<br>920 Main Street<br>Kansas City, MO 64105 | Leisure, Motion Pictures, Entertainment | Subordinated notes | 10.229% (L+500/Q) | 6/13/2012 | — | 20,022(3) |
| Ark Real Estate Partners LP<br>505 Park Ave., 21st Floor<br>New York, NY 10022 | Real Estate | Partnership interests | | | 24.80% | 27,094 |
| Asurion Corporation<br>648 Grassmere Park, Suite 300 Nashville, TN 37211 | Insurance | Senior secured loan | 10.875% (L+650) | 7/03/2015 | — | 49,125 |
| Casema B. V.<br>Spaarneplein 2<br>Postbus 16192<br>2500 BD Den Haag<br>The Netherlands | Telecommunications | Subordinated notes<br>Subordinated notes | 14.009% (E+925/S)<br>14.009% (E+925/S) | 11/17/2016<br>11/17/2016 | — | 7,299(3)<br>7,837(3) |
| Emdeon Business Services LLC<br>26 Century Blvd.<br>Nashville, TN 37214 | Healthcare, Education, and Childcare | Senior secured loan | 10.229% (L+500/Q) | 5/19/2014 | — | 14,925 |
| Fleetpride Corporation<br>8708 Technology Forest Place<br>Suite 125<br>The Woodlands, TX 77381 | Cargo Transport | Subordinated notes | 11.500% | 10/01/2014 | — | 43,430 |
| Generac Power Systems, Inc.<br>Highway 59 & Hillside Rd.<br>P.O. Box 8<br>Waukesha, WI 53187 | Machinery | Senior secured loan | 11.229% (L+600/Q) | 5/10/2014 | — | 5,197 |
| Grakon, LLC<br>1911 S. 218th St.<br>P.O. Box 98984<br>Seattle, WA 98198 | Cargo Transport | Subordinated notes<br>LLC interests | 12.000% | 6/19/2013 | —<br>2.50% | 20,000<br>1,714 |

| Name and Address of Portfolio Company | Nature of Business | Type of Investment | Interest(1) | Maturity | % of Class Held(2) | Fair Value (in thousands) |
|---|---|---|---|---|---|---|
| Greatwide Logistics Services, Inc.<br>12404 Park Central Dr.<br>Suite 300 South<br>Dallas, TX 75251 | Logistics/Distribution | Senior secured loan<br>Subordinated notes | 11.633% (L+650/S)<br>13.500% | 6/19/2014<br>12/19/2014 | —<br>— | 22,100<br>10,493(3) |
| Iglo Birds Eye Group Limited<br>5, New Square<br>Bedfont Lakes Business Park Feltham, Middlesex TW 14 8HA United Kingdom | Beverage, Food, and Tobacco | Subordinated notes<br>Subordinated notes | 12.759% (E+800/S)<br>14.250% (L+800/S) | 12/08/2016<br>12/08/2016 | —<br>— | 4,715(3)(4)<br>14,168(3)(4) |
| Jonathan Engineering Solutions Corp.<br>410 Exchange, Suite 200<br>Irvine, CA 92602 | Diversified/Conglomerate Manufacturing | Subordinated notes<br>Subordinated notes | 13.000%<br>16.500% | 6/29/2014<br>6/29/2014 | —<br>— | 10,141(3)<br>3,163(3) |
| National Interest Security Corporation<br>18757 North Frederick Rd.<br>Gaithersburg, MD 20879 | Aerospace & Defense | Subordinated notes<br>Common stock | 14.500% | 1/20/2013 | —<br>12.65% | 20,000(3)<br>1,265 |
| National Specialty Alloys, LLC<br>18250 Kieth Harrow Blvd.<br>Houston, TX 77084 | Industrial | Preferred LLC interests<br>LLC interests | | | 49.50%<br>42.13% | 8,500<br>10,000(5) |
| NXP Semiconductors Netherlands B.V.<br>High Tech Campus 60<br>5656 AG Eindhoven<br>The Netherlands | Technology | Common stock | | | 0.70% | 33,838(6) |
| Pacific Crane Maintenance Company, L.P.<br>225 N.E. Mizner Blvd., Suite 700<br>Boca Raton, FL 33432 | Machinery | Subordinated notes<br>Partnership interests | 13.000% | 2/15/2014 | —<br>1.10% | 9,000<br>1,000 |
| ProSieben Sat.1 Media AG<br>Medienallee 7<br>85774 Unterfohring<br>Germany | Broadcasting & Entertainment | Subordinated notes | 11.592% (E+350/Q) | 6/03/2017 | — | 20,783(3)(4) |
| Questex Media Group.<br>275 Grove St., Suite 2-130<br>Newton, MA 02466 | Diversified Services | Senior secured loan<br>Subordinated notes | 11.633% (L+650/S)<br>14.500% | 11/04/2014<br>11/04/2014 | —<br>— | 9,900<br>31,838(3) |
| Riverdeep Interactive Learning Ltd.<br>Styne House, 3rd Floor<br>Upper Hatch Street<br>Dublin 2<br>Ireland | Healthcare, Education, and Childcare | Subordinated notes | 12.429% (L+720/Q) | 12/21/2007 | — | 13,696 |
| Sandridge Energy, Inc.<br>1601 NW Expressway, Suite 1600<br>Oklahoma City, OK 73118 | Oil & Gas | Common stock<br>Common stock | | | 0.13%<br>0.40% | 3,885<br>11,667 |
| Seven Media Group Pty Limited<br>38-42 Pirrama Road<br>Pyrmont, New South Wales 2009<br>Australia | Broadcasting & Entertainment | Subordinated notes<br>Subordinated notes<br>Common stock | 10.160%<br>12.000% | 12/12/2013<br>12/12/2013 | —<br>—<br>[ ] | 17,964<br>4,847(3)<br>4,138(7) |
| Station Casino, Inc.<br>2411 West Sahara Ave.<br>Las Vegas, NV 89102 | Hotels, Motels, Inns & Gaming | Common stock | | | 1.10% | 40,000(8) |
| The Reader's Digest Association, Inc.<br>Reader's Digest Road<br>Pleasantville, NY 10570 | Printing, Publishing, Broadcasting | Preferred stock<br>Common stock | | | <br>2.80% | 53,493<br>16,606 |
| Tri-Star Electronics International, Inc.<br>2201 Rosencrans Ave.<br>El Segundo, CA 90245 | Aerospace & Defense | Subordinated notes | 13.500% | 8/02/2013 | — | 22,500(3) |

| Name and Address of Portfolio Company | Nature of Business | Type of Investment | Interest(1) | Maturity | % of Class Held(2) | Fair Value (in thousands) |
|---|---|---|---|---|---|---|
| Wastequip, Inc.<br>25800 Science Park Dr., Suite 140<br>Beachwood, OH 44122 | Containers | Subordinated notes | 12.000% | 2/05/2015 | — | 14,797(3) |
| Weetabix Group<br>Burton Latimer<br>Kettering<br>Northants NN 15 5JR<br>United Kingdom | Beverage, Food, and Tobacco | Subordinated notes | 15.250% (L+900/S) | 5/07/2017 | — | 25,901(3) |
| Wire Rope Corporation (nka WireCo World Group)<br>12200 NW Ambassador Drive<br>Kansas City, MO 64163 | Diversified/ Conglomerate Manufacturing | Subordinated notes | 11.000% | 2/08/2015 | — | 35,700 |
| Total | | | | | | $ 728,431 |

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to LIBOR or EURIBOR, and which reset daily, quarterly (Q) or semi-annually (S). For each debt investment we have provided the current interest rate in effect as of September 30, 2007.
(2) Percentages shown for warrants or convertible preferred stock represent the percentages of outstanding common stock, assuming we exercise our warrants or convert our preferred stock into common stock.
(3) Fair value includes accrual of PIK interest on debt investment.
(4) Solar's investment in Iglo Birds Eye Group Limited and ProSieben Sat.1 Media AG are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(5) Solar's LLC interests in National Specialty Alloys, LLC are held indirectly through its investment in membership interests of Post Oak NSA, LLC.
(6) Solar's holdings in NXP Semiconductors Netherlands B.V. are held indirectly through its investment in limited partnership interests of NXP Co-Investment Partners, L.P.
(7) Solar's common stock in Seven Media Group Pty Limited is held indirectly through its investment in (a) convertible notes in Seven Media Group Pty Limited and (b) subordinated equity notes in SMG Finco Pty Limited.
(8) Solar's common stock in Station Casino, Inc. is held indirectly through its investment in FC Co-Investment Partners, L.P.

Set forth below is a brief description of each portfolio company in which we have made an investment that represents greater than 5% of our total assets as of September 30, 2007.

**The Reader's Digest Association, Inc.**

The Reader's Digest Association, Inc. ("RDA") is a diverse multimedia publisher across four primary high-interest affinities: Food; Home & Garden; Health & Wellness; and Personal Inspiration and through School and Education Services. RDA publishes magazines, books, recorded music collections and home video products, all of which are distributed primarily through direct marketing. As of December 31, 2006, Reader's Digest publishes 77 magazines consisting of 50 distinct editions of their flagship *Reader's Digest* magazine and 27 other specialty magazines worldwide, including *Every Day with Rachael Ray*, *Taste of Home* and *The Family Handyman*. *Reader's Digest* magazine is sold in approximately 70 countries and published in 21 languages.

## MANAGEMENT

Our board of directors oversees our management. The board of directors currently consists of four members, three of whom are not "interested persons" of Solar Capital Ltd. as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our board of directors elects our officers, who serve at the discretion of the board of directors. The responsibilities of each director will include, among other things, the oversight of our investment activity, the quarterly valuation of our assets, and oversight of our financing arrangements. The board of directors has also established an audit committee and a nominating and corporate governance committee and may establish additional committees in the future.

### Board of Directors and Executive Officers

#### *Directors*

Information regarding the board of directors is as follows:

| Name | Age | Position | Director Since | Expiration of Term |
|---|---|---|---|---|
| **Interested Director** | | | | |
| Michael S. Gross | 46 | Chief Executive Officer and Chairman of the Board of Directors | 2007 | 2010 |
| **Independent Directors** | | | | |
| Steve Hochberg | 46 | Director | 2007 | 2009 |
| David S. Wachter | 44 | Director | 2007 | 2008 |
| | | Director | 2008 | |

The address for each of our directors is 500 Park Avenue, 5th Floor, New York, New York 10022.

#### *Executive Officers Who Are Not Directors*

| Name | Age | Position |
|---|---|---|
| Bruce Spohler | 47 | Chief Operating Officer |
| (1) | | Chief Financial Officer |

(1) , our chief financial officer, will serve as our interim chief compliance officer. Subsequent to the completion of this offering, our board of directors may, at its discretion, choose to retain as our permanent chief compliance officer, appoint a new individual to serve as our permanent chief compliance officer, or retain a third-party compliance firm to perform such functions on our behalf.

The address for each of our executive officers is 500 Park Avenue, 5th Floor, New York, New York 10022.

### Biographical Information

#### *Directors*

Our directors have been divided into two groups — an interested director and independent directors. An interested director is an "interested person" as defined in Section 2(a)(19) of the 1940 Act.

**Interested Director**

***Michael S. Gross*** has been the managing member, the chairman of the board of directors and the chief executive officer of Solar Capital LLC since its inception in February 2007, and has been the chairman of the board of directors and chief executive officer of Solar Capital Ltd. since December 2007 and November 2007,

respectively. Mr. Gross also currently serves as the managing member of our investment adviser, Solar Capital Partners. Since July 2006, Mr. Gross has been a co-chairman of the investment committee of Magnetar, an SEC-registered investment adviser, which along with its affiliates has over $ billion in assets under management, that invests primarily in equity and debt securities in the public market, and a senior partner in Magnetar Capital Partners LP, the holding company for Magnetar. In such capacities, Mr. Gross heads Magnetar's fundamental credit and private equity business. Between February 2004 and February 2006, Mr. Gross was the president and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded and on whose board of directors and investment committee he served as chairman from February 2004 to July 2006, and was the managing partner of Apollo Investment Management, L.P., the investment adviser to Apollo Investment Corporation. Apollo Investment Corporation invests primarily in middle-market companies in the form of senior secured and mezzanine loans as well as by making direct equity investments in such companies. Under his management, Apollo Investment Corporation raised approximately $930 million in gross proceeds in an initial public offering in April 2004 and invested approximately $2.3 billion in over 65 companies in conjunction with 50 different private equity sponsors. From 1990 to February 2006, Mr. Gross was a senior partner at Apollo Management, L.P., a leading private equity firm which he founded in 1990 with five other persons. Since its inception, Apollo Management, L.P. has invested more than $13 billion in over 150 companies in the United States and Western Europe. During his tenure at Apollo Management, L.P., Mr. Gross was a member of an investment committee that was responsible for overseeing such investments. In addition, from 2003 to February 2006, Mr. Gross was the managing partner of Apollo Distressed Investment Fund, an investment fund he founded to invest principally in non-control oriented distressed debt and other investment securities of leveraged companies. Since June 2006, Mr. Gross has served as the chief executive officer, chairman of the board of directors and secretary of Marathon Acquisition Corp., a blank check company formed to acquire one or more operating businesses through a merger, stock exchange, asset acquisition, reorganization or similar business combination. Mr. Gross currently serves on the boards of directors of Saks, Inc., United Rentals, Inc., Alternative Asset Management Acquisition Corp. and Jarden Corporation, and in the past has served on the boards of directors, including in certain cases, in the capacity as a lead director, of more than 20 public and private companies. He is a founding member, and serves on the executive committee, of the Youth Renewal Fund, is the chairman of the board of Mt. Sinai Children's Center Foundation, serves on the Board of Trustees of The Trinity School and on the corporate advisory board of the University of Michigan Business School. Mr. Gross holds a B.B.A. in accounting from the University of Michigan and an M.B.A. from the Kellogg Graduate School of Management at Northwestern University.

**Independent Directors**

***Steven Hochberg*** has been a director of Solar Capital LLC and Solar Capital Ltd. since February 2007 and November 2007, respectively. Mr. Hochberg is the founder of Ascent Biomedical Ventures, a New York based venture investor in biomedical technology companies including medical devices and drugs. Since 1992, Mr. Hochberg has also been an active founder of early-stage medical technology companies, including Biomerix Corporation, Eminent Research Systems Inc. (acquired by PPD, Inc. in 2003), Clinsights, Inc. (acquired by PPD, Inc. in 2003), Med-E-Systems/AHT Corporation (initial public offering in 1996), and Physicians' Online (acquired by Mediconsult in 1999). Mr. Hochberg is the chairman of the board of directors of Biomerix Corporation, Crosstrees Medical, Inc. and Ouroboros, Inc., and serves on the board of directors of Synecor, LLC. Previously, Mr. Hochberg was an investment banker with Alex. Brown & Sons and a strategy consultant with Bain & Company in the technology and healthcare areas. Currently, Mr. Hochberg is a member of the Board of Trustees and Treasurer of Continuum Health Partners, one of the largest non-profit hospital systems in New York City. Mr. Hochberg is also a member of Harvard University's President's Advisory Committee for the development of the 300 acre Allston campus. Mr. Hochberg holds a B.S. from the University of Michigan and an M.B.A. from Harvard Business School.

***David S. Wachter*** has been a director of Solar Capital LLC and Solar Capital Ltd. since February 2007 and November 2007, respectively. Mr. Wachter is a founding partner, managing director and president of W Capital Partners. W Capital Partners is a private equity fund manager that acquires direct private equity portfolios in the

secondary market. Founded in February 2001, W Capital provides exit alternatives for direct investments held in funds that have reached harvesting stage. W Capital manages $1 billion of committed capital and a portfolio of more than $1.5 billion of original invested capital. Prior to founding W Capital, Mr. Wachter was a managing director at Jefferies & Co. from 1999 to 2001, serving as head of the Business Services and Information Technology Group and the New York corporate finance office. Prior to Jefferies, Mr. Wachter was a founding partner at C.E. Unterberg, Towbin from 1990 to 1999 and served numerous roles including managing director, member of the Executive Committee and Commitment Committee, and head of Corporate Finance. Prior to C.E. Unterberg, Towbin, from 1987 through 1990, Mr. Wachter was an associate in the investment banking department at Lehman Brothers. Mr. Wachter has an M.B.A. from New York University Graduate School of Business and a B.S. in Engineering, with a major in Computer Science and Applied Mathematics, from Tufts University.

***Executive Officers Who Are Not Directors***

***Bruce Spohler*** has been a senior vice president of Solar Capital LLC from its inception in February 2007 and has been the chief operating officer of Solar Capital Ltd. since December 2007. Mr. Spohler also currently serves as a partner of our investment adviser, Solar Capital Partners. Mr. Spohler joined Magnetar in November 2006 from CIBC World Markets, where he was a managing director and a former co-head of U.S. Leveraged Finance. He held numerous senior roles across the firm, including serving on the U.S. Management Committee, Global Executive Committee and the Deals Committee, which approves all of the firm's U.S. corporate finance debt capital decisions. During his tenure, he was responsible for senior loan, high yield and mezzanine origination and execution, as well as the firm's below investment grade loan portfolio. As a co-head of U.S. Leveraged Finance, he oversaw over 300 capital raising and merger and acquisition transactions, comprising over $40 billion in market capitalization. He joined CIBC World Markets in 1995 when the firm acquired The Argosy Group, of which Mr. Spohler was a founding member and managing director. Founded in 1990, The Argosy Group was a middle-market financing business, in which Mr. Spohler and other Argosy principals raised third party capital as well as invested alongside their financial sponsor clients.

**Committees of the Board of Directors**

Our board of directors has established an audit committee and a nominating and corporate governance committee. All directors are expected to attend at least 75% of the aggregate number of meetings of the board of directors and of the respective committees on which they serve. We require each director to make a diligent effort to attend all board and committee meetings as well as each annual meeting of our stockholders.

***Audit Committee***

The audit committee operates pursuant to a charter approved by our board of directors. The charter sets forth the responsibilities of the audit committee. The audit committee's responsibilities include selecting the independent registered public accounting firm for Solar Capital, reviewing with such independent registered public accounting firm the planning, scope and results of their audit of Solar Capital's financial statements, pre-approving the fees for services performed, reviewing with the independent registered public accounting firm the adequacy of internal control systems, reviewing Solar Capital's annual financial statements and periodic filings and receiving Solar Capital's audit reports and financial statements. The audit committee also establishes guidelines and makes recommendations to our board of directors regarding the valuation of our investments. The audit committee is responsible for aiding our board of directors in determining the fair value of debt and equity securities that are not publicly traded or for which current market values are not readily available. The board of directors and audit committee utilize the services of nationally recognized third-party valuation firms to help determine the fair value of these securities. The audit committee is currently composed of Messrs. Hochberg, Wachter and , all of whom are considered independent under the rules of the New York Stock Exchange and are not "interested persons" of Solar Capital as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Hochberg serves as chairman of the audit committee. Our board of directors has determined that Mr. Hochberg is an "audit committee financial expert" as that term is defined under Item 407 of Regulation S-K,

as promulgated under the Exchange Act. Mr. Hochberg meets the current independence and experience requirements of Rule 10A-3 of the Exchange Act.

***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee operates pursuant to a charter approved by our board of directors. The members of the nominating and corporate governance committee are Messrs. Hochberg, Wachter and , all of whom are considered independent under the rules of the New York Stock Exchange and are not "interested persons" of Solar Capital as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. serves as chairman of the nominating and corporate governance committee. The nominating and corporate governance committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the board of directors or a committee thereof, developing and recommending to the board of directors a set of corporate governance principles and overseeing the evaluation of the board of directors and our management. The nominating and corporate governance committee currently does not consider nominees recommended by our stockholders.

**Compensation of Directors**

Our independent directors receive an annual fee of $100,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting attended in person and $1,000 for each telephonic meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of $7,500 and each chairman of any other committee receives an annual fee of $2,500 for their additional services, if any, in these capacities. No compensation is expected to be paid to directors who are "interested persons" of Solar Capital, as such term is defined in Section 2(a)(19) of the 1940 Act.

**Compensation of Executive Officers**

None of our officers receives direct compensation from Solar Capital. Mr. , our chief financial officer, currently serves as our interim chief compliance officer. Subsequent to the completion of this offering, our board of directors may, at its discretion, choose to retain Mr. as our permanent chief compliance officer, appoint a new individual to serve as our permanent chief compliance officer, or retain a third-party compliance firm to perform such functions on our behalf. The compensation of our chief financial officer and our permanent chief compliance officer, if one is retained, will be paid by Solar Capital Management, subject to reimbursement by us of an allocable portion of such compensation for services rendered by such persons to Solar Capital. To the extent that Solar Capital Management outsources any of its functions we will pay the fees associated with such functions on a direct basis without profit to Solar Capital Management.

**Indemnification Agreements**

We have entered into indemnification agreements with our directors. The indemnification agreements are intended to provide our directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that Solar Capital shall indemnify the director who is a party to the agreement (an "Indemnitee"), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding.

## PORTFOLIO MANAGEMENT

The management of our investment portfolio is the responsibility of our investment adviser, Solar Capital Partners, and its investment committee, which is led by Messrs. Gross and Spohler. For more information regarding the business experience of Messrs. Gross and Spohler, see "Management — Board of Directors and Executive Officers — Interested Directors" and "— Executive Officers Who Are Not Directors." Solar Capital Partners' investment committee must approve each new investment that we make. The members of Solar Capital Partners' investment committee are not employed by us, and receive no compensation from us in connection with their portfolio management activities. However, Messrs. Gross and Spohler, through their financial interests in Solar Capital Partners, will be entitled to a portion of any investment advisory fees paid by Solar Capital to Solar Capital Partners.

Since July 2006, Mr. Gross has been a co-chairman of the investment committee of Magnetar, a multi-strategy investment manager, a senior partner in Magnetar Capital Partners LP, the sole member of Magnetar, and the head of Magnetar's fundamental credit and private equity business. Mr. Spohler and the other members of Solar Capital Partners' investment team also currently manage investments on behalf of Magnetar. As a result, Messrs. Gross and Spohler, and the other members of Solar Capital Partners' investment team, may be subject to certain conflicts of interest with respect to their management of our portfolio on the one hand, and their respective obligations to Magnetar and the entities it manages on the other hand.

In addition, Solar Capital Partners and its affiliates manage other funds that may have investment mandates that are similar, in whole and in part, with ours, including certain of the Magnetar Entities. Solar Capital Partners and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures.

In certain circumstances, negotiated co-investments, either with a Magnetar Entity or another fund managed by Solar Capital Partners or its affiliates, may be made only if we receive an order from the SEC permitting us to do so. We intend to seek an order from the SEC to permit the above-referenced co-investments with certain of the Magnetar Entities following consummation of this offering. There can be no assurance when, or if, such an order may be obtained.

Mr. Gross may also face certain conflicts of interest as a result of his position as chairman of the board of directors and chief executive officer of Marathon Acquisition Corp., a special purpose acquisition company seeking to acquire, through a through a merger, stock exchange, asset acquisition, reorganization or similar business combination, one or more operating businesses.

In addition to managing our investments, as of September 30, 2007, Solar Capital Partners' investment professionals also managed investments on behalf of the following entities:

| Name | Description | Net Assets(1) (2) |
|---|---|---|
| Marathon Acquisition Corp. | Special purpose acquisition company | $ 317 |
| Magnetar Capital Master Fund, Ltd. | Private fund | $ |
| Magnetar Capital Fund, LP | Private fund | $ |

(1) "Net assets" represents net assets, in millions, as of September 30, 2007.
(2) For Marathon Acquisition Corp., "net assets" represents total stockholders' equity, in millions, as of September 30, 2007.

**Investment Personnel**

Solar Capital Partners' investment team currently consists of its senior investment professionals, Messrs. Gross, Spohler, Gerson, Henley and Mait, and team of additional experienced investment professionals. We consider Messrs. Gross and Spohler, who lead Solar Capital Partners' investment committee, to be our portfolio managers.

The table below shows the dollar range of shares of common stock to be beneficially owned by each of our portfolio managers.

| Name of Portfolio Manager | Dollar Range of Equity Securities in Solar Capital(1) |
|---|---|
| Michael S. Gross | Over $1 million |
| Bruce Spohler | Over $1 million |

(1) The dollar range of equity securities beneficially owned in us is based on the assumed initial offering price per share of our common stock of $ (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus).

**Compensation**

None of Solar Capital Partners' investment professionals receive any direct compensation from us in connection with the management of our portfolio. Messrs. Gross and Spohler, through their financial interests in Solar Capital Partners, are entitled to a portion of any profits earned by Solar Capital Partners, which includes any fees payable to Solar Capital Partners under the terms of our Investment Advisory and Management Agreement, less expenses incurred by Solar Capital Partners in performing its services under our Investment Advisory and Management Agreement.

## INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT

### Management Services

Solar Capital Partners serves as our investment adviser. Solar Capital Partners is an investment adviser that intends to register as an investment adviser under the Advisers Act prior to the completion of this offering. Subject to the overall supervision of our board of directors, our investment adviser manages the day-to-day operations of, and provides investment advisory and management services to, Solar Capital. Under the terms of our Investment Advisory and Management Agreement, Solar Capital Partners:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- closes and monitors the investments we make.

Solar Capital Partners' services under the Investment Advisory and Management Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

### Management Fee

Pursuant to the Investment Advisory and Management Agreement, we have agreed to pay Solar Capital Partners a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 2.00% of our gross assets. For services rendered under the Investment Advisory and Management Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be appropriately pro-rated.

The incentive fee has two parts. The first part of the incentive fee is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement to Solar Capital Management, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee, organizational and offering expenses). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 1.75% per quarter (7.00% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2.00% base management fee. We pay Solar Capital Partners 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 of 1.75%;

- 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 but is less than 2.1875% in any calendar quarter (8.75% annualized). We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.1875%) as the "catch-up." The "catch-up" is meant to provide our investment adviser with 20% of our pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 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 (8.75% annualized) is payable to Solar Capital Partners (once the hurdle is reached and the catch-up is achieved, 20% of all pre-incentive fee investment income thereafter is allocated to Solar Capital Partners).

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:

Quarterly Incentive Fee Based on Net Investment Income

**Pre-incentive fee net investment income**
**(expressed as a percentage of the value of net assets)**


**Percentage of pre-incentive fee net investment income**
**allocated to Solar Capital Partners**

These calculations are appropriately pro-rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income.

The second part of the incentive 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), commencing on December 31, 2007, and will equal 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees, provided that, the incentive fee determined as of December 31, 2007 will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation from the inception of Solar Capital LLC.

**Examples of Quarterly Incentive Fee Calculation**

**Example 1: Income Related Portion of Incentive Fee (*):**

**Alternative 1:**

*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 1.25%
Hurdle rate (1) = 1.75%
Management fee (2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-incentive fee net investment income
(investment income – (management fee + other expenses)) = 0.55%
Pre-incentive net investment income does not exceed hurdle rate, therefore there is no incentive fee.

**Alternative 2:**

*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 2.70%
Hurdle rate (1) = 1.75%
Management fee (2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-incentive fee net investment income
(investment income – (management fee + other expenses)) = 2.00%
Incentive fee = 100% × pre-incentive fee net investment income, subject to the "catch-up" (4)
= 100% × (2.00% – 1.75%)
= 0.25%

**Alternative 3:**

*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 3.00%
Hurdle rate (1) = 1.75%
Management fee (2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-incentive fee net investment income
(investment income – (management fee + other expenses)) = 2.30%
Incentive fee = 20% × pre-incentive fee net investment income, subject to "catch-up" (4)
Incentive fee = 100% × "catch-up" + (20% × (pre-incentive fee net investment income – 2.1875%))

Catch-up = 2.1875% – 1.75%
= 0.4375%
Incentive fee = (100% × 0.4375%) + (20% × (2.3% – 2.1875%))
= 0.4375% + (20% × 0.1125%)
= 0.4375% + 0.0225%
= 0.46%

(*) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.
(1) Represents 7% annualized hurdle rate.
(2) Represents 2% annualized management fee.
(3) Excludes organizational and offering expenses.
(4) The "catch-up" provision is intended to provide our investment adviser with an incentive fee of 20% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 2.1875% in any calendar quarter.

**Example 2: Capital Gains Portion of Incentive Fee:**

**Alternative 1:**

*Assumptions*

- Year 1: $20 million investment made in Company A ("Investment A"), and $30 million investment made in Company B ("Investment B")
- Year 2: Investment A sold for $50 million and fair market value ("FMV") of Investment B determined to be $32 million
- Year 3: FMV of Investment B determined to be $25 million
- Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee would be:

- Year 1: None
- Year 2: Capital gains incentive fee of $6 million ($30 million realized capital gains on sale of Investment A multiplied by 20%)
- Year 3: None

  $5 million (20% multiplied by ($30 million cumulative capital gains less $5 million cumulative capital depreciation)) less $6 million (previous capital gains fee paid in Year 2)
- Year 4: Capital gains incentive fee of $200,000

  $6.2 million ($31 million cumulative realized capital gains multiplied by 20%) less $6 million (capital gains fee taken in Year 2)

**Alternative 2:**

*Assumptions*

- Year 1: $20 million investment made in Company A ("Investment A"), $30 million investment made in Company B ("Investment B") and $25 million investment made in Company C ("Investment C")
- Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million
- Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million
- Year 4: FMV of Investment B determined to be $35 million
- Year 5: Investment B sold for $20 million

The capital gains incentive fee, if any, would be:

- Year 1: None
- Year 2: $5 million capital gains incentive fee

  20% multiplied by $25 million ($30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B)
- Year 3: $1.4 million capital gains incentive fee[(1)]

  $6.4 million (20% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation)) less $5 million capital gains fee received in Year 2

(1) As illustrated in Year 3 of Alternative 1 above, if Solar Capital were to be wound up on a date other than December 31 of any year, Solar Capital may have paid aggregate capital gain incentive fees that are more than the amount of such fees that would be payable if Solar Capital had been wound up on December 31 of such year.

- Year 4: None
- Year 5: None

  $5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) less $6.4 million cumulative capital gains fee paid in Year 2 and Year 3

**Payment of Our Expenses**

All investment professionals of the investment adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by Solar Capital Partners. We bear all other costs and expenses of our operations and transactions, including (without limitation):

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of our units and other securities;
- fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence reviews of prospective investments and advisory fees;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees, any stock exchange listing fees;
- federal, state and local taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- fidelity bond, directors and officers/errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and
- all other expenses incurred by either Solar Capital Management or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the costs of compensation and related expenses of our chief financial officer and any administrative support staff.

**Duration and Termination**

The Investment Advisory and Management Agreement was approved by the board of directors of Solar Capital LLC on March 6, 2007. Unless earlier terminated as described below, the Investment Advisory and Management Agreement will remain in effect for a period of two years from the date it was approved by the board of directors and will remain in effect from year to year thereafter if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not "interested persons" of Solar Capital, as such term is defined in Section 2(a)(19) of the 1940 Act. The Investment Advisory and Management Agreement will automatically terminate in the event of its assignment. The Investment Advisory and Management Agreement may also be terminated by either party without penalty upon not less than 60 days' written notice to the other. See "Risk Factors — Risks Relating to Our Business and Structure — Our investment adviser can resign on 60 days' notice."

**Indemnification**

The Investment Advisory and Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Solar Capital Partners and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Solar Capital for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Solar Capital Partners' services under the Investment Advisory and Management Agreement or otherwise as an investment adviser of Solar Capital.

**Organization of the Investment Adviser**

Solar Capital Partners is a Delaware limited liability company. The principal executive offices of Solar Capital Partners are located at 500 Park Avenue, 5th Floor, New York, New York 10022.

**Board Approval of the Investment Advisory and Management Agreement**

A discussion regarding the basis for our board of director's approval of our Investment Advisory and Management Agreement will be included in our first annual report on Form 10-K filed subsequent to completion of this offering, or incorporated by reference therein.

## ADMINISTRATION AGREEMENT

Solar Capital Management, LLC, a Delaware limited liability company, serves as our administrator. The principal executive offices of Solar Capital Management are located at 500 Park Avenue, 5th Floor, New York, New York 10022. Pursuant to an Administration Agreement, Solar Capital Management furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, Solar Capital Management also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders. In addition, Solar Capital Management 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 stockholder, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of Solar Capital Management's overhead in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable portion of the compensation of our chief financial officer and any administrative support staff. Under the Administration Agreement, Solar Capital Management will also provide on our behalf managerial assistance to those portfolio companies that request such assistance. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Solar Capital Management and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Solar Capital for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Solar Capital Management's services under the Administration Agreement or otherwise as administrator for Solar Capital.

## LICENSE AGREEMENT

We have entered into a license agreement with Solar Capital Partners pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive, royalty-free license to use the name "Solar Capital." Under this agreement, we have a right to use the Solar Capital name for so long as the Investment Advisory and Management Agreement with our investment adviser is in effect. Other than with respect to this limited license, we will have no legal right to the "Solar Capital" name.

## CERTAIN RELATIONSHIPS AND TRANSACTIONS

We have entered into the Investment Advisory and Management Agreement with Solar Capital Partners. Mr. Gross, our chairman and chief executive officer, is the managing member and a senior investment professional of, and has financial and controlling interests in, Solar Capital Partners. In addition, Mr. Spohler, our chief operating officer, and Mr. , our chief financial officer, serve as a partner and chief financial officer, respectively, for Solar Capital Partners. Mr. Spohler also has financial interests in Solar Capital Partners. Mr. , our chief financial officer, will likely also perform similar functions for Marathon Acquisition Corp., for which Mr. Gross currently serves as chairman and chief executive officer.

In addition, since July 2006, Mr. Gross has been a co-chairman of the investment committee of Magnetar, a multi-strategy investment manager, a senior partner in Magnetar Capital Partners LP, the sole member of Magnetar, and the head of Magnetar's fundamental credit and private equity business. Mr. Spohler and the other members of Solar Capital Partners' investment team also currently manage investments on behalf of Magnetar. As a result of transactions in connection with our initial private placement, the Magnetar Entities currently own, either directly or indirectly, approximately 42.8% of our outstanding equity, and are expected to own, either directly or indirectly, approximately % of our outstanding shares of common stock upon the completion of this offering. Magnetar also provides certain services to Solar Capital Partners and Solar Capital Management, and is reimbursed by Solar Capital Partners and Solar Capital Management for the expenses it incurs in connection with providing such services.

Subsequent to the completion of this offering, so long as our relationship with Magnetar exists, we intend to offer certain of the Magnetar Entities the opportunity to invest an amount equal to up to 33% of the total amount available for investment in each investment opportunity identified by Solar Capital Partners that exceeds $30 million. In addition, there may be circumstances under which Solar Capital Partners determines to offer to Magnetar the ability to participate at amounts greater than 33%, including, for example, circumstances where Solar Capital Partners determines that the investment is too large for us or, if we would be prohibited from making such investment because of the restrictions contained in the 1940 Act. Any co-investment by the Magnetar Entities will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with Solar Capital Partners' allocation procedures. In addition, the Magnetar Entities may make investments similar to those targeted by Solar Capital.

Affiliates of Solar Capital Partners also manage other funds that may have investment mandates that are similar, in whole and in part, with ours, and Solar Capital Partners may choose to do so in the future. Solar Capital Partners and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures.

In certain circumstances, negotiated co-investments, either with a Magnetar Entity or another fund managed by Solar Capital Partners or its affiliates, may be made only if we receive an order from the SEC permitting us to do so. We intend to seek an order from the SEC to permit the above-referenced co-investments with certain of the Magnetar Entities following consummation of this offering. There can be no assurance when, or if, such an order may be obtained. If such relief is not obtained and until it is obtained, Solar Capital Partners may be required to allocate some investments solely to any of us and one or more registered funds or solely to one or more other unregistered accounts or funds advised by Solar Capital Partners or its affiliates. This restriction could preclude us from investing in certain securities it would otherwise be interested in and could adversely affect the pace at which we are able to invest its assets and, consequently, our performance.

We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive, royalty-free license to use the name "Solar Capital." In addition, pursuant to the terms of the Administration Agreement, Solar Capital Management provides us with the office facilities and administrative services necessary to conduct our day-to-day operations. Solar Capital Partners is the sole member of and controls Solar Capital Management.

## CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

Immediately prior to the completion of this offering, Solar Capital Ltd. will have 100 shares of common stock outstanding and one stockholder of record, and Solar Capital LLC will have units outstanding and unitholders of record. At that time, neither Solar Capital Ltd. nor Solar Capital LLC will have any other shares of capital stock or units of common equity, respectively, outstanding. The following table sets forth certain ownership information with respect to the Solar Capital Ltd.'s common stock and Solar Capital LLC's units for those persons who, directly or indirectly, own, control or hold with the power to vote, 5% or more of Solar Capital Ltd.'s common stock or Solar Capital LLC's units, as applicable, and all officers and directors as a group.

| | | Solar Capital LLC Immediately Prior to This Offering | | Solar Capital Ltd. Immediately After This Offering(1) | |
|---|---|---|---|---|---|
| Name | Type of Ownership | Units Owned | Percentage | Shares Owned | Percentage |
| Magnetar Financial LLC(2) | Indirect | | % | | % |
| Solar Capital Investors, LLC(3) | Direct | | % | | % |
| | | | % | | % |
| | | | % | | % |
| | | | % | | % |
| | | | % | | % |
| | | | % | | % |
| All officers and directors as a group (6 persons)(4) | Direct and Indirect | | | | % |
| | | | % | | |

(1) Assumes the issues of (i) shares of common stock offered hereby, and (ii) approximately shares of common stock to the LLC Holders in connection with the Solar Merger.

(2) Such securities are held by certain funds and other entities controlled and/or managed by Magnetar Financial LLC or its affiliates. The address for Magnetar Financial LLC is 1301 Orrington Avenue, Evanston, IL 60201.

(3) Michael S. Gross may be deemed to beneficially own the securities held by Solar Capital Investors, LLC as a result of his ownership of and control over Solar Capital Investors, LLC. The address for Solar Capital Investors, LLC is 500 Park Avenue, 5th Floor, New York, NY 10022.

(4) The address for all officers and directors is 500 Park Avenue, 5th Floor, New York, NY 10022.

The following table sets forth the dollar range of our equity securities beneficially owned by each of our directors immediately after this offering.

| Name of Director | Dollar Range of Equity Securities in Solar Capital (1) |
|---|---|
| **Interested Director** | |
| Michael S. Gross | Over $100,000 |
| **Independent Directors** | |
| Steven Hochberg | None |
| David S. Wachter | None |
| | None |

(1) The dollar range of equity securities beneficially owned in us is based on the assumed initial offering price per share of our common stock of $ (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus).

## REGULATION AS A BUSINESS DEVELOPMENT COMPANY

### General

A business development company is regulated by the 1940 Act. A business development company must be organized in the United States for the purpose of investing in or lending to primarily private companies and making significant managerial assistance available to them. A business development company may use capital provided by public stockholders and from other sources make long-term, private investments in businesses. A business development company provides stockholders the ability to retain the liquidity of a publicly-traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67% or more of such company's voting securities present at a meeting if more than 50% of the outstanding voting securities of such company are present or represented by proxy, or (b) more than 50% of the outstanding voting securities of such company. We do not anticipate any substantial change in the nature of our business.

As with other companies regulated by the 1940 Act, a business development company must adhere to certain substantive regulatory requirements. A majority of our directors must be persons who are not interested persons, as that term is defined in the 1940 Act. Additionally, we will be required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the business development company. Furthermore, as a business development company, we will be prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

As a business development company, we will be required to meet a coverage ratio of the value of total assets to total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC.

We will generally not be able to issue and sell our common stock at a price below net asset value per share. See "Risk factors — Risks Relating to Our Business and Structure — Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital." We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a business development company, we will generally be limited in our ability to invest in any portfolio company in which our investment adviser or any of its affiliates currently have an investment or to make any co-investments with our investment adviser or its affiliates without an exemptive order from the SEC, subject to certain exceptions. We intend to seek an order from the SEC to permit us to co-invest with certain of the Magnetar Entities under certain circumstances following consummation of this offering. There can be no assurance when, or if, such an order may be obtained.

We will be periodically examined by the SEC for compliance with the 1940 Act.

As a business development company, we will be subject to certain risks and uncertainties. See "Risk factors — Risks Relating to Our Business and Structure."

**Qualifying Assets**

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the business development company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) does not have any class of securities listed on a national securities exchange.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

**Managerial Assistance to Portfolio Companies**

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

**Temporary Investments**

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less

from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

**Senior Securities**

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors — Risks Relating to Our Business and Structure — We may borrow money, which would magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us."

**Code of Ethics**

We and Solar Capital Partners have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act, respectively, that establishes procedures for personal investments and restricts certain transactions by our personnel. Our codes of ethics generally do not permit investments by our employees in securities that may be purchased or held by us. You may read and copy these codes of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, each code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov*. You may also obtain copies of the codes of ethics, after paying a duplicating fee, by electronic request at the following Email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

**Compliance Policies and Procedures**

We and our investment adviser have adopted and implemented written policies and procedures reasonably designed to detect and prevent violation of the federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation and designate a chief compliance officer to be responsible for administering the policies and procedures. Mr. , our chief financial officer, currently serves as our interim chief compliance officer. Subsequent to the completion of this offering, our board of directors may, at its discretion, choose to retain Mr. as our permanent chief compliance officer, appoint a new individual to serve as our permanent chief compliance officer, or retain a third-party compliance firm to perform such functions on our behalf.

**Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002 imposes a wide variety of new regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our chief executive officer and chief financial officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting and must obtain an audit of the effectiveness of internal control over financial reporting performed by our independent registered public accounting firm; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the 1934 Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

**Proxy Voting Policies and Procedures**

We have delegated our proxy voting responsibility to our investment adviser. The Proxy Voting Policies and Procedures of our investment adviser are set forth below. The guidelines will be reviewed periodically by our investment adviser and our non-interested directors, and, accordingly, are subject to change. For purposes of these Proxy Voting Policies and Procedures described below, "we," "our" and "us" refers to our investment adviser.

***Introduction***

An investment adviser registered under the Advisers Act has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

***Proxy Policies***

We will vote proxies relating to our portfolio securities in what we perceive to be the best interest of our clients' stockholders. We will review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by our clients. Although we will generally vote against proposals that may have a negative impact on our clients' portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions will be made by the senior officers who are responsible for monitoring each of clients' investments. To ensure that our vote is not the product of a conflict of interest, we will require that: (1) anyone involved in the decision making process disclose to our managing member any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and

(2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

***Proxy Voting Records***

You may obtain information about how we voted proxies by making a written request for proxy voting information to: Solar Capital Partners at 500 Park Avenue, 5th Floor, New York, New York 10022.

**Privacy Principles**

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to non-public personal information about our stockholders to employees of our investment adviser and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

## DETERMINATION OF NET ASSET VALUE

We determine the net asset value of our investment portfolio each quarter by subtracting our total liabilities from the fair value of our total assets.

Investments for which market quotations are readily available are valued at such market quotations. We may also obtain indicative prices with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by our board of directors. We expect that there will not be a readily available market value for many of the investments in our portfolio. We expect to value such investments at fair value as determined in good faith by our board of directors using a documented valuation policy and a consistently applied valuation process. With respect to certain of our debt and equity securities, each investment will be valued by independent third party valuation firms, pricing services or quotations from brokers or dealers. Third party valuation firms use methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate our private equity valuation. 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 differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Our board of directors is ultimately and solely responsible for determining the fair value of our portfolio investments that are not publicly traded or whose market prices are not readily available on a quarterly basis in good faith.

With respect to investments for which market quotations are not readily available or for which we have not received indicative prices from pricing services or brokers or dealers, 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.
- Preliminary valuation conclusions are then documented and discussed with our senior management.
- Third-party valuation firms engaged by, or on behalf of, our board of directors conduct independent reviews and consider management's preliminary valuations and make their own independent assessment.

Our board of directors undertakes the same valuation process for both foreign and domestic investments. However, fluctuations in currency rates and differences in the amount of information that may be available with respect to our foreign investments may cause difficulties in the valuation process or otherwise raise greater uncertainty with respect to the ultimate valuation of those investments.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, 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, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

**Determinations in Connection with Offerings**

In connection with each offering of shares of our common stock, our board of directors or a committee thereof will be required to make the determination that we are not selling shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made. Our board of directors will consider the following factors, among others, in making such determination:

- the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC;
- our management's assessment of whether any material change in the net asset value of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value of our common stock and ending two days prior to the date of the sale of our common stock; and
- the magnitude of the difference between (i) the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC and our management's assessment of any material change in the net asset value of our common stock since the date of the most recently disclosed net asset value of our common stock, and (ii) the offering price of the shares of our common stock in the proposed offering.

Importantly, this determination will not require that we calculate the net asset value of our common stock in connection with each offering of shares of our common stock, but instead it will involve the determination by our board of directors or a committee thereof that we are not selling shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made.

Moreover, to the extent that there is even a remote possibility that we may (i) issue shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of our common stock pursuant to this prospectus if the net asset value of our common stock fluctuates by certain amounts in certain circumstances until the prospectus is amended, our board of directors will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value of our common stock within two days prior to any such sale to ensure that such sale will not be below our then current net asset value, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value of our common stock to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records that we are required to maintain under the 1940 Act.

## DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of our common stock, rather than receiving the cash distributions.

No action will be required on the part of a registered stockholder to have his cash distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the valuation date for such distribution. Market price per share on that date will be the closing price for such shares on the national securities exchange on which our shares are then listed or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan will be paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a transaction fee plus a per share brokerage commissions from the proceeds.

Stockholders who receive distributions in the form of stock are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a distribution from us will be equal to the total dollar amount of the distribution payable to the stockholder. Any stock received in a distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any distribution by us.

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our common stock. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as in effect as of the date of this registration statement and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service regarding this offering. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets in which we do not currently intend to invest.

A "U.S. stockholder" generally is a beneficial owner of shares of our common stock who is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States including an alien individual who is a lawful permanent resident of the United States or meets the "substantial presence" test under Section 7701(b) of the Code;
- a corporation or other entity taxable as a corporation, for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;
- a trust, if a court in the United States has primary supervision over its administration and one or more U.S. persons have the authority to control all decisions of the trust, or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "non-U.S. stockholder" is a beneficial owner of shares of our common stock that is an individual, corporation, trust or estate and is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder who is a partner of a partnership holding shares of our common stock should consult its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

As a business development company, we intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code, beginning with our 2008 taxable year. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To continue to qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to qualify

for RIC tax treatment we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses (the "Annual Distribution Requirement").

**Taxation as a Regulated Investment Company**

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement;

then we will not be subject to federal income tax on the portion of our investment company taxable income and net capital gain (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) we distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, and on which we paid no federal income tax, in preceding years (the "Excise Tax Avoidance Requirement"). We currently intend to make sufficient distributions each taxable year to satisfy the Excise Tax Avoidance Requirement.

In order to qualify as a RIC for federal income tax purposes, we must, among other things:

- at all times during each taxable year, have in effect an election to be treated as a business development company under the 1940 Act;
- derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities or currencies, or other income derived with respect to our business of investing in such stock, securities or currencies and (b) net income derived from an interest in a "qualified publicly traded partnership;" and
- diversify our holdings so that at the end of each quarter of the taxable year:
  - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
  - no more than 25% of the value of our assets is invested in (i) the securities, other than U.S. government securities or securities of other RICs, of one issuer, (ii) the securities of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) the securities of one or more "qualified publicly traded partnerships."

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things: (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions; (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income; (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited); (iv) cause us to recognize income or gain without a corresponding receipt of cash; (v) adversely affect the time as to when a purchase or sale of securities is deemed to occur; (vi) adversely alter the characterization of certain complex financial transactions; and (vii) produce income that will not be qualifying income for purposes of the 90% gross income test described above. We will monitor our transactions and may make certain tax elections in order to mitigate the potential adverse effect of these provisions.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. The treatment of such gain or loss as long-term or short-term will depend on how long we held a particular warrant. Upon the exercise of a warrant acquired by us, our tax basis in the stock purchased under the warrant will equal the sum of the amount paid for the warrant plus the strike price paid on the exercise of the warrant. Except as set forth in "Failure to Qualify as a Regulated Investment Company," the remainder of this discussion assumes we will qualify as a RIC for each taxable year.

**Taxation of U.S. Stockholders**

Distributions by us generally will be taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our investment company taxable income will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. Distributions of our net capital gains (that is, the excess of our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains, regardless of the U.S. stockholder's holding period for its common stock and regardless of whether paid in cash or reinvested in additional common stock. For taxable years beginning on or before December 31, 2010, distributions of investment company taxable income that are designated by us as being derived from "qualified dividend income" will be taxed in the hands of non-corporate stockholders at the rates applicable to long-term capital gain, provided that holding period and other requirements are met by both the stockholders and us. Dividends distributed by us will generally not be attributable to qualified dividend income. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such U.S. stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder. For a summary of the tax rates applicable to capital gains, including capital gain dividends, see the discussion below.

Under the dividend reinvestment plan, if a U.S. stockholder owns shares of common stock registered in its own name, the U.S. stockholder will have all cash distributions automatically reinvested in additional shares of common stock unless the U.S. stockholder opts out of our dividend reinvestment plan by delivering a written notice to our dividend paying agent prior to the record date of the next dividend or distribution. See "Dividend Reinvestment Plan." Any distributions reinvested under the plan will nevertheless remain taxable to the U.S. stockholder. The U.S. stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Although we currently intend to distribute realized net capital gains (i.e., net realized long-term capital gains in excess of net realized short-term capital losses), if any, at least annually, we may in the future decide to retain some or all of our net capital gains, but to designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay corporate-level tax on the retained amount, each U.S. stockholder will be required to include its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit or refund equal to its allocable share

of the corporate-level tax we pay on the retained capital gain. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's cost basis for its common stock. Since we expect to pay tax on any retained capital gains at our regular corporate capital gain tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual U.S. stockholders will be treated as having paid will exceed the tax they owe on the capital gain dividend. Such excess generally may be claimed as a credit or refund against the U.S. stockholder's other U.S. federal income tax obligations. A U.S. stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant tax year.

As a RIC, we will be subject to the alternative minimum tax ("AMT"), but any items that are treated differently for AMT purposes must be apportioned between us and our stockholders and this may affect the stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued by the Internal Revenue Service, we intend in general to apportion these items in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless we determine that a different method for a particular item is warranted under the circumstances.

For purposes of determining (i) whether the Annual Distribution Requirement is satisfied for any year and (ii) the amount of dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder generally will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November, or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

You should consider the tax implications of buying common stock just prior to a distribution. Even if the price of the common stock includes the amount of the forthcoming distribution, and the distribution economically represents a return of your investment, you will be taxed upon receipt of the distribution and will not be entitled to offset the distribution against the tax basis in your common stock.

You may recognize taxable gain or loss if you sell or exchange your common stock. The amount of the gain or loss will be measured by the difference between your adjusted tax basis in your common stock and the amount of the proceeds you receive in exchange for such stock. Any gain or loss arising from the sale or exchange of our common stock (or, in the case of distributions in excess of the sum of our current and accumulated earnings and profits and your tax basis in the stock, treated as arising from the sale or exchange of our common stock) generally will be a capital gain or loss if the common stock is held as a capital asset. This capital gain or loss normally will be treated as a long-term capital gain or loss if you have held your common stock for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or exchange of common stock held for six months or less generally will be treated as a long-term capital loss to the extent of the amount of capital gain dividends received, or treated as deemed distributed, with respect to such stock. For this purpose, certain special rules, including rules relating to periods when your risk of loss with respect to your common stock has been diminished, generally apply in determining the holding period of such stock. The ability to deduct capital losses may be subject to other limitations under the Code.

In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss. In general, individual U.S. stockholders currently are subject to a maximum U.S. federal income tax rate of 15% (with lower rates applying to taxpayers in the 10% and 15% tax

rate brackets) for years beginning on or before December 31, 2010 on their net capital gain, i.e., the excess of net long-term capital gain over net short-term capital loss for a taxable year, including a long-term capital gain derived from an investment in our common stock. Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Dividends distributed by us to corporate stockholders generally will not be eligible for the dividends-received deduction. Tax rates imposed by states and local jurisdictions on capital gain and ordinary income may differ.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income, long-term capital gain and "qualified dividend income," if any. In addition, the U.S. federal tax status of each year's distributions generally will be reported to the Internal Revenue Service. Distributions may also be subject to additional state, local, and foreign taxes depending on a U.S. stockholder's particular situation.

Backup withholding may apply to taxable distributions on the common stock with respect to certain non-corporate U.S. stockholders. Such U.S. stockholders generally will be subject to backup withholding unless the U.S. stockholder provides its correct taxpayer identification number and certain other information, certified under penalties of perjury, to the dividend paying agent, or otherwise establishes an exemption from backup withholding. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's U.S. federal income tax liability, provided the proper information is provided to the Internal Revenue Service.

**Taxation of Non-U.S. Stockholders**

Whether an investment in our common stock is appropriate for a non-U.S. stockholder will depend upon that stockholder's particular circumstances. Non-U.S. stockholders should consult their tax advisors before investing in our common stock.

Distributions of our investment company taxable income to stockholders that are non-U.S. stockholders will currently be subject to withholding of U.S. federal income tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless the distributions are effectively connected with a U.S. trade or business of the non-U.S. stockholders, and, if an income tax treaty applies, attributable to a permanent establishment in the United States. In that case, the distributions will be subject to U.S. federal income tax at the ordinary income rates applicable to U.S. stockholders and we will not have to withhold U.S. federal withholding tax if the non-U.S. stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a non-U.S. stockholder that is a foreign partnership or a foreign trust and such entities are urged to consult their own tax advisors. Absent Congressional action, dividends paid to non-U.S. stockholders that are derived from short-term capital gains and interest income will be subject to U.S. federal withholding tax. Legislation has recently been proposed that would extend through taxable years beginning before January 1, 2009, an exclusion from this withholding tax for certain dividends derived from short-term capital gains and certain qualifying net interest income (including income from original issue discount and other specified sources). If this proposal is enacted, the exclusion would apply to dividends that are properly designated by us as "short-term capital gain dividends" or "interest-related dividends if certain requirements are met, including, in the case of interest-related dividends, that the non-U.S. stockholder to whom such dividends are paid provides us with a proper withholding certificate. No assurance can be given as to whether this legislation will be enacted or whether any of our distributions will be designated as eligible for this exemption from withholding tax.

Actual or deemed distributions of our net capital gains to a stockholder that is a non-U.S. stockholder, and gains realized by a non-U.S. stockholder upon the sale or redemption of our common stock, will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. stockholder in the United States, or, in the case of an

individual, the non-U.S. stockholder was present in the United States for 183 days or more during the taxable year and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions, a stockholder that is a non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder's allocable share of the corporate-level tax we pay on the capital gains deemed to have been distributed; however, in order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale or redemption of our common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in our stock may not be appropriate for a non-U.S. stockholder.

Under our dividend reinvestment plan, if a non-U.S. stockholder owns shares of common stock registered in its own name, the non-U.S. stockholder will have all cash distributions automatically reinvested in additional shares of common stock unless it opts out of our dividend reinvestment plan by delivering a written notice to our dividend paying agent prior to the record date of the next dividend or distribution. See "Dividend Reinvestment Plan." If the distribution is a distribution of our investment company taxable income, is not designated by us as a short-term capital gains dividend or interest-related dividend and it is not effectively connected with a U.S. trade or business of the non-U.S. stockholder (or, if a treaty applies, is not attributable to a permanent establishment), the amount distributed (to the extent of our current and accumulated earnings and profits) will be subject to withholding of U.S. federal income tax at a 30% rate (or lower rate provided by an applicable treaty) and only the net after-tax amount will be reinvested in common shares. If the distribution is effectively connected with a U.S. trade or business of the non-U.S. stockholder, generally the full amount of the distribution will be reinvested in the plan and will nevertheless be subject to U.S. federal income tax at the ordinary income rates applicable to U.S. persons. The non-U.S. stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount reinvested. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the non-U.S. stockholder's account.

A non-U.S. stockholder who is a nonresident alien individual, and who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the non-U.S. stockholder provides us or the dividend paying agent with an Internal Revenue Service Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or the non-U.S. stockholder otherwise establishes an exemption from backup withholding.

**Non-U.S. stockholders should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local, and foreign tax, consequences of an investment in our common stock.**

**Failure to Qualify as a Regulated Investment Company**

If we were unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Such distributions would be taxable to our stockholders as dividends and, if made in a taxable year beginning on or before December 31, 2010 and provided certain holding period and other requirements were met, could qualify for treatment as "qualified dividend income" in the hands of stockholders taxed as individuals (and thus, eligible for the 15% maximum rate) to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits

would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the non-qualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level tax on such built-in gain at the time of our requalification as a RIC.

## DESCRIPTION OF SECURITIES

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.

### Capital Stock

The authorized capital stock of Solar Capital Ltd. consists of 200,000,000 shares of stock, par value $0.01 per share, all of which is initially designated as common stock. We have applied to list our common stock on the New York Stock Exchange under the ticker symbol "SLR." There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

The following are our outstanding classes of securities as of January 16, 2008:

| (1) Title of Class | (2) Amount Authorized | (3) Amount Held by Us or for Our Account | (4) Amount Outstanding Exclusive of Amounts Shown Under(3) |
|---|---|---|---|
| Common stock | 200,000,000 | — | 100 |

Under our charter, our board of directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

#### *Common Stock*

All shares of our common stock have equal rights as to earnings, assets, dividends and voting privileges and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of assets legally available therefor. Shares of our common stock have no preemptive, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of a liquidation, dissolution or winding up of Solar Capital, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

#### *Preferred Stock*

Our charter authorizes our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. The cost of any such reclassification would be borne by our existing common stockholders. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting

powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two full years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions. However, we do not currently have any plans to issue preferred stock.

**Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses**

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made a party to the proceeding by reason of his service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a

party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We have entered into indemnification agreements with our directors. The indemnification agreements provide our directors the maximum indemnification permitted under Maryland law and the 1940 Act.

Our insurance policy does not currently provide coverage for claims, liabilities and expenses that may arise out of activities that our present or former directors or officers have performed for another entity at our request. There is no assurance that such entities will in fact carry such insurance. However, we note that we do not expect to request our present or former directors or officers to serve another entity as a director, officer, partner or trustee unless we can obtain insurance providing coverage for such persons for any claims, liabilities or expenses that may arise out of their activities while serving in such capacities.

**Provisions of the Maryland General Corporation Law and Our Charter and Bylaws**

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

***Classified Board of Directors***

Our board of directors is divided into three classes of directors serving staggered three-year terms. The initial terms of the first, second and third classes expire in 2008, 2009 and 2010, respectively. Beginning in 2008, upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure the continuity and stability of our management and policies.

***Election of Directors***

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Pursuant to our charter, our board of directors may amend the bylaws to alter the vote required to elect directors.

***Number of Directors; Vacancies; Removal***

Our charter provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than one nor more than twelve. Except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Under Maryland law, a director on a classified board may be removed only for cause and then only by the affirmative vote of at least a majority of the votes entitled to be cast in the election of directors.

***Action by Stockholders***

The Maryland General Corporation Law provides that stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

***Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals***

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the board of directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors or (3) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

***Calling of Special Meetings of Stockholders***

Our bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be

called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

***Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws***

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Under our charter, provided that at least 75% of our directors then in office have approved and declared the action advisable and submitted such action to the stockholders, our dissolution, an amendment to our charter that requires stockholder approval, a merger, or a sale of all or substantially all of our assets or a similar transaction outside the ordinary course of business, must be approved by the affirmative vote of stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. If an extraordinary matter submitted to stockholders by the board of directors is approved and advised by less than 75% of our directors, such matter will require approval by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter.

Our charter and bylaws provide that the board of directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

***No Appraisal Rights***

Except with respect to appraisal rights arising in connection with the Control Share Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights.

***Control Share Acquisitions***

The Maryland General Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter (the "Control Share Act"). Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of

certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Act only if the board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination that our being subject to the Control Share Act does not conflict with the 1940 Act.

***Business Combinations***

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder (the "Business Combination Act"). These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, provided that the business combination is first approved by the board of directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution may be altered or repealed in whole or in part at any time; however, our board of directors will adopt resolutions so as to make us subject to the provisions of the Business Combination Act only if the board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination that our being subject to the Business Combination Act does not conflict with the 1940 Act. If this resolution is repealed, or the board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

***Conflict with 1940 Act***

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Act (if we amend our bylaws to be subject to such Act) and the Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon the completion of this offering and the issuance of shares of our common stock to the LLC Holders in connection with the Solar Merger, we will have approximately shares of common stock outstanding. Of these, 81,702,847 shares of our common stock will be "restricted" securities under the meaning of Rule 144 promulgated under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. Pursuant to a registration rights agreement entered into in conjunction with our initial private placement, we have agreed to file registration statements in respect of an aggregate of approximately 46.7 million shares of common stock that will be held by the LLC Holders who purchased units in the initial private placement. Concurrently with our initial private placement, we also entered into a separate registration rights agreement with respect to the 35,000,000 units issued to Magnetar that granted Magnetar certain demand, piggy-back and shelf registration rights beginning 365 days after the consummation of an initial public offering. See "Registration Rights Agreement."

In general, under Rule 144 as currently in effect, if one year has elapsed since the date of acquisition of restricted securities from us or any of our affiliates, and we have made certain information about us available publicly, the holder of such restricted securities can sell such securities; provided that the number of securities sold by such person within any three-month period cannot exceed the greater of:

- 1% of the total number of securities then outstanding; or
- the average weekly trading volume of our securities during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 also are subject to certain sale provisions, notice requirements and the availability of current public information about us. If two years have elapsed since the date of acquisition of restricted securities from us or any of our affiliates, and the holder is not one of our affiliates at any time during the three months preceding the proposed sale, such person can sell such securities in the public market under Rule 144(k) without regard to volume limitations, manner of sale provisions, public information requirements or notice requirements. No assurance can be given as to (1) the likelihood that and active market for our units will develop; (2) the liquidity of any such market; (3) the ability of our unitholders to sell our securities; or (4) the prices that unitholders may obtain for any of our securities. No prediction can be made as to the effect, if any, that future sales of securities, or the availability of securities for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our securities, or the perception that such sales could occur, may affect adversely prevailing market prices for our units.

Recently, the SEC adopted certain amendments to Rule 144 that are effective as of February 15, 2008, which amendments will have the effect of shortening from one year to six months the minimum holding period required for resales of restricted securities of issuers subject to reporting obligations under the 1934 Act and ending all resale restrictions on sales by non-affiliates of restricted securities held for at least one year. These amendments to Rule 144 may result in additional amounts of our securities being sold sooner than if the amendments were not adopted.

## REGISTRATION RIGHTS AGREEMENT

In connection with the initial private placement, we entered into a registration rights agreement, pursuant to which we have agreed to use our best efforts to file a registration statement with the SEC within 270 days of the closing of the initial private placement (December 8, 2007), to register for resale units sold in the initial private placement (or shares of common stock if we have elected to be regulated as a business development company prior to such filing) and to use our best efforts to cause such registration statement to become effective within 730 days of the closing of the initial private placement (March 13, 2009), subject to limited exceptions.

If we do not have an effective registration statement covering the resale of our equity interests prior to the two year anniversary date of the closing date of our initial private placement, each LLC Holder who purchased units in the initial private placement shall have the right to cause us to purchase the units or shares of common stock exchanged therefor, as applicable, held by such LLC Holder at a price equal to the then-current net asset value per unit of our units or shares of common stock exchanged therefor, as applicable. Such LLC Holders have agreed that, for a period of 120 days from the date of any initial public offering of our securities, they will not, without the prior written consent of Citigroup Global Markets Inc. ("Citi") and J.P. Morgan Securities Inc. ("JPMorgan") dispose of or hedge any units or securities convertible or exchangeable for our units.

We will cause the shelf registration statement to be effective until the date that is two years from the closing of our initial private placement (March 13, 2009), or such shorter period of time that will terminate when each of the registrable securities ceases to be a registrable security under the registration rights agreement. Each unit or share of common stock exchanged therefor, as applicable, will cease to be a registrable security on the earlier of (i) the date on which it has been registered pursuant to the Securities Act and disposed of in accordance with the registration statement relating to it; (ii) the date on which either it is distributed to public pursuant to Rule 144 or is saleable pursuant to Rule 144(k) under the Securities Act (or any similar provision then in force) or (iii) the date on which all registrable securities proposed to be sold by a holder may be sold in a three-month period without registration under the Securities Act pursuant to Rule 144.

Concurrently with our initial private placement, we also entered into a separate registration rights agreement with respect to the 35,000,000 units issued to Magnetar that granted Magnetar certain demand, piggy-back and shelf registration rights beginning 365 days after the consummation of an initial public offering.

## UNDERWRITING

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as joint bookrunning managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

| Underwriter | Number of Shares |
|---|---|
| Citigroup Global Markets Inc. | |
| J.P. Morgan Securities Inc. | |
| Total | |

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $ per share. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms. The representatives have advised us that the underwriters do not intend to confirm sales to discretionary accounts.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

The following parties have agreed that they will not, without the prior written consent of Citi and JPMorgan, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock for the indicated periods: (1) we, our officers and directors (other than Messrs. Gross and Spohler) and certain other parties related to Solar Capital, for a period of 180 days from the date of this prospectus; (2) Messrs. Gross and Spohler and certain entities affiliated with Magnetar, with respect to units of Solar Capital LLC held directly or indirectly by them, for a period of 365 days from the date of this prospectus; and (3) the other LLC Holders, with respect to units of Solar Capital LLC held by them, for a period of 120 days from the date of this prospectus. Citi and JPMorgan in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the shares was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our record of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies comparable to our company. We cannot assure you, however, that the prices at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our common stock will develop and continue after this offering.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

| | Paid by Solar Capital | |
|---|---|---|
| | No Exercise | Full Exercise |
| Per share | $ | $ |
| Total | $ | $ |

In connection with the offering, Citi and JPMorgan on behalf of the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make "naked" short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Citi or JPMorgan repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be $ .

The underwriters have performed investment banking and advisory services for us and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business.

Citi and JPMorgan acted as initial purchasers/placement agents in connection with the March 2007 initial private placement of units in Solar Capital LLC. In connection with that transaction, we agreed to reimburse the initial purchasers/placement agents for reasonable out-of-pocket expenses incurred by the initial purchasers/placement agents and to pay the fees and expenses of counsel to the initial purchasers/placement agents. Our agreement with Citi and JPMorgan also requires us to offer to engage each of them as a joint lead bookrunner and joint lead underwriter in connection with this offering.

An affiliate of Citi purchased 1,100,000 common shares for its own account at the offering price for approximately $16.5 million in our initial private placement. In addition, an affiliate of JPMorgan purchased 1,100,000 common shares for its own account at the offering price for approximately $16.5 million in our initial private placement.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. Other than the prospectus in electronic format, the information on any such underwriter's website is not part of this prospectus. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The principal business address of Citi is 388 Greenwich Street, New York, NY 10013. The principal business address of JPMorgan is 277 Park Avenue, New York, NY 10172.

## CUSTODIAN, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR

Our securities are held under a custody agreement by . The address of the custodian is . American Stock Transfer & Trust Company will act as our transfer agent, distribution paying agent and registrar. The principal business address of our transfer agent is 59 Maiden Lane, New York, New York 10038, telephone number: (800) 937-5449.

## BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use brokers in the normal course of our business. Subject to policies established by our board of directors, our investment adviser will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. Our investment adviser does not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for Solar Capital, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While our investment adviser generally will seek reasonably competitive trade execution costs, Solar Capital will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, our investment adviser may select a broker based partly upon brokerage or research services provided to the investment adviser and Solar Capital and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if the investment adviser determines in good faith that such commission is reasonable in relation to the services provided.

## LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, DC. Certain legal matters in connection with the offering will be passed upon for the underwriters by their counsel, Simpson Thacher & Bartlett LLP, New York, New York.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG, our independent registered public accounting firm located at 345 Park Avenue, New York, New York 10154, has audited our financial statements at September 30, 2007, as set forth in their report. We have included our financial statements in this prospectus and elsewhere in the registration statement in reliance on such report, given on their authority as experts in accounting and auditing.

## AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus.

Upon the completion of this offering, we will file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling

the SEC at (202) 551-8090. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's website at *http://www.sec.gov*. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549. This information will also be available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670, or on our website at *http://www.solarcapltd.com*.

## INDEX TO FINANCIAL STATEMENTS

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders
Solar Capital LLC:

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital LLC as of September 30, 2007, and the related consolidated statements of operations, changes in net assets and cash flows for the period from March 13, 2007 (inception date) through September 30, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2007, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Solar Capital LLC as of September 30, 2007, and the results of its operations, the changes in its net assets and cash flows for the period from March 13, 2007 through September 30, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
New York, New York
January 11, 2008

**SOLAR CAPITAL LLC**
**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**
**(in thousands, except per share amounts)**

| | September 30, 2007 |
|---|---|
| **Assets** | |
| Investments, at fair value (cost—$728,600) | $ 728,431 |
| Cash and cash equivalents | 531,399 |
| Interest receivable | 12,590 |
| Receivable for investments sold | 4,395 |
| Deposits | 2 |
| **Total assets** | 1,276,817 |
| **Liabilities** | |
| Payable for investments purchased | 35,037 |
| Unrealized loss on forward contracts | 4,113 |
| Management fees | 2,032 |
| Due to Solar Capital Management LLC | 840 |
| Due to Solar Capital Partners LLC | 200 |
| Other accrued expenses | 780 |
| **Total liabilities** | $ 43,002 |
| **Net Assets** | $ 1,233,815 |
| Number of shares outstanding | 81,702,847 |
| **Net Asset Value Per Share** | $ 15.10 |

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED STATEMENT OF OPERATIONS**
**(in thousands, except per share amounts)**

| | March 13, 2007 (inception) through September 30, 2007 |
|---|---|
| **INVESTMENT INCOME:** | |
| Interest | $ 45,927 |
| Dividends | 3,824 |
| **Total investment income** | 49,751 |
| **EXPENSES:** | |
| Investment advisory and management fees | 13,472 |
| Other general and administrative expenses | 2,419 |
| Administrative service expenses | 1,092 |
| **Total expenses** | 16,983 |
| Net investment income | 32,768 |
| **REALIZED AND UNREALIZED LOSS ON INVESTMENTS, FORWARD CONTRACTS AND FOREIGN CURRENCIES:** | |
| Net realized loss: | |
| Investments | (532) |
| Forward contracts | (3,648) |
| Foreign currency exchange | (231) |
| **Net realized loss** | (4,411) |
| Net change in unrealized gain (loss): | |
| Investments | (169) |
| Forward contracts | (4,113) |
| Foreign currency exchange | 256 |
| **Net change in unrealized loss** | (4,026) |
| Net realized and unrealized loss from investments, forward contracts and foreign currencies | (8,437) |
| **NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS** | **$ 24,331** |
| Earnings per common share (see note 6) | $ 0.30 |

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**
**(in thousands)**

| | March 13, 2007 (inception) through September 30, 2007 |
|---|---|
| **Increase in net assets from operations:** | |
| Net investment income | $ 32,768 |
| Net realized loss on investments | (4,411) |
| Net change in unrealized loss | (4,026) |
| **Net increase in net assets from operations** | 24,331 |
| **Dividends and distributions to shareholders:** | |
| **Capital share transactions:** | |
| Net proceeds from shares sold | 1,209,484 |
| **Net increase in net assets resulting from capital share transactions** | 1,209,484 |
| **Total increase in net assets:** | 1,233,815 |
| Net assets at beginning of period | — |
| Net assets at end of period | $ 1,233,815 |

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**(in thousands)**

| | March 13, 2007 (inception) through September 30, 2007 |
|---|---|
| **Cash Flows from Operating Activities:** | |
| Net increase in net assets from operations | $ 24,331 |
| Adjustments to reconcile net increase in net assets from operations to net cash used by operation activities: | |
| Purchase of investment securities | (461,988) |
| Proceeds from disposition of investment securities and principal repayments | 93,663 |
| Increase in interest receivable | (12,590) |
| Increase in receivable for investments sold | (4,395) |
| Increase in deposits | (2) |
| Increase in payable for investments purchased | 35,037 |
| Increase in management fees | 2,032 |
| Increase in due to Solar Capital Management, LLC | 840 |
| Increase in due to Solar Capital Partners LLC | 200 |
| Increase in other accrued expenses | 780 |
| Increase in unrealized loss on securities | 169 |
| Increase in depreciation of forward contracts | 4,113 |
| Increase in net realized loss from investments | 532 |
| Increase in net realized loss from forward contracts | 3,648 |
| **Net Cash Used by Operating Activities** | (313,630) |
| **Cash Flows from Financing Activities:** | |
| Net proceeds from shares sold | 845,029 |
| **Net Cash Provided by Financing Activities** | 845,029 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 531,399 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | — |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | $ 531,399 |
| **Non-cash items:** | |
| Fund shares exchanged for capital shares | $ 364,455 |

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**September 30, 2007**
**(in thousands, except shares)**

| Description | Industry | Local Domicile | Par Amount / Shares | Cost | Fair Value |
|---|---|---|---|---|---|
| **Bank Debt/Senior Secured Loans- 15.88%** | | | | | |
| Advanstar Communications Inc. | Diversified Services | US | $ 15,000 | $ 15,000 | $ 14,400 |
| Asurion Corporation | Insurance | US | 50,000 | 50,000 | 49,125 |
| Emdeon Business Services LLC | Healthcare, Education, and Childcare | US | 15,000 | 15,188 | 14,925 |
| Generac Power Systems, Inc. | Machinery | US | 7,000 | 7,017 | 5,197 |
| Greatwide Logistics Services, Inc. | Logistics/Distribution | US | 26,000 | 25,870 | 22,100 |
| Questex Media Group | Diversified Services | US | 10,000 | 10,000 | 9,900 |
| **Total Bank Debt/Senior Secured Loans** | | | **$ 123,000** | **$ 123,075** | **$ 115,647** |
| **Subordinated Debt/Corporate Notes- 54.26%** | | | | | |
| Advanstar Communications Inc. | Diversified Services | US | $ 18,747 | $ 18,747 | $ 18,747 |
| Affinity Group, Inc. | Printing, Publishing, Broadcasting | US | 18,000 | 18,180 | 18,198 |
| AMC Entertainment Holdings, Inc. | Leisure, Motion Pictures, Entertainment | US | 20,535 | 20,035 | 20,022 |
| Casema B.V. | Telecommunications | The Netherlands | 7,053 | 6,829 | 7,299 |
| Casema B.V. | Telecommunications | The Netherlands | 7,606 | 7,366 | 7,837 |
| Fleetpride Corporation | Cargo Transport | US | 43,000 | 43,215 | 43,430 |
| Grakon, LLC | Cargo Transport | US | 20,000 | 20,000 | 20,000 |
| Greatwide Logistics Services, Inc. | Logistics/Distribution | US | 15,544 | 15,474 | 10,493 |
| Iglo Birds Eye Group Limited [(1)] | Beverage, Food, and Tobacco | United Kingdom | 4,705 | 4,391 | 4,715 |
| Iglo Birds Eye Group Limited [(1)] | Beverage, Food, and Tobacco | United Kingdom | 14,073 | 13,401 | 14,168 |
| Jonathan Engineering Solutions Corp. | Diversified/Conglomerate Manufacturing | US | 10,141 | 9,945 | 10,141 |
| Jonathan Engineering Solutions Corp. | Diversified/Conglomerate Manufacturing | US | 3,162 | 3,101 | 3,163 |
| National Interest Security Corporation | Aerospace & Defense | US | 20,000 | 19,611 | 20,000 |
| Pacific Crane Maintenance Company, L.P. | Machinery | US | 9,000 | 8,823 | 9,000 |

(1) Solar Capital LLC's investments in Iglo Birds Eye Frozen Foods are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)**
**September 30, 2007**
**(in thousands, except shares)**

| Description | Industry | Local Domicile | Par Amount / Shares | Cost | Fair Value |
|---|---|---|---|---|---|
| **Subordinated Debt/Corporate Notes- 54.26% (Continued)** | | | | | |
| ProSieben Sat.1 Media AG [1] | Broadcasting & Entertainment | Germany | $ 22,348 | $ 21,679 | $ 20,783 |
| Questex Media Group | Diversified Services | US | 31,838 | 31,259 | 31,838 |
| Riverdeep Interactive Learning Ltd. | Healthcare, Education, and Childcare | Ireland | 13,765 | 13,782 | 13,696 |
| Seven Media Group Pty Limited | Broadcasting & Entertainment | Australia | 17,964 | 15,599 | 17,964 |
| Seven Media Group Pty Limited | Broadcasting & Entertainment | Australia | 4,847 | 4,209 | 4,847 |
| Tri-Star Electronics International, Inc. | Aerospace & Defense | US | 22,500 | 22,500 | 22,500 |
| Wastequip, Inc. | Containers | US | 15,123 | 15,123 | 14,797 |
| Weetabix Group | Beverage, Food, and Tobacco | United Kingdom | 26,634 | 25,863 | 25,901 |
| Wire Rope Corporation (nka WireCo World Group) | Diversified/Conglomerate Manufacturing | US | 35,000 | 36,050 | 35,700 |
| **Total Subordinated Debt/Corporate Notes** | | | **$ 401,585** | **$ 395,182** | **$ 395,239** |
| **Preferred Equity- 8.51%** | | | | | |
| National Specialty Alloys, LLC | Industrial | US | $ 8,500 | $ 8,500 | $ 8,500 |
| The Reader's Digest Association, Inc. | Printing, Publishing, Broadcasting | US | 53,493 | 53,493 | 53,493 |
| **Total Preferred Equity** | | | **$ 61,993** | **$ 61,993** | **$ 61,993** |
| **Common Equity/Partnership Interests/Warrants—21.35%** | | | | | |
| Advanstar Communications Inc. | Diversified Services | US | 3,400 | $ 3,400 | $ 3,701 |
| Ark Real Estate Partners LP [2] | Real Estate | US | 25,401 | 25,401 | 27,094 |
| Alternative Asset Management Acquisition Corp. | Specialty Finance | US | 712 | 712 | 641 |
| Alternative Asset Management Acquisition Corp. | Specialty Finance | US | 586 | 3 | 3 |
| Grakon, LLC | Cargo Transport | US | 1,714 | 1,714 | 1,714 |
| National Interest Security Corporation | Aerospace & Defense | US | 1,265 | 1,265 | 1,265 |

(1) Solar Capital LLC's investment in ProSieben is held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(2) Solar Capital LLC is committed to fund capital of $48,845 of which $25,401 has already been funded.

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)**
**September 30, 2007**
**(in thousands, except shares)**

| Description | Industry | Local Domicile | Par Amount / Shares | Cost | Fair Value |
|---|---|---|---|---|---|
| **Common Equity/Partnership Interests/Warrants—21.35% (Continued)** | | | | | |
| National Specialty Alloys, LLC | Industrial | US | 1,000 | $ 10,000 | $ 10,000 |
| NXP Semiconductors Netherlands B.V. | Technology | The Netherlands | 945 | 31,057 | 33,838 |
| Pacific Crane Maintenance Company, L.P. | Machinery | US | 1,000 | 1,000 | 1,000 |
| The Reader's Digest Association, Inc. | Printing, Publishing, Broadcasting | US | 1,661 | 16,606 | 16,606 |
| Seven Media Group Pty Limited | Broadcasting & Entertainment | Australia | 4,286 | 3,301 | 4,138 |
| Sandridge Energy, Inc. | Oil & Gas | US | 185 | 3,891 | 3,885 |
| Sandridge Energy, Inc. | Oil & Gas | US | 556 | 10,000 | 11,667 |
| Station Casino, Inc. | Hotels, Motels, Inns & Gaming | US | 40,000 | 40,000 | 40,000 |
| **Total Common Equity/Partnerships Interests/Warrants** | | | | **$ 148,350** | **$ 155,552** |
| **Total Investments** | | | | **$ 728,600** | **$ 728,431** |

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)**
**September 30, 2007**

| Instrument Type | Percentage at September 30, 2007 |
|---|---|
| Bank Debt / Senior Secured Loans | 15.9% |
| Subordinated Debt / Corporate Notes | 54.3% |
| Preferred Equity | 8.5% |
| Common Equity / Partnership Interests / Warrants | 21.3% |
| Total Investments | 100.0% |

See notes to consolidated financial statements.

**SOLAR CAPITAL LLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2007**
**(in thousands, except share and per share amounts)**

**Note 1. Organization**

Solar Capital LLC ("Solar Capital", the "Company", or "We"), a Maryland corporation organized on February 12, 2007, is a closed-end, management investment company. The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company invests primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, and, to a lesser extent, by making direct equity investments in such companies.

**Note 2. Significant Accounting Policies**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

The significant accounting policies consistently followed by Solar Capital are:

(a) The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Solar Capital Luxembourg I S.a.r.l., which was incorporated under the laws of the Grand Duchy of Luxembourg on April 26, 2007. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Investments for which market quotations are readily available are valued at such market quotations. The Company may also obtain indicative prices with respect to certain of its investments from pricing services or brokers or dealers in order to value such investments. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the Company's board of directors. The Company expects that there will not be a readily available market value for many of the investments in its portfolio. The Company expects to value such investments at fair value as determined in good faith by its board of directors using a documented valuation policy and a consistently applied valuation process. With respect to certain of the Company's debt and equity securities, each investment will be valued by independent third party valuation firms, pricing services or quotations from brokers or dealers. Third party valuation firms use methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Company will consider the pricing indicated by the external event to corroborate its private equity valuation. 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 the Company's investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available or for which the Company has not received indicative prices from pricing services or brokers or dealers, the board of directors of the Company undertakes a multi-step valuation process each quarter, as described below:

(1) The Company's quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment.

(2) Preliminary valuation conclusions are then documented and discussed with its senior management.

**SOLAR CAPITAL LLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**September 30, 2007**
**(in thousands, except share and per share amounts)**

(3) Third-party valuation firms engaged by, or on behalf of, the Company's board of directors conduct independent appraisals and review management's preliminary valuations and make their own independent assessment.

The types of factors that the Company may take into account in fair value pricing its investments include, as relevant, 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, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to Company's financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on the Company's financial statements.

(c) Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates value.

(d) Cash and cash equivalents include investments in money market accounts with maturities of three months or less.

(e) Gains or losses on the sale of investments are calculated by using the specific identification method.

(f) Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as part of interest income.

(g) The Company is not subject to federal, state or local income taxes. Each member will reflect their proportionate share of realized income or loss on their separate tax returns. Accordingly, no provision has been made in the accompanying consolidated financial statements of federal, state or local taxes.

(h) The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company's investments in foreign securities may involve certain risks such as foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

(i) The Company may enter into forward exchange contracts in order to economically hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled.

(j) Loans are 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. Accrued 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. 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.

**SOLAR CAPITAL LLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**September 30, 2007**
**(in thousands, except share and per share amounts)**

(k) In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Company is in the process of reviewing the Standard against its current valuation policies to determine future applicability.

**Note 3. Agreements**

Solar Capital has an Investment Advisory and Management Agreement with Solar Capital Partners LLC (the "Investment Adviser"), under which the Investment Adviser will manage the day-to-day operations of, and provide investment advisory services to, Solar Capital. For providing these services, the Investment Adviser receives a fee from Solar Capital, consisting of two components—a base management fee and an incentive fee. The base management fee is determined by taking the average value of Solar Capital's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts. The first part of the incentive fee is calculated and payable quarterly in arrears based on Solar Capital's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that Solar Capital receives from portfolio companies) accrued during the calendar quarter, minus Solar Capital's 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 issued and outstanding preferred stock, but excluding the incentive fee, organizational and offering expenses). Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Solar Capital's net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7% annualized). Solar Capital's net investment income used to calculate this part of the incentive fee is also included in the amount of its gross assets used to calculate the 2% base management fee. Solar Capital pays the Investment Adviser an incentive fee with respect to Solar Capital's pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Solar Capital's pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Solar Capital's 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; and (3) 20% of the amount of Solar Capital's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. The second part of the incentive 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), commencing on February 12, 2007, and will equal 20% of Solar Capital's cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the advisor.

For the period ended September 30, 2007 the Investment Adviser received $13,472 in base investment advisory and management fees and $0, in performance-based net investment income incentive fees from Solar Capital.

**SOLAR CAPITAL LLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**September 30, 2007**
**(in thousands, except share and per share amounts)**

Solar Capital has also entered into an Administration Agreement with Solar Capital Management, LLC (the "Administrator") under which the Administrator provides administrative services for Solar Capital. For providing these services, facilities and personnel, Solar Capital reimburses the Administrator for Solar Capital's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent. The Administrator will also provide, on Solar Capital's behalf, managerial assistance to those portfolio companies to which Solar Capital is required to provide such assistance.

For the period ended September 30, 2007 the Administrator was paid $252 of expenses from Solar Capital accrued under the Administration Agreement.

**Note 4. Investments**

Investments consisted of the following as of September 30, 2007.

| | September 30, 2007 | |
|---|---|---|
| | Cost | Fair Value |
| Bank Debt / Senior Secured | $123,075 | $115,647 |
| Subordinated Debt / Corporate Notes | 395,182 | 395,239 |
| Preferred Equity | 61,993 | 61,993 |
| Common Equity / Partnership Interests / Warrants | 148,350 | 155,552 |
| Total | $728,600 | $728,431 |

As of September 30, 2007 there are four open forward foreign currency contracts all of which terminate December 19, 2007. The contract settlement details are as follows:

| Purchase: | Counterparty | Local Currency | Market Value | Unrealized Loss |
|---|---|---|---|---|
| USD / EURO | Citibank N.A., NY | 37,971 | $ 52,853 | (1,279) |
| USD / EURO | Citibank N.A., NY | 6,382 | 8,670 | (428) |
| | | 44,353 | | |
| USD / AUD | Citibank N.A., NY | 31,529 | 26,302 | (1,537) |
| USD / GBP | Citibank N.A., NY | 21,184 | 42,286 | (869) |
| Total | | | $ 130,111 | (4,113) |

**SOLAR CAPITAL LLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**September 30, 2007**
**(in thousands, except share and per share amounts)**

**Note 5. Financial Highlights**

The following is a schedule of financial highlights for the period ended September 30, 2007:

**Per Share Data:**

| | March 13, 2007 (inception) through September 30, 2007 |
|---|---|
| Net asset value, beginning of period | $ 15.00 |
| Offering Costs | (0.20) |
| Net investment income | 0.40 |
| Net realized and unrealized gain (loss) | (0.10) |
| Net increase in net assets resulting from operations | 0.30 |
| Net asset value end of period | $ 15.10 |
| **Total return** | 2% |
| Net assets, end of period | 1,233,815 |
| **Ratio to average net assets** | |
| Expenses [1] | 2.51% |
| Net investment income [1] | 4.84% |

(1) Annualized

**Note 6. Earnings Per Share**

The following information sets forth the computation of basic and diluted net increase in members' capital per share resulting from operations for this period March 13, 2007 (inception) through September 30, 2007:

| | |
|---|---|
| Numerator for basic and diluted gain per share: | 81,702,847 |
| Denominator for basic and diluted weighted average shares: | 81,702,847 |
| Basic and diluted net increase in members' capital per share resulting from operations: | $ 0.30 |

**Note 7. Subsequent Event**

On January 11, 2008, Solar Capital entered into a $200 million three-year Senior Secured Revolving Credit Facility (the "Credit Facility") with Citibank, N.A. as administrative agent, and various parties serving as lenders. The Credit Facility has a stated maturity date of January 11, 2011, and allows for a commitment increase to $600 million. At Solar Capital's option, it may draw down amounts at the following interest rates (each varying based on the applicable terms of the Credit Facility): (a) the Alternate Base Rate, which means, for any day, a rate per annum equal to the greater of (i) the prime rate in effect on such day and (ii) the Federal Funds Effective Rate for such day plus 0.5%, (b) LIBOR plus 1.375% per annum, or (c) LIBOR plus 2.00% per annum. A portion of the Credit Facility not in excess of $25,000,000 shall be available on same day notice ("Swingline loans"). Swingline loans denominated in foreign currencies shall bear interest at a rate per annum agreed between Solar Capital and the swingline lender at the respective time the swingline loans are made. Solar Capital has the right to prepay any borrowing under the Credit Facility prior to maturity.

Table of Contents

**Shares**

# Solar Capital Ltd.

**Common Stock**


**PRELIMINARY PROSPECTUS**

**, 2008**

**Citi**

**JPMorgan**

## PART C — OTHER INFORMATION

### ITEM 25. FINANCIAL STATEMENTS AND EXHIBITS

*1. Financial Statements*

The following financial statements of Solar Capital LLC (together with Solar Capital Ltd., the "Registrant" or the "Company") are included in Part A "Information Required to be in the Prospectus" of the Registration Statement.

### INDEX TO FINANCIAL STATEMENTS



*2. Exhibits*

| Exhibit Number | Description |
|---|---|
| a. | Amended and Restated Articles of Incorporation* |
| b. | Amended and Restated Bylaws* |
| d. | Form of Common Stock Certificate* |
| e. | Dividend Reinvestment Plan* |
| g. | Investment Advisory and Management Agreement by and between Registrant and Solar Capital Partners, LLC |
| h. | Form of Underwriting Agreement* |
| j. | Form of Custodian Agreement* |
| k.1 | Administration Agreement by and between Registrant and Solar Capital Management, LLC |
| k.2 | Form of Indemnification Agreement by and between Registrant and each of its directors* |
| k.3 | Registration Rights Agreement by and between Registrant, the Feeder Corporations, Citi, JP Morgan and purchasers in the initial private placement |
| k.4 | Registration Rights Agreement by and between Registrant, Magnetar Capital Fund, LP and Solar Offshore Limited |
| k.5 | Senior Secured Revolving Credit Agreement by and between the Registrant, the Lenders and Citibank, N.A., as administrative agent* |
| l. | Opinion of Sutherland Asbill & Brennan LLP* |
| n.1 | Consent of Sutherland Asbill & Brennan LLP (Incorporated by reference to exhibit l hereto)* |
| n.2 | Consent of Independent Registered Public Accounting Firm |
| r. | Code of Ethics* |

*To be filed by amendment.

## ITEM 26. MARKETING ARRANGEMENTS

The information contained under the heading "Underwriting" on this Registration Statement is incorporated herein by reference.

## ITEM 27. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

| | |
|---|---|
| SEC registration fee | $11,790 |
| FINRA filing fee | 30,500 |
| New York Stock Exchange listing fee | * |
| Printing and postage | * |
| Legal fees and expenses | * |
| Accounting fees and expenses | * |
| Miscellaneous | * |
| Total | $ * |

Note: All listed amounts are estimates.
* To be provided by amendment.

## ITEM 28. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL

Immediately prior to this offering, Solar Capital Management will own 100% of the outstanding common stock of the Solar Capital Ltd. Following the completion of this offering, Solar Capital Management's share ownership is expected to represent less than 1% of Solar Capital Ltd.'s outstanding common stock.

See "Management," "Certain Relationships and Transactions" and "Control Persons and Principal Stockholders" in the Prospectus contained herein.

## ITEM 29. NUMBER OF HOLDERS OF SECURITIES

The following table sets forth the number of record holders of the Registrant's common stock at January 16, 2008:

| Title of Class | Number of Record Holders |
|---|---|
| Common Stock, par value $0.01 per share | 1 |

## ITEM 30. INDEMNIFICATION

Reference is made to Section 2-418 of the Maryland General Corporation Law, Article VIII of the Registrant's Articles of Incorporation, Article XI of the Registrant's Bylaws, the Investment Advisory and Management Agreement and the Administration Agreement.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act of 1940, as amended (the "1940 Act").

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and

against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made a party to the proceeding by reason of his service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met. The Investment Advisory and Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Solar Capital Partners, LLC (the "Adviser") and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Adviser's services under the Investment Advisory and Management Agreement or otherwise as an investment adviser of the Registrant.

The Administration Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Solar Capital Management, LLC and its officers, manager, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Solar Capital Management's services under the Administration Agreement or otherwise as administrator for the Registrant.

The law also provides for comparable indemnification for corporate officers and agents. Insofar as indemnification for liability arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise,

the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

We have entered into indemnification agreements with our directors. The indemnification agreements are intended to provide our directors the maximum indemnification permitted under Maryland law and the Investment Company Act of 1940. Each indemnification agreement provides that the Registrant shall indemnify the director who is a party to the agreement (an "Indemnitee"), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, other than a proceeding by or in the right of the Registrant.

**ITEM 31. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER**

A description of any other business, profession, vocation, or employment of a substantial nature in which the Solar Capital Partners, LLC, and each managing director, director or executive officer of the Solar Capital Partners, LLC, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled "Management — Board of Directors," "Investment Advisory and Management Agreement" and "Portfolio Management — Investment Personnel." Additional information regarding Solar Capital Partners, LLC and its officers and directors will be set forth in its Form ADV, as filed with the Securities and Exchange Commission (SEC File No. 801- ), and is incorporated herein by reference.

**ITEM 32. LOCATION OF ACCOUNTS AND RECORDS**

All accounts, books, and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

(1) the Registrant, Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022;

(2) the Transfer Agent, American Stock Transfer & Trust Company, 59 Maiden Lane, Plaza Level, New York, NY 10038;

(3) the Custodian, , , , ; and

(4) the Adviser, Solar Capital Partners, LLC, 500 Park Avenue, 5th Floor, New York, NY 10022.

**ITEM 33. MANAGEMENT SERVICES**

Not applicable.

**ITEM 34. UNDERTAKINGS**

(1) Registrant undertakes to suspend the offering of the shares of common stock covered hereby until it amends its prospectus contained herein if (a) subsequent to the effective date of this Registration Statement, its net asset value per share of common stock declines more than 10% from its net asset value per share of common stock as of the effective date of this Registration Statement, or (b) its net asset value per share of common stock increases to an amount greater than its net proceeds as stated in the prospectus contained herein.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Registrant undertakes that:

(a) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 497(h) under the Securities Act of 1933, as amended, shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(b) For purposes of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to a new registration statement relating to the securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, in the State of New York, on the 17th day of January, 2008.

**SOLAR CAPITAL LTD.**

By: /s/ Michael S. Gross
**Michael S. Gross**
**Chief Executive Officer, Chairman of the Board and Director**

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael S. Gross as true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments to this Registration Statement (including post-effective amendments, or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) and otherwise), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorney-in-fact and agent the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as to all intents and purposes as either of them might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form N-2 has been signed by the following persons on behalf of the Registrant, and in the capacities indicated, on the 17th day of January, 2008.

| Signature | Title |
|---|---|
| /s/ Michael S. Gross<br>**Michael S. Gross** | Chief Executive Officer, Chairman of the Board and Director<br>(Principal Executive Officer and Principal Financial Officer) |
| /s/ Steven Hochberg<br>**Steven Hochberg** | Director |
| /s/ David S. Wachter<br>**David S. Wachter** | Director |

**Exhibit g**

**INVESTMENT ADVISORY MANAGEMENT AGREEMENT**

**BETWEEN**

**SOLAR CAPITAL, LLC**

**AND**

**SOLAR CAPITAL PARTNERS, LLC**

Agreement made this 6th day of March 2007, by and between SOLAR CAPITAL LLC, a Maryland limited liability company ("Company"), and SOLAR CAPITAL PARTNERS, LLC, a Delaware limited liability company (the "Adviser").

WHEREAS, the Company is a newly organized closed-end management investment fund that may in the future elect to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "Investment Company Act");

WHEREAS, the Adviser is a newly organized investment adviser that intends to register under the Investment Advisers Act of 1940 (the "Advisers Act") if the Company elects to be treated as a BDC under the Investment Company Act; and

WHEREAS, the Company desires to retain the Adviser to furnish investment advisory services to the Company on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

**1. Duties of the Adviser.**

(a) The Company hereby employs the Adviser to act as the investment adviser to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the Board of Directors of the Company, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions that are set forth in the Company's Offering Memorandum, dated March 5, 2007, as the same shall be amended from time to time (the "Offering Memorandum"); (ii) during the term of this Agreement in accordance with all other applicable federal and state laws, rules and regulations, and the Company's charter and by-laws; and (iii) if the Company elects to be regulated as a BDC, the Adviser will manage the assets of the Company in accordance with the Investment Company Act. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Company; (iii) close and monitor the Company's investments; (iv) determine the securities and other assets that the Company will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Company with such other investment advisory, research and related services as the Company may, from time to time,

reasonably require for the investment of its funds. The Adviser shall have the power and authority on behalf of the Company to effectuate its investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Adviser will arrange for such financing on the Company's behalf, subject to the oversight and approval of the Company's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Company through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle (in accordance with the Investment Company Act to the extent that the Company elects to be treated as a BDC under the Investment Company Act).

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) The Adviser is hereby authorized to enter into one or more sub-advisory agreements with other investment advisers (each, a "Sub-Adviser") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific securities or other investments based upon the Company's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject to the oversight of the Adviser and the Company. The Company shall be responsible for any compensation payable to any Sub-Adviser.

If the Company elects to be regulated as a BDC under the Investment Company Act, any sub-advisory agreement entered into by the Adviser shall be in accordance with the requirements of the Investment Company Act and other applicable federal and state law.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

(e) If the Company elects to be regulated as a BDC under the Investment Company Act, the Adviser shall keep and preserve for the period required by the Investment Company Act any books and records relevant to the provision of its investment advisory services to the Company and shall specifically maintain all books and records with respect to the Company's portfolio transactions and shall render to the Company's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Company are the property of the Company and will surrender promptly to the Company any such records upon the Company's request, provided that the Adviser may retain a copy of such records.

**2. Company's Responsibilities and Expenses Payable by the Company.**

All investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Adviser and not by the Company. The Company will bear all other costs and expenses of its operations, administration and transactions, including (without limitation) those relating to: organization and offering; calculating the Company's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in providing administrative services, monitoring the Company's investments and performing due diligence on its prospective portfolio companies (including without limitation payments made to Citco Group, Magnetar Capital LLC and any of its affiliates); interest payable on debt, if any, incurred to finance the Company's investments; sales and purchases of the Company's common stock and other securities; investment advisory and management fees; administration fees, if any, payable under the Administration Agreement between the Company and Solar Capital Management, LLC (the "Administrator"), the Company's administrator; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Company's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Company or the Administrator in connection with administering the Company's business, including payments under the Administration Agreement between the Company and the Administrator based upon the Company's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of the Company's chief compliance officer and chief financial officer and their respective staffs.

**3. Compensation of the Adviser.**

The Company agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base management fee ("Base Management Fee") and an incentive fee ("Incentive Fee") as hereinafter set forth. The Company shall make any payments due hereunder to the Adviser or to the Adviser's designee as the Adviser may otherwise direct. To the extent permitted by applicable law, the Adviser may elect, or the Company may adopt a deferred compensation plan pursuant to which the Adviser may elect, to defer all or a portion of its fees hereunder for a specified period of time.

(a) The Base Management Fee shall be calculated at an annual rate of 2.00% of the Company's gross assets. For services rendered during the period commencing from the closing of the Company's offering of its common stock, pursuant to the Offering Memorandum, through

and including the first six months of operations, the Base Management Fee will be payable monthly in arrears. For services rendered after such time, the Base Management Fee will be payable quarterly in arrears. For the first quarter of the Company's operations, the Base Management Fee will be calculated based on the initial value of the Company's gross assets. Subsequently, the Base Management Fee will be calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base Management Fees for any partial month or quarter will be appropriately pro rated.

(b) The Incentive Fee shall consist of two parts, as follows:

(i) One part will be calculated and payable quarterly in arrears based on the pre-Incentive Fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-Incentive Fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and fees for providing significant managerial assistance or other fees that the Company receives from portfolio companies) accrued by the Company during the calendar quarter, minus the Company's operating expenses for the quarter (including the Base Management Fee, expenses payable under the Administration Agreement to the Administrator, and any interest expense and dividends paid on any issued and 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 original issue discount, debt instruments with pay in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee net investment income, expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized). The Company's net investment income used to calculate this part of the Incentive Fee is also included in the amount of its gross assets used to calculate the 2.00% base management fee. The Company will pay the Adviser an Incentive Fee with respect to the Company's pre-Incentive Fee net investment income in each calendar quarter as follows: (1) no Incentive Fee in any calendar quarter in which the Company's pre-Incentive Fee net investment income does not exceed the hurdle rate of 1.75%; (2) 100% of the Company's 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 (8.75% annualized); we refer to this portion of our pre-Incentive Fee net investment income (which exceeds the hurdle but is less than 2.1875%) as the "catch-up." The "catch-up" is meant to provide our investment adviser with 20% of our pre-Incentive

Fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.1875% in any calendar quarter; and (3) 20% of the amount of the Company's pre-Incentive Fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) payable to the Adviser (once the hurdle is reached and the catch-up is achieved, 20% of all pre-Incentive Fee investment income thereafter is allocated to the Adviser). These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter.

(ii) The second part of the Incentive Fee (the "Capital Gains Fee") will be determined and payable in arrears as of the end of each calendar year (or upon termination of this Agreement as set forth below), commencing on December 31, 2007, and will equal 20.0% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the amount of any previously paid capital gain Incentive Fees, with respect to each of the investments in our portfolio; provided that the Incentive Fee determined as of December 31, 2007 will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation from inception. In the event that this Agreement shall terminate as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee.

**Examples of Quarterly Incentive Fee Calculation**
**Example 1: Income Related Portion of Incentive Fee (*):**
**Alternative 1**
*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 1.25%
Hurdle rate (1) = 1.75%
Management fee (2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-Incentive Fee net investment income
(investment income – (management fee + other expenses)) = 0.55%
Pre-incentive net investment income does not exceed hurdle rate, therefore there is no Incentive Fee.

**Alternative 2**
*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 2.70%
Hurdle rate (1) = 1.75%
Management fee (2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-Incentive Fee net investment income
(investment income – (management fee + other expenses)) = 2.00%
Incentive Fee = 100% × pre-Incentive Fee net investment income, subject to the "catch-up" (4)

= 100% × (2.00% – 1.75%)
= 0.25%

**Alternative 3**
*Assumptions*

Investment income (including interest, dividends, fees, etc.) = 3.00%
Hurdle rate (1) = 1.75%
Management fee (2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-Incentive Fee net investment income
(investment income – (management fee + other expenses)) = 2.30%
Incentive Fee = 20% × pre-Incentive Fee net investment income, subject to "catch-up" (4)
Incentive Fee = 100% × "catch-up" + (20% × (pre-Incentive Fee net investment income – 2.1875%))
Catch-up = 2.1875% – 1.75% = 0.4375%
Incentive Fee = (100% × 0.4375%) + (20% × (2.3% – 2.1875%))
= 0.4375% + (20% × 0.1125%)
= 0.4375% + 0.0225%
= 0.46%

(1) *Represents 7.0% annualized hurdle rate.*
(2) *Represents 2.0% annualized management fee.*
(3) *Excludes organizational and offering expenses.*
(4) *The "catch-up" provision is intended to provide our investment adviser with an Incentive Fee of 20% on all of our pre-Incentive Fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 2.1875% in any calendar quarter.*
(*) *The hypothetical amount of pre-Incentive Fee net investment income shown is based on a percentage of total net assets.*

**Example 2: Capital Gains Portion of Incentive Fee:**
**Alternative 1:**
*Assumptions*

- Year 1: $20 million investment made in Company A ("Investment A"), and $30 million investment made in Company B ("Investment B")
- Year 2: Investment A sold for $50 million and fair market value ("FMV") of Investment B determined to be $32 million
- Year 3: FMV of Investment B determined to be $25 million
- Year 4: Investment B sold for $31 million

The capital gains portion of the Incentive Fee would be:

- Year 1: None
- Year 2: Capital gains Incentive Fee of $6 million ($30 million realized capital gains on sale of Investment A multiplied by 20%)
- Year 3: None

$5 million (20% multiplied by ($30 million cumulative capital gains less $5 million cumulative capital depreciation)) less $6 million (previous capital gains fee paid in Year 2)

- Year 4: Capital Gains Fee of $200,000

$6.2 million ($31 million cumulative realized capital gains multiplied by 20%) less $6 million (Capital Gains Fee taken in Year 2)

**Alternative 2**
*Assumptions*

- Year 1: $20 million investment made in Company A ("Investment A"), $30 million investment made in Company B ("Investment B") and $25 million investment made in Company C ("Investment C")
- Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million
- Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million
- Year 4: FMV of Investment B determined to be $35 million
- Year 5: Investment B sold for $20 million

The Capital Gains Fee, if any, would be:

- Year 1: None
- Year 2: $5 million Capital Gains Fee

  20% multiplied by $25 million ($30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B)
- Year 3: $1.4 million Capital Gains Fee[(1)]

  $6.4 million (20% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation)) less $5 million Capital Gains Fee received in Year 2
- Year 4: None
- Year 5: None

  $5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) less $6.4 million cumulative Capital Gains Fee paid in Year 2 and Year 3

(1) *As illustrated in Year 3 of Alternative 1 above, if Solar Capital were to be wound up on a date other than December 31st of any year, Solar Capital may have paid aggregate capital gain Incentive Fees that are more than the amount of such fees that would be payable if Solar Capital had been wound up on December 31 of such year.*

**4. Covenants of the Adviser.**

The Adviser covenants that it will become registered as an investment adviser under the Advisers Act if the Company elects to be regulated as a BDC under the Investment Company Act. The Adviser agrees that its activities will at all times be in compliance in all material respects with all applicable federal and state laws governing its operations and investments.

**5. Excess Brokerage Commissions.**

The Adviser is hereby authorized, to the fullest extent now or hereafter permitted by law, to cause the Company to pay a member of a national securities exchange, broker or dealer an amount of commission for effecting a securities transaction in excess of the amount of commission another member of such exchange, broker or dealer would have charged for effecting that transaction, if the Adviser determines in good faith, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities, that such amount of commission is reasonable in relation to the value of the brokerage and/or research services provided by such member, broker or dealer, viewed in terms of either that particular transaction or its overall responsibilities with respect to the Company's portfolio, and constitutes the best net results for the Company.

**6. Limitations on the Employment of the Adviser.**

The services of the Adviser to the Company are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Company, so long as its services to the Company hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Company, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

**7. Responsibility of Dual Directors, Officers and/or Employees.**

If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer and/or employee of the Company and acts as such in any business of the Company, then such manager, partner, officer and/or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Company, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if paid by the Adviser or the Administrator.

**8. Limitation of Liability of the Adviser; Indemnification.**

The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its sole member and the Administrator and any person affiliated with Magnetar Capital LLC to the extent they are providing services for or otherwise acting on behalf of the Adviser, Administrator or the Company) shall not be liable to the Company for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Company (except to the extent specified in Section 36(b) of the Investment Company Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services to the extent the Company elects to be regulated as a BDC under the Investment Company Act), and the Company shall indemnify, defend and protect the Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of the Company. Notwithstanding the preceding sentence of this Section 8 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement (as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the Securities and Exchange Commission or its staff thereunder to the extent the Company elects to be regulated as a BDC under the Investment Company Act).

**9. Effectiveness, Duration and Termination of Agreement.**

(a) This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect for an indefinite period; provided, however, that to the extent the Company elects to be regulated as a BDC under the Investment Company Act, then this Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's Directors or by the Adviser. The provisions of Section 8 of this Agreement shall remain in full force and effect, and the Adviser shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement. Further, notwithstanding the termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the date of termination or expiration

and Section 8 shall continue in force and effect and apply to the Adviser and its representatives as and to the extent applicable.

(b) If the Company elects to be regulated as a BDC under the Investment Company Act:

(i) This Agreement shall continue in effect for two years from the date hereof, or to the extent consistent with the requirements of the Investment Company Act, from the date of the Company's election to be regulated as a BDC under the Investment Company Act, and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (A) the vote of the Company's Board of Directors, or by the vote of a majority of the outstanding voting securities of the Company and (B) the vote of a majority of the Company's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act;

(ii) The Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company, or by the vote of the Company's Directors or by the Adviser;

(iii) This Agreement will automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the Investment Company Act).

(c) The provisions of Section 8 of this Agreement shall remain in full force and effect, and the Adviser shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement. Further, notwithstanding the termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the date of termination or expiration and Section 8 shall continue in force and effect and apply to the Adviser and its representatives as and to the extent applicable.

**10. Notices.**

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

**11. Amendments.**

This Agreement may be amended by mutual consent. If the Company elects to be regulated as a BDC under the Investment Company Act, the consent of the Company must be obtained in conformity with the requirements of the Investment Company Act.

**12. Entire Agreement; Governing Law.**

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of New York. If the Company elects to be regulated as a BDC under the Investment Company Act, this Agreement shall also be construed in accordance with the applicable provisions of the Investment Company Act. In such case, to the extent the applicable laws of the State of New York, or any of the provisions herein, conflict with the provisions of the Investment Company Act, the latter shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date above written.

**SOLAR CAPITAL, LLC**

By: /s/ Michael S. Gross
Name: Michael S. Gross
Title: Managing Member

**SOLAR CAPITAL PARTNERS, LLC**

By: /s/ Michael S. Gross
Name: Michael S. Gross
Title: Managing Member

**Exhibit k.1**

**ADMINISTRATION AGREEMENT**

This Agreement ("Agreement") is made as of March 6, 2007 by and between SOLAR CAPITAL LLC a Maryland limited liability company (the "Company"), and SOLAR CAPITAL MANAGEMENT, LLC, a Delaware limited liability company (the "Administrator").

**W I T N E S S E T H:**

WHEREAS, the Company is a newly organized finance company that may elect to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "Investment Company Act");

WHEREAS, the Company desires to retain the Administrator to provide administrative services to the Company in the manner and on the terms hereinafter set forth;

WHEREAS, the Company's investment adviser (the "Adviser") is the sole member of the Administrator; and

WHEREAS, the Administrator is willing to provide administrative services to the Company on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company and the Administrator hereby agree as follows:

**1. Duties of the Administrator**

(a) Employment of Administrator. The Company hereby employs the Administrator to act as administrator of the Company, and to furnish, or arrange for others to furnish, the administrative services, personnel and facilities described below, subject to review by and the overall control of the Board of Directors of the Company, for the period and on the terms and conditions set forth in this Agreement. The Administrator hereby accepts such employment and agrees during such period to render, or arrange for the rendering of, such services and to assume the obligations herein set forth subject to the reimbursement of costs and expenses provided for below. The Administrator and such others shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent the Company in any way or otherwise be deemed agents of the Company.

(b) Services. The Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of the Company . Without limiting the generality of the foregoing, the Administrator shall provide the Company with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the Administrator, subject to review by the Board of Directors of the Company, shall from time to time determine to be necessary or useful to perform its obligations under this Agreement. The Administrator shall also, on behalf of the Company, conduct relations with custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate

fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Administrator shall make reports to the Board of Directors of the Company of its performance of obligations hereunder and furnish advice and recommendations with respect to such other aspects of the business and affairs of the Company as it shall determine to be desirable; provided that nothing herein shall be construed to require the Administrator to, and the Administrator shall not, provide any advice or recommendation relating to the securities and other assets that the Company should purchase, retain or sell or any other investment advisory services to the Company. The Administrator shall be responsible for the financial and other records that the Company is required to maintain and, to the extent that the Company elects to be treated as a BDC under the Investment Company Act, shall prepare, print and disseminate reports to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the "SEC"). The Administrator will provide on the Company's behalf significant managerial assistance to those portfolio companies to which the Company is required to provide such assistance. In addition, the Administrator will assist the Company in determining and publishing the Company's net asset value, overseeing the preparation and filing of the Company's tax returns, and generally overseeing the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others.

**2. Records**

To the extent that the Company elects to be treated as a BDC under the Investment Company Act, the Administrator agrees to maintain and keep all books, accounts and other records of the Company that relate to activities performed by the Administrator hereunder and will maintain and keep such books, accounts and records in accordance with the Investment Company Act. In compliance with the requirements of Rule 31a-3 under the Investment Company Act, the Administrator agrees that all records which it maintains for the Company shall at all times remain the property of the Company, shall be readily accessible during normal business hours, and shall be promptly surrendered upon the termination of the Agreement or otherwise on written request. The Administrator further agrees that all records which it maintains for the Company pursuant to Rule 31a-1 under the Investment Company Act will be preserved for the periods prescribed by Rule 31a-2 under the Investment Company Act unless any such records are earlier surrendered as provided above. Records shall be surrendered in usable machine-readable form. The Administrator shall have the right to retain copies of such records subject to observance of its confidentiality obligations under this Agreement.

**3. Confidentiality**

The parties hereto agree that each shall treat confidentially the terms and conditions of this Agreement and all information provided by each party to the other regarding its business and operations. All confidential information provided by a party hereto, including nonpublic personal information (regulated pursuant to Regulation S-P of the SEC, if and to the extent that the Company elects to be treated as a BDC under the Investment Company Act), shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party, without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available

other than through a breach of this Agreement, or that is required to be disclosed by any regulatory authority, any authority or legal counsel of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

**4. Compensation; Allocation of Costs and Expenses**

In full consideration of the provision of the services of the Administrator, the Company shall reimburse the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities hereunder. The Company will bear all costs and expenses that are incurred in its operation, administration and transactions and not specifically assumed by the Adviser, pursuant to that certain Investment Advisory Management Agreement, dated as of March 6, 2007 by and between the Company and the Adviser. Costs and expenses to be borne by the Company include, but are not limited to, those relating to: organization and offering; calculating the Company's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in providing administrative services, monitoring the Company's investments and performing due diligence on its prospective portfolio companies (including without limitation payments made to Citco Group, Magnetar Capital LLC and any of its affiliates); interest payable on debt, if any, incurred to finance the Company's investments; sales and purchases of the Company's common stock and other securities; investment advisory and management fees; administration fees, if any, payable under this Agreement; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Company's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Company or the Administrator in connection with administering the Company's business, including payments under this Agreement based upon the Company's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of the Company's chief compliance officer and chief financial officer and their respective staffs.

**5. Limitation of Liability of the Administrator; Indemnification**

The Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation its sole member, the Adviser, and any person affiliated with Magnetar Capital LLC to the extent they are providing services for or otherwise acting on behalf of the Administrator, Adviser or the Company) shall not be liable to the Company for any action taken or omitted to be taken by the Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as administrator for the Company, and

the Company shall indemnify, defend and protect the Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation the Adviser, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Administrator's duties or obligations under this Agreement or otherwise as administrator for the Company. Notwithstanding the preceding sentence of this Section 5 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or negligence in the performance of the Administrator's duties or by reason of the reckless disregard of the Administrator's duties and obligations under this Agreement (to the extent applicable, as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the SEC or its staff thereunder to the extent that the Company elects to be treated as a business development company under the Investment Company Act).

**6. Activities of the Administrator**

The services of the Administrator to the Company are not to be deemed to be exclusive, and the Administrator and each affiliate is free to render services to others. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Administrator and its affiliates, as directors, officers, members, managers, employees, partners, stockholders or otherwise, and that the Administrator and directors, officers, members, managers, employees, partners and stockholders of the Administrator and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

**7. Duration and Termination of this Agreement**

(a) This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect for an indefinite period; provided, however, that to the extent the Company elects to be regulated as a BDC under the Investment Company Act, then this Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's Directors or by the Administrator.

(b) If the Company elects to be regulated as a BDC under the Investment Company Act:

(i) This Agreement shall continue in effect for two years from the date hereof, or to the extent consistent with the requirements of the Investment Company Act, from the date of the Company's election to be regulated as a BDC under the Investment Company Act, and thereafter shall continue automatically for successive annual periods, provided that such

continuance is specifically approved at least annually by (A) the vote of the Company's Board of Directors, or by the vote of a majority of the outstanding voting securities of the Company and (B) the vote of a majority of the Company's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act;

(ii) The Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company, or by the vote of the Company's Directors or by the Administrator.

(c) This Agreement may not be assigned by a party without the consent of the other party; provided, however, that the rights and obligations of the Company under this Agreement shall not be deemed to be assigned to a newly-formed entity in the event of the merger of the Company into, or conveyance of all of the assets of the Company to, such newly-formed entity; provided, further, however, that the sole purpose of that merger or conveyance is to effect a mere change in the Company's legal form into another limited liability entity. The provisions of Section 5 of this Agreement shall remain in full force and effect, and the Administrator shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement.

**8. Amendments of this Agreement**

This Agreement may be amended pursuant to a written instrument by mutual consent of the parties.

**9. Governing Law**

This Agreement shall be construed in accordance with the laws of the State of New York. If the Company elects to be regulated as a BDC under the Investment Company Act, this Agreement shall also be construed in accordance with the applicable provisions of the Investment Company Act. In such case, to the extent the applicable laws of the State of New York, or any of the provisions herein, conflict with the provisions of the Investment Company Act, the latter shall control.

**10. Entire Agreement**

This Agreement contains the entire agreement of the parties and supercedes all prior agreements, understandings and arrangements with respect to the subject matter hereof.

**11. Notices**

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

***Remainder of Page Intentionally Left Blank***

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

**SOLAR CAPITAL LLC**

By: /s/ Michael S. Gross
Name: Michael S. Gross
Title: Managing Member

**SOLAR CAPITAL MANAGEMENT, LLC**

By: /s/ Michael S. Gross
Name: Michael S. Gross
Title: Managing Member

**Exhibit k.3**

# SOLAR CAPITAL LLC

## REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of March 13, 2007, among Solar Capital LLC, a Maryland limited liability company (together with any successor entity, the "Company"); Solar Cayman Limited, a Cayman Islands corporation, and Solar Offshore Limited, a Cayman Islands corporation (the "Feeder Corporations"); and Citigroup Global Markets Inc. and JP Morgan Securities Inc. (the "Initial Purchasers/Placement Agents") for the benefit of the Initial Purchasers/Placement Agents and the holders from time to time of the Securities (as defined below) (including the Initial Purchasers/Placement Agents) (each a "Holder" and, collectively, the "Holders").

The parties enter this agreement on the basis of the following facts, understandings and intentions:

A. The Company, the Feeder Corporations, Solar Capital Partners, LLC and the Initial Purchasers/Placement Agents entered into the Purchase/Placement Agreement dated as of March 7, 2007 (the "Purchase/Placement Agreement") in connection with the offering and sale, whether by the Initial Purchasers/Placement Agents or directly by the Company or the Feeder Corporations (the "Offering"), of membership units of the Company (the "Units") and common shares of the Feeder Corporations representing beneficial interests in Units (collectively, the "Securities").

B. In order to induce the investors who are purchasing the Securities in the Offering to purchase such Securities and the Initial Purchasers/Placement Agents to enter into the Purchase/Placement Agreement, the Company has agreed to provide the registration rights provided for in this Agreement for the holders of Registrable Securities (as defined below).

C. The execution and delivery of this Agreement is a condition to the closing of the transactions contemplated by the Purchase/Placement Agreement.

Now, therefore, in consideration of the premises and the mutual covenants of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase/Placement Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Affiliate" shall have the meaning specified in Rule 405 under the Act and the terms "controlling" and "controlled" shall have meanings correlative thereto.

"Applicable Shelf Registration Period" shall have the meaning set forth in Section 2(c) hereof.

"Broker-Dealer" shall mean any broker or dealer registered as such under the Exchange Act.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City.

"Closing Date" shall mean the date of the first issuance of the Securities.

"Commission" shall mean the Securities and Exchange Commission.

"Deferral Period" shall have the meaning indicated in Section 3(i) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Final Memorandum" shall mean the offering memorandum, dated March 7, 2007, relating to the Securities, including any and all exhibits thereto and any information incorporated by reference therein as of such date.

"First Shelf Registration Period" shall have the meaning set forth in Section 2(c) hereof.

"Holder" shall have the meaning set forth in the preamble hereto.

"Initial Public Offering" shall mean an initial public offering of the Securities (or any successor securities thereof).

"Initial Purchaser/Placement Agent" shall have the meaning set forth in the preamble hereto.

"Losses" shall have the meaning set forth in Section 6(d) hereof.

"Majority Holders" shall mean, on any date, Holders of a majority of the Securities registered under a Registration Statement.

"Managing Underwriters" shall mean the investment banker or investment bankers and manager or managers that administer an underwritten offering, if any, conducted pursuant to Section 7 hereof.

"NASD Rules" shall mean the Conduct Rules and the By-Laws of the National Association of Securities Dealers, Inc.

"Notice and Questionnaire" shall mean a written notice delivered to the Company substantially in the form attached as Appendix A to this Agreement.

"Notice Holder" shall mean, on any date, any Holder of Registrable Securities that has delivered a Notice and Questionnaire to the Company on or prior to such date.

"Offering" shall have the meaning set forth in the preamble hereto.

"Prospectus" shall mean a prospectus included in the Shelf Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A, Rule 430B or Rule 430C, as appropriate, under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities covered by the Shelf Registration Statement, and all amendments and supplements thereto, including any and all exhibits thereto and any information incorporated by reference therein.

"Purchase/Placement Agreement" shall have the meaning set forth in the preamble hereto.

"Registrable Securities" shall mean Securities other than those that (i) have been registered under the Shelf Registration Statement and disposed of in accordance therewith, (ii) have been sold back to the Company or the Feeder Corporations, (iii) have been distributed to the public pursuant to Rule 144 under the Act or any successor rule or regulation thereto that may be adopted by the Commission, or (iv) are saleable (a) during any 90-day period pursuant to Rule 144 under the Act or any successor rule or regulation thereto that may be adopted by the Commission, but only to the extent that the Holder thereof may sell all of the Securities held by such Holder pursuant thereto, or (b) pursuant to Rule 144(k) under the Act or any successor rule or regulation thereto that may be adopted by the Commission.

"Second Shelf Registration Period" shall have the meaning set forth in Section 2(c) hereof.

"Securities" shall have the meaning set forth in the preamble hereto.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2 hereof which covers some or all of the Securities on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"underwriter" shall mean any underwriter of Securities in connection with an offering thereof under the Shelf Registration Statement.

2. Shelf Registration. (a) The Company shall use its best efforts to file with the Commission on or prior to 270 days after the Closing Date, but not earlier than 180 days after the Closing Date, a Shelf Registration Statement providing for the registration of, and the sale on a continuous or delayed basis by the Holders of, all of the Registrable Securities, from time to time in accordance with the methods of distribution elected by such Holders, pursuant to Rule 415 under the Act or any similar rule that may be adopted by the Commission.

(b) The Company shall use its best efforts to cause the Shelf Registration Statement to become or be declared effective under the Act no later than 730 days after the Closing Date.

(c) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the Act, in order to permit the Prospectus forming part thereof to be usable by Holders for a period (the "First Shelf Registration Period") from the date the Shelf Registration Statement is declared effective by the Commission until the earlier of (i) the second anniversary of the Closing Date or (ii) the date upon which there are no Registrable Securities outstanding. In addition to its obligations in the previous sentence, the Company also shall use its best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the Act, in order to permit the Prospectus forming part thereof to be usable by Solar Capital Investments, LLC (including any successor entity thereto) for a period (the "Second Shelf Registration Period"; each of the First Shelf Registration Period and Second Shelf Registration Period, an "Applicable Shelf Registration Period") from the date the Shelf Registration Statement is declared effective by the Commission until the earlier of (i) three months after the date that Solar Capital Investments, LLC is not longer an affiliate of the Company or (ii) the date that Solar Capital Investments, LLC no longer holds Registrable Securities. The Company shall be deemed not to have used its best efforts to keep the Shelf Registration Statement effective during the Applicable Shelf Registration Period if it voluntarily takes any action that would result in Holders of Registrable Securities not being able to offer and sell such Securities at any time during the Applicable Shelf Registration Period, unless such action is (x) required by applicable law or otherwise undertaken by the Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including the acquisition or divestiture of assets, and (y) permitted by Section 3(i) hereof.

(d) The Company shall cause the Shelf Registration Statement and the related Prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement or such amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Act; and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading.

(e) Each Holder of Registrable Securities agrees to deliver a Notice and Questionnaire to the Company at least seven Business Days prior to any distribution by it of Registrable Securities under the Shelf Registration Statement. From and after the date the Shelf Registration Statement is declared effective, the Company shall, as promptly as is practicable after the date a Notice and Questionnaire is delivered, and in any event within ten Business Days after such date, (i) if required by applicable law, file with the Commission a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related Prospectus or an amendment or supplement to any document incorporated therein by reference or file any other required document so that the Holder delivering such Notice and Questionnaire is named as a selling holder in the Shelf Registration Statement and the related Prospectus and so that such Holder is permitted to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law and, if the Company shall file a post-effective amendment to the Shelf Registration Statement, use best efforts to cause such post-effective amendment to be declared effective under the Act as promptly as is practicable; (ii) provide such Holder copies of any documents filed pursuant to Section 2(e)(i) hereof; and (iii) notify such Holder as promptly as practicable after the

effectiveness under the Act of any post-effective amendment filed pursuant to Section 2(e)(i) hereof; provided, that if such Notice and Questionnaire is delivered during a Deferral Period, the Company shall so inform the Holder delivering such Notice and Questionnaire and shall take the actions set forth in clauses (i), (ii) and (iii) above upon expiration of the Deferral Period in accordance with Section 3(i) hereof. Notwithstanding anything contained herein to the contrary, the Company shall be under no obligation to name any Holder that is not a Notice Holder as a selling holder in the Shelf Registration Statement or related Prospectus; provided, however, that any Holder that becomes a Notice Holder pursuant to the provisions of this Section 2(e) (whether or not such Holder was a Notice Holder at the time the Shelf Registration Statement was declared effective) shall be named as a selling holder in the Shelf Registration Statement or related Prospectus in accordance with the requirements of this Section 2(e).

3. Registration Procedures. The following provisions shall apply in connection with the Shelf Registration Statement.

(a) The Company shall:

(i) furnish to each of the Initial Purchasers/Placement Agents and to counsel for the Notice Holders, not less than five Business Days prior to the filing thereof with the Commission, a copy of the Shelf Registration Statement and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein (including all documents incorporated by reference therein after the initial filing) and shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as the Initial Purchasers/Placement Agents reasonably propose; and

(ii) include information regarding the Notice Holders and the methods of distribution they have elected for their Registrable Securities provided to the Company in Notices and Questionnaires as necessary to permit such distribution by the methods specified therein.

(b) The Company shall ensure that:

(i) the Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto complies in all material respects with the Act; and

(ii) the Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) The Company shall advise the Initial Purchasers/Placement Agents, the Notice Holders and any underwriter that has provided in writing to the Company a telephone or facsimile number and address for notices, and confirm such advice by notice in writing (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the Prospectus until the Company shall have remedied the basis for such suspension):

(i) when the Shelf Registration Statement and any amendment thereto has been filed with the Commission and when the Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for any amendment or supplement to the Shelf Registration Statement or the Prospectus or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement or the institution or threatening of any proceeding for that purpose;

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities included therein for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires any change in the Shelf Registration Statement or the Prospectus so that, as of such date, they (A) do not contain any untrue statement of a material fact and (B) do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading.

(d) The Company shall use its best efforts to prevent the issuance of any order suspending the effectiveness of the Shelf Registration Statement or the qualification of the securities therein for sale in any jurisdiction and, if issued, to obtain as soon as possible the withdrawal thereof.

(e) The Company shall furnish to each Notice Holder, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including all material incorporated therein by reference, and, if a Notice Holder so requests in writing, all exhibits thereto (including exhibits incorporated by reference therein).

(f) During the Applicable Shelf Registration Period, the Company shall promptly deliver to each Initial Purchaser/Placement Agent, each Notice Holder, and any sales or placement agents or underwriters acting on their behalf, without charge, as many copies of the Prospectus (including the preliminary Prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as any such person may reasonably request. The Company consents to the use of the Prospectus or any amendment or supplement thereto by each of the foregoing in connection with the offering and sale of the Securities.

(g) Prior to any offering of Securities pursuant to the Shelf Registration Statement, the Company shall arrange for the qualification of the Securities for sale under the laws of such jurisdictions as any Notice Holder shall reasonably request and shall maintain such qualification in effect so long as required; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the

Offering or any offering pursuant to the Shelf Registration Statement, in any jurisdiction where it is not then so subject.

(h) Upon the occurrence of any event contemplated by subsections (c)(ii) through (v) above, the Company shall promptly (or within the time period provided for by Section 3(i) hereof, if applicable) prepare a post-effective amendment to the Shelf Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to the Initial Purchasers/Placement Agents and Notice Holders of the Securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) Upon the occurrence or existence of any pending corporate development or any other material event that, in the reasonable judgment of the Company, makes it appropriate to suspend the availability of the Shelf Registration Statement and the related Prospectus, or in connection with a primary underwritten offering by the Company where the Company is advised by the representative of the underwriters for such underwritten offering that the sale of Registrable Securities pursuant to the Shelf Registration Statement would have a material adverse effect on the Company's primary offering, the Company shall give notice (without notice of the nature or details of such events) to the Notice Holders that the availability of the Shelf Registration is suspended and, upon actual receipt of any such notice, each Notice Holder agrees not to sell any Registrable Securities pursuant to the Shelf Registration until such Notice Holder's receipt of copies of the supplemented or amended Prospectus provided for in Section 3(h) hereof, or until it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus. The period during which the availability of the Shelf Registration and any Prospectus is suspended (the "Deferral Period") shall not exceed an aggregate of 90 days or more than three separate times in any consecutive twelve-month period.

(j) Not later than the effective date of the Shelf Registration Statement, the Company shall provide a CUSIP number for the Securities registered under the Shelf Registration Statement and provide printed certificates for such Securities, free of any restrictive legends, in a form eligible for deposit with The Depository Trust Company.

(k) The Company shall comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Act as soon as practicable after the effective date of the Shelf Registration Statement and in any event no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Shelf Registration Statement.

(l) The Company may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of such Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement. The Company may exclude from the Shelf

Registration Statement the Securities of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(m) The Company shall enter into customary agreements (including, if requested, an underwriting agreement in customary form) and take all other appropriate actions in order to expedite or facilitate the registration or the disposition of the Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures no less favorable than those set forth in Section 6 hereof.

(n) The Company shall:

(i) make reasonably available for inspection by the Holders of Securities to be registered thereunder, any underwriter participating in any disposition pursuant to the Shelf Registration Statement, and any attorney, accountant or other agent retained by the Holders or any such underwriter all relevant financial and other records and pertinent corporate documents of the Company and its subsidiaries, if any;

(ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders or any such underwriter, attorney, accountant or agent in connection with any the Shelf Registration Statement as is customary for similar due diligence examinations;

(iii) make such representations and warranties to the Holders of Securities registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase/Placement Agreement;

(iv) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings (including, without limitation, a standard "10b-5" opinion) and such other matters as may be reasonably requested by such Holders and underwriters;

(v) obtain "comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each selling Holder of Securities registered thereunder and the underwriters, if any, in customary form and covering matters of the type

customarily covered in "comfort" letters in connection with primary underwritten offerings; and

(vi) deliver such documents and certificates as may be reasonably requested by the Majority Holders or the Managing Underwriters, if any, including those to evidence compliance with Section 3(h) hereof and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

The actions set forth in clauses (iii), (iv), (v) and (vi) of this paragraph (n) shall be performed at each closing under any underwriting or similar agreement as and to the extent required thereunder. In the event no legal opinion is delivered to any underwriter, the Company shall furnish to each Holder of Registrable Securities in connection with a disposition pursuant to the Shelf Registration Statement an opinion of counsel to the Company to the effect that the Shelf Registration Statement has been declared effective and that no stop order is in effect.

(o) In the event that any Broker-Dealer shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the NASD Rules) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company shall assist such Broker-Dealer in complying with the NASD Rules.

(p) The Company shall use its best efforts to take all other steps necessary to effect the registration of the Securities covered by the Shelf Registration Statement.

4. Registration Expenses. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 2 and 3 hereof and shall reimburse the Holders for the reasonable fees and disbursements of one firm or counsel (which shall initially be Simpson Thacher & Bartlett LLP, but which may be another nationally recognized law firm experienced in securities matters designated by the Majority Holders) to act as counsel for the Holders in connection therewith.

5. Lock-Up Provision. In recognition of the benefit that an Initial Public Offering will confer on the Holders, without the prior written consent of both Initial Purchasers/Placement Agents (which consent may be withheld or delayed in the sole discretion of either of the Initial Purchasers/Placement Agents), each Holder will refrain, during the period commencing on the date of the closing of the Initial Public Offering and ending on the date that is 120 days after the closing date of the Initial Public Offering (the "Lock-Up Period"), from:

(a) offering, pledging, selling, contracting to sell, selling any option or contract to purchase, purchasing any option or contract to sell, granting any option, right or warrant for the sale of, lending or otherwise disposing of or transferring, directly or indirectly, any Securities offered and sold in the Offering (or any successor securities thereof), or

(b) entering into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Securities offered and sold in the Offering (or any successor securities thereof),

whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Securities (or any successor securities thereof) or other securities, in cash or otherwise.

Notwithstanding the foregoing, subject to applicable securities laws and the restrictions contained in the Company's organizational documents, the Holders may transfer any Securities (or any successor securities thereof) during the Lock-Up Period as follows: (a) as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth in this Section 5; (b) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth in this Section 5; (c) as a distribution to stockholders, partners, members or affiliates of the undersigned, provided that such stockholders, partners, members or affiliates agree to be bound in writing by the restrictions set forth in this Section 5; or (d) as collateral for any loan, provided that the lender agrees in writing to be bound by the restrictions set forth in this Section 5. For purposes of this Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

6. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Holder of Securities covered by the Shelf Registration Statement, each Initial Purchaser/Placement Agent, the directors, officers, employees, Affiliates and agents of each such Holder or Initial Purchaser/Placement Agent and each person who controls any such Holder or Initial Purchaser/Placement Agent within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement as originally filed or in any amendment thereof, or in any preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of any preliminary Prospectus or the Prospectus, in the light of the circumstances under which they were made) not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (y) any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of the party claiming indemnification specifically for inclusion therein or (z) use of the Shelf Registration Statement or a Prospectus (including any preliminary Prospectus) during a period when a stop order has been issued in respect thereof or any proceeding for that purpose has been initiated, or use of a Prospectus or any preliminary Prospectus that has been suspended pursuant to Sections 3(c)(ii), 3(c)(iii), 3(c)(iv), 3(c)(v) or 3(i) hereof; provided, however, that in each case under clause (z), the Company provides to such Holder prior to such use notice of such request, stop order, initiation of proceedings, suspension, event or development. This indemnity agreement shall be in addition to any liability that the Company may otherwise have.

The Company also agrees to indemnify as provided in this Section 6(a) or contribute as provided in Section 6(d) hereof to Losses of each underwriter, if any, of Securities registered under the Shelf Registration Statement, its directors, officers, employees, Affiliates or agents and each person who controls such underwriter on substantially the same basis as that of the indemnification of the Initial Purchasers/Placement Agents and the selling Holders provided in this paragraph (a) and shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 3(m) hereof.

(b) Each Holder of securities covered by the Shelf Registration Statement (including each Initial Purchaser/Placement Agent that is a Holder, in such capacity) severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Shelf Registration Statement and each person who controls the Company within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity from the Company to each such Holder, but only with reference to written information relating to such Holder furnished to the Company by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement shall be acknowledged by each Notice Holder that is not an Initial Purchaser/Placement Agent in such Notice Holder's Notice and Questionnaire and shall be in addition to any liability that any such Notice Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 6 or notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses; and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel (including local counsel) of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel, other than local counsel if not appointed by the indemnifying party, retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel (including local counsel) to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the

indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 6 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party shall have a joint and several obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending loss, claim, liability, damage or action) (collectively "Losses") to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Offering and the Shelf Registration Statement which resulted in such Losses; provided, however, that in no case shall any Initial Purchaser/Placement Agent be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to such Security, as set forth in the Final Memorandum, nor shall any underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the securities purchased by such underwriter under the Shelf Registration Statement which resulted in such Losses. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the total net proceeds from the Offering (before deducting expenses) as set forth in the Final Memorandum. Benefits received by the Initial Purchasers/Placement Agents shall be deemed to be equal to the total purchase discounts and commissions as set forth on the cover page of the Final Memorandum, and benefits received by any other Holders shall be deemed to be equal to the value of receiving Securities registered under the Act. Benefits received by any underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Shelf Registration Statement which resulted in such Losses. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 6, each person who controls a Holder within the meaning of either the Act or the Exchange Act and each director,

officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Shelf Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 6 shall remain in full force and effect, regardless of any investigation made by or on behalf of any Holder or the Company or any of the indemnified persons referred to in this Section 6, and shall survive the sale by a Holder of securities covered by the Shelf Registration Statement.

7. Underwritten Registrations. No person may participate in any underwritten offering pursuant to the Shelf Registration Statement unless such person (a) agrees to sell such person's Securities on the basis reasonably provided in any underwriting arrangements; and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements. The Company shall select in its sole discretion any underwriter or underwriters in connection with any underwritten offering pursuant to the Shelf Registration Statement.

8. Registration Defaults. If the Shelf Registration Statement is not declared effective by the Commission prior to 730 days from the Closing Date, each Holder shall have the right, as described in Section 3.9 of the Company's Operating Agreement as in effect on the date hereof without giving effect to any subsequent amendments, if any, to cause the Company (including any successor entity) to purchase the Securities held by such Holder at a price equal to the then-current net asset value per unit of the Securities.

9. Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include such securities in the Shelf Registration Statement filed pursuant to the terms hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such holder's or prospective holder's securities will not reduce the amount of Registrable Securities that is included, or (b) to have his, her or its securities registered on a registration statement in which Holders are not permitted to participate and that could be declared effective prior to, or within 90 days of, the effective date of the Shelf Registration Statement filed pursuant to this Agreement. Notwithstanding the foregoing, this Section 9 shall not apply to the registration rights agreement to be entered into of even date herewith by and among the Company, the Feeder Corporations, Magnetar Capital Partners, LP, Magnetar Financial LLC and certain of their Affiliates (the "Magnetar Registration Rights Agreement"). As of the date hereof, the Company has not entered into any agreement with respect to its securities that is inconsistent with this Section 9 except for the Magnetar Registration Rights Agreement.

10. Amendments and Waivers. The provisions of this Agreement may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of the Company and the Holders

of a majority of the Registrable Securities outstanding; provided that, with respect to any matter that directly or indirectly affects the rights of any Initial Purchaser/Placement Agent hereunder, the Company shall obtain the written consent of each such Initial Purchaser/Placement Agent against which such amendment, qualification, supplement, waiver or consent is to be effective; provided, further, that no amendment, qualification, supplement, waiver or consent with respect to Section 8 hereof shall be effective as against any Holder of Registered Securities unless consented to in writing by such Holder; and provided, further, that the provisions of this Section 10 may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Initial Purchasers/Placement Agents and each Holder.

11. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier or air courier guaranteeing overnight delivery:

(a) if to a Holder, at the most current address given by such holder to the Company in accordance with the provisions of the Notice and Questionnaire;

(b) if to the Initial Purchasers/Placement Agents, initially at the address or addresses set forth in the Purchase/Placement Agreement; and

(c) if to the Company, initially at its address set forth in the Purchase/Placement Agreement.

All such notices and communications shall be deemed to have been duly given when received.

The Initial Purchasers/Placement Agents or the Company by notice to the other parties may designate additional or different addresses for subsequent notices or communications.

12. Remedies. Each Holder, in addition to being entitled to exercise all rights provided to it herein or in the Purchase/Placement Agreement or granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive in any action for specific performance the defense that a remedy at law would be adequate.

13. Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors and assigns, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders of Securities, and the indemnified persons referred to in Section 6 hereof. The Company hereby agrees to extend the benefits of this Agreement to any Holder of Securities, and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

14. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

15. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

16. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed in the State of New York. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

17. Severability. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

18. Feeder Corporations. Each of the Feeder Corporations hereby agrees (i) to use their respective best efforts to cause the Company to comply with its obligations pursuant to this Agreement and (ii) to take any actions that may be reasonably requested from time to time by the Company, any Holder or the Initial Purchasers/Placement Agents in furtherance of the purposes of this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Feeder Corporations and the Initial Purchasers/Placement Agents.

Very truly yours,

Solar Capital LLC

By: _____
Name:
Title:

Solar Cayman Limited

By: _____
Name:
Title:

Solar Offshore Limited

By: _____
Name:
Title:

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Citigroup Global Markets Inc.
J.P. Morgan Securities Inc.

By: Citigroup Global Markets Inc.

By: _____
Name:
Title:

By: J.P. Morgan Securities Inc.

By: _____
Name:
Title:

**Appendix A**

**NOTICE AND QUESTIONNAIRE**

The undersigned Holder (the ***"Holder"***) of Registrable Securities of Solar Capital LLC (the *"**Company**"*), or of Solar Cayman Limited or Solar Offshore Limited (the "***Feeder Corporations***"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the *"**SEC**"*) the Shelf Registration Statement under the Securities Act of 1933, as amended (the *"**Securities Act**"*), for the registration and resale of the Registrable Securities in accordance with the terms of the Registration Rights Agreement, dated as of March __, 2007 (the *"**Registration Rights Agreement**"*), among the Company, the Feeder Corporations and the Initial Purchasers/Placements Agents. The Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms used but not otherwise defined herein shall have the respective meanings given to them in the Registration Rights Agreement.

A Holder that has agreed to be bound by certain provisions of the Registration Rights Agreement is entitled to certain benefits under the provisions of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Shelf Registration Statement, the Holder will be required to be named as a selling securityholder in the Prospectus, deliver a Prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to the Holder (including certain indemnification provisions as described below). If the Holder does not complete this Notice and Questionnaire and deliver it to the Company as provided below, it will not be named as a selling securityholder in the Prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Shelf Registration Statement.

Certain legal consequences may arise from being named as a selling securityholder in the Shelf Registration Statement and the Prospectus. Accordingly, the Holder is advised to consult its own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and the Prospectus.

**Notice**

The Holder requests that the Company include in the Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item (3) (unless otherwise specified under Item (3)). The undersigned Holder, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

The undersigned Holder hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

**Questionnaire**

1. (a) Full Legal Name of Holder:

   (b) Full legal name of registered holder (if not the same as (a) above) through which Registrable Securities listed in (3) below are held:

   (c) Full legal name of broker-dealer or other third party through which Registrable Securities listed in (3) below are held:

   (d) Full legal name of DTC participant (if applicable and if not the same as (b) or (c) above) through which Registrable Securities listed in (3) below are held:

2. Address for notices to Holder:

   Telephone:_____

   Fax:_____

   Contact Person:_____

3. Beneficial ownership of Registrable Securities:_____

   *Unless otherwise indicated in the space provided below, all Registrable Securities listed in response to Item (3) above will be included in the Shelf Registration Statement. If the undersigned does not wish all such Registrable Securities to be so included, please indicate below the number of Registrable Securities to be included:*

4. Beneficial Ownership of the Registrable Securities owned by the Holder:_____

   *Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company other than the Registrable Securities listed above in Item (3).*

   (a) Type and amount of other securities beneficially owned by the Holder:_____

   (b) CUSIP No(s). of such other securities beneficially owned:_____

5. Relationship with the Company:

*Except as set forth below, neither the undersigned nor any of its affiliates, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.*

State any exceptions to the foregoing here:_____

The undersigned Holder acknowledges that it understands its obligation to comply with the provisions of the Exchange Act, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations) and the provisions of the Securities Act relating to prospectus delivery, in connection with any offering of Registrable Securities pursuant to the Shelf Registration Statement. The undersigned Holder agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Holder against certain liabilities.

In accordance with the undersigned Holder's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the undersigned Holder agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event the Holder transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to the Company, the Holder will notify the transferees at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing below, the undersigned Holder consents to the disclosure of the information contained herein in its answers to Items (1) through (5) above and the inclusion of such information in the Shelf Registration Statement and the Prospectus. The undersigned Holder understands that such information will be relied upon by the Company without independent investigation or inquiry in connection with the preparation or amendment of the Shelf Registration Statement and the Prospectus.

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IN WITNESS WHEREOF, the undersigned Holder, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its authorized agent.

Holder:

By: _____
Name:
Title:

Dated:_____

**PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE VIA FACSIMILE TO:**

Solar Capital LLC
500 Park Avenue, 5th Floor
New York, New York 10022
Fax No.: (212) 993-1699

**Exhibit k.4**

# REGISTRATION RIGHTS AGREEMENT

**THIS REGISTRATION RIGHTS AGREEMENT** (this ***"Agreement"***) is entered into as of the 13th day of March, 2007, by and among Solar Capital LLC, a Maryland limited liability company (the ***"Company"***), and each of the undersigned parties listed under Investors on the signature page hereto, or any assignee or transferee pursuant to Section 2.4 below (each, an ***"Investor"*** and collectively, the ***"Investors"***).

**WHEREAS**, on or prior to the date hereof, the Company entered into certain agreements or arrangements with the Investors pursuant to which the Company issued or will issue 35,000,000 membership units (the "***Registrable Securities***") of the Company to the Investors;

**WHEREAS**, the Investors and the Company desire to enter into this Agreement to provide the Investors with certain rights relating to the registration of the Registrable Securities;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. THE FOLLOWING CAPITALIZED TERMS USED HEREIN HAVE THE FOLLOWING MEANINGS:

***"Agreement"*** means this Agreement, as amended, restated, supplemented, or otherwise modified from time to time.

***"Business Day"*** means any day, except a Saturday, Sunday or legal holiday on which the banking institutions in the City of New York are authorized or obligated by law or executive order to close.

***"Commission"*** means the Securities and Exchange Commission, or such successor federal agency or agencies as may be established in lieu thereof.

***"Company"*** is defined in the preamble to this Agreement.

***"Demand Registration"*** is defined in Section 2.1.1.

***"Demanding Holder"*** is defined in Section 2.1.1.

***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

***"Indemnified Party"*** is defined in Section 4.3.

***"Indemnifying Party"*** is defined in Section 4.3.

***"Investor"*** is defined in the recitals to this Agreement.

"***IPO***" means the initial public offering of any class of equity securities of the Company.

***"Maximum Number of Securities"*** is defined in Section 2.1.4.

***"Notices"*** is defined in Section 5.2.

***"Piggy-Back Registration"*** is defined in Section 2.2.1.

***"Prospectus"*** means a prospectus relating to a Registration Statement, as amended or supplemented, and all materials incorporated by reference in such Prospectus.

***"Register," "registered"*** and ***"registration"*** mean a registration effected by preparing and filing a registration statement or similar document under the Securities Act and such registration statement becoming effective.

***"Registrable Securities"*** is defined in the recitals to this Agreement.

***"Registration Statement"*** means a registration statement filed by the Company with the Commission in compliance with the Securities Act and the rules and regulations promulgated thereunder for a public offering and sale of its securities (other than a registration statement on Form N-14, S-4 or Form S-8, or their successors, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another entity).

***"Release Date"*** means the date that is 365 days after the consummation of IPO.

***"Resale Shelf Form N-2"*** is defined in Section 2.3.

***"Securities Act"*** means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

***"Underwriter"*** means a securities dealer who purchases any Registrable Securities as principal in an underwritten offering and not as part of such dealer's market-making activities.

2. REGISTRATION RIGHTS.

2.1 Demand Registration.

2.1.1 General Request for Registration. At any time and from time to time on or after the Release Date, the holders of a majority-in-interest of the Registrable Securities may make a written demand for registration under the Securities Act of all or part of their Registrable Securities (a ***"Demand Registration"***). Any demand for a Demand Registration shall specify the number and type of Registrable Securities proposed to be sold and the intended method(s) of distribution thereof. The Company will notify all holders of Registrable Securities of any demand pursuant to this Section 2.1.1 within five (5) Business Days, and each holder of Registrable Securities who wishes to include all or a portion of such holder's Registrable Securities in such Demand Registration and is otherwise permitted to do so under this Agreement (each such holder including Registrable Securities in such Demand Registration, a ***"Demanding Holder"***) shall so notify the Company within ten (10) Business Days after the receipt by the holder of the notice from the Company. Upon any such request, the Demanding Holders shall be entitled to have their Registrable Securities included in the Demand Registration, subject to Section 2.1.4 and the provisions set forth in Section 3.1.1. The Company shall not be obligated to effect more than an aggregate of three (3) Demand Registrations under this Section 2.1.1.

2.1.2 Effective Registration. A registration will not count as a Demand Registration until the Registration Statement filed with the Commission with respect to such Demand Registration has been declared effective and the Company has complied with all of its obligations under this Agreement with respect thereto; provided, however, that if, after such Registration Statement has been declared effective, the offering of Registrable Securities pursuant to a Demand Registration is interfered with by any stop order or injunction of the Commission or any other governmental agency or court, the Registration Statement with respect to such Demand Registration will be deemed not to have been declared effective, unless and until, (i) such stop order or injunction is removed, rescinded or otherwise terminated, and (ii) with respect to a Demand Registration, a majority-in-interest of the Demanding Holders thereafter elect to continue the offering; provided, further, that the Company shall not be obligated to file a second Registration Statement until a Registration Statement that has been filed is counted as a Demand Registration or is otherwise terminated.

2.1.3 Underwritten Offering. If a majority-in-interest of the Demanding Holders so elect and such holders so advise the Company as part of their written demand for a Demand Registration, the offering of such Registrable Securities pursuant to such Demand Registration shall be in the form of an underwritten

offering. In each such case, the right of any holder to include such holder's Registrable Securities in such registration shall be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's Registrable Securities in the underwriting to the extent provided herein. All Demanding Holders who propose to distribute their Registrable Securities through such an underwriting shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such underwriting by the Company in its sole discretion.

2.1.4 Reduction of Offering. If the managing Underwriter or Underwriters for a Demand Registration that is to be an underwritten offering advises the Company and the Demanding Holders in writing that the dollar amount or number of Registrable Securities which the Demanding Holders desire to sell taken together with all securities which the Company desires to sell and the securities, if any, as to which registration has been requested pursuant to written contractual piggy-back registration rights held by other holders of the Company's securities who desire to sell securities, exceeds the maximum dollar amount or maximum number of securities that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method, or the probability of success of such offering (such maximum dollar amount or maximum number of securities, as applicable, the ***"Maximum Number of Securities"***), then the Company shall include in such registration:

**(i)** first, in the case of a Demand Registration, the Registrable Securities as to which the Demand Registration has been requested (*pro rata* based on the number of Registrable Securities held by all such holders) which such Demanding Holders have requested be included in such registration, without giving effect to any other Registrable Securities to be included therein that can be sold without exceeding the Maximum Number of Securities;

**(ii)** second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (i), the securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Securities;

**(iii)** third, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (i) and (ii), the securities for the account of other persons that the Company is obligated to register pursuant to written contractual arrangements with such persons and that can be sold without exceeding the Maximum Number of Securities; and

**(iv)** fourth, to the extent that the Maximum Number of Securities have not been reached under the foregoing clauses (i), (ii), and (iii), the securities that other security holders desire to sell that can be sold without exceeding the Maximum Number of Securities.

2.1.5 Withdrawal. In the case of a Demand Registration, if a majority-in-interest of the Demanding Holders disapprove of the terms of any underwriting or are not entitled to include all of their Registrable Securities in any offering, such majority-in-interest of the Demanding Holders may elect to withdraw from such offering by giving written notice to the Company and the Underwriter or Underwriters of their request to withdraw prior to the effectiveness of the Registration Statement filed with the Commission with respect to such Demand Registration. In such event, the Company need not seek effectiveness of such Registration Statement for the benefit of other holders of Registrable Securities. If the majority-in-interest of the Demanding Holders withdraws from a proposed offering relating to a Demand Registration in accordance with this Section 2.1.5, then such registration shall not count as a Demand Registration provided for in Section 2.1.1 hereof.

2.2 Piggy-Back Registration.

2.2.1 Piggy-Back Rights. If at any time on or after the Release Date the Company proposes to file a Registration Statement under the Securities Act with respect to an offering of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, equity securities, by the Company for its own account or for security holders of the Company for their account (or by the Company and by security holders of the Company including, without limitation, pursuant to Section 2.1), other than a Registration Statement (i) filed in connection with any employee stock option or other benefit plan, (ii) for an exchange offer or

offering of securities solely to the Company's existing shareholders, (iii) for an offering of debt that is convertible into equity securities of the Company or (iv) for a dividend reinvestment plan, then the Company shall (x) give written notice of such proposed filing to the holders of Registrable Securities as soon as practicable but in no event less than ten (10) Business Days before the anticipated filing date, which notice shall describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering, and (y) offer to the holders of Registrable Securities in such notice the opportunity to register the sale of such number and type of Registrable Securities as such holders may request in writing within five (5) Business Days following receipt of such notice (a ***"Piggy-Back Registration"***). The Company shall cause such Registrable Securities to be included in such registration and shall use commercially reasonable efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method(s) of distribution thereof. All holders of Registrable Securities who propose to distribute securities through a Piggy-Back Registration that involves an Underwriter or Underwriters shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such Piggy-Back Registration.

2.2.2 Reduction of Offering. If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering advises the Company and the holders of Registrable Securities in writing that the dollar amount or number of securities which the Company desires to sell, taken together with securities, if any, as to which registration has been demanded pursuant to written contractual arrangements with persons other than the holders of Registrable Securities hereunder, the Registrable Securities as to which registration has been requested under this Section 2.2, and the securities, if any, as to which registration has been requested pursuant to the written contractual piggy-back registration rights of other security holders of the Company, exceeds the Maximum Number of Securities, then the Company shall include in any such registration:

**(i)** If the registration is undertaken for the Company's account: (A) first, the securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the securities, if any, including the Registrable Securities, as to which registration has been requested pursuant to written contractual piggy-back registration rights of security holders (*pro rata* in accordance with the number of securities) which each such person has actually requested to be included in such registration, regardless of the number of securities with respect to which such persons have the right to request such inclusion) that can be sold without exceeding the Maximum Number of Securities; and

**(ii)** If the registration is a "demand" registration undertaken at the demand of persons other than the holders of Registrable Securities pursuant to written contractual arrangements with such persons, (A) first, the securities for the account of the demanding persons that can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Securities; and (C) third, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A) and (B), the Registrable Securities as to which registration has been requested under this Section 2.2 (*pro rata* based on the number of Registrable Securities held by all such holders) which each holder of Registrable Securities have requested be included in such registration, without giving effect to any other Registrable Securities to be included therein that can be sold without exceeding the Maximum Number of Securities; and (D) fourth, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A), (B) and (C), the securities, if any, as to which registration has been requested pursuant to written contractual piggy-back registration rights which other security holders desire to sell that can be sold without exceeding the Maximum Number of Securities.

2.2.3 Withdrawal. Any holder of Registrable Securities may elect to withdraw such holder's request for inclusion of Registrable Securities in any Piggy-Back Registration by giving written notice to the Company of such request to withdraw prior to the effectiveness of the Registration Statement. The Company may also elect to withdraw a registration statement at any time prior to the effectiveness of the Registration Statement. Notwithstanding any such withdrawal, the Company shall pay all expenses incurred by the holders of

Registrable Securities in connection with such Piggy-Back Registration as provided in Section 3.3.

2.3 Registrations on Resale Shelf Form N-2. The holders of Registrable Securities may at any time and from time to time after the Release Date, request in writing that the Company register the resale of any or all of such Registrable Securities on a "shelf" Form N-2 under Rule 415 under the Securities Act (the ***"Resale Shelf Form N-2"***); provided, however, that the Company shall not be obligated to effect such request through an underwritten offering. Upon receipt of such written request, the Company will promptly give written notice of the proposed registration to all other holders of Registrable Securities and, as soon as practicable thereafter, effect the registration of all or such portion of such holder's or holders' Registrable Securities, as the case may be, as are specified in such request, together with all or such portion of the Registrable Securities of any other holder or holders joining in such request as are specified in a written request given within five (5) Business Days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration pursuant to this Section 2.3: (i) if the Resale Shelf Form N-2 is not available for such offering; or (ii) if the holders of the Registrable Securities, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at any aggregate price to the public of less than $500,000. Registrations effected pursuant to this Section 2.3 shall not be counted as Demand Registrations effected pursuant to Section 2.1. Notwithstanding the foregoing, the Company shall not be obligated to effect more than one (1) registration on the Resale Shelf Form N-2 pursuant to this Section 2.3 during any twelve (12) month period and shall not be obligated to effect a registration on the Resale Shelf Form N-2 pursuant to this Section 2.3 after the Company has effected two (2) such registrations pursuant to this Section 2.3 and such registrations have been declared or ordered effective.

2.4 Transfer of Rights. The rights granted pursuant to Sections 2.1 and 2.3 hereunder to cause the Company to register Registrable Securities may be assigned to (i) a transferee or assignee who acquires at least 1,000,000 Registrable Securities (appropriately adjusted for stock splits, recapitalizations and the like after the date hereof) from an Investor or the Investors, or (ii) any affiliate, constituent partner (including limited partner), family member or trust for the benefit of any Investor; provided, however, that (i) written notice of such assignment is given to the Company, and (ii) any proposed assignee or transferee of such right agrees in writing to be bound by and subject to the terms and conditions of this Agreement.

3. REGISTRATION PROCEDURES.

3.1 Filings; Information. Whenever the Company is required to effect the registration of any Registrable Securities pursuant to Section 2, the Company shall use commercially reasonable efforts to effect the registration and sale of such Registrable Securities in accordance with the intended method(s) of distribution thereof as expeditiously as practicable, and in connection with any such request.

3.1.1 Filing Registration Statement. The Company shall, as expeditiously as possible and in any event within sixty (60) days after receipt of a request for a Demand Registration pursuant to Section 2.1, prepare and file with the Commission a Registration Statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of all Registrable Securities to be registered thereunder in accordance with the intended method(s) of distribution thereof, and shall use commercially reasonable efforts to cause such Registration Statement to become and remain effective for the period required by Section 3.1.3; provided, however, that the Company shall have the right to defer any Demand Registration for up to thirty (30) days, and any Piggy-Back Registration for such period as may be applicable to deferment of any demand registration to which such Piggy-Back Registration relates, in each case if the Company shall furnish to the holders a certificate signed by the Chief Executive Officer of the Company stating that, in the good faith judgment of the Board of Directors of the Company, it would be materially detrimental to the Company and its security holders for such Registration Statement to be effected at such time; provided, further, however, that the Company shall not have the right to exercise the right set forth in the immediately preceding proviso more than once in any 365-day period in respect of a Demand Registration hereunder; provided, further, that the holders of Registrable Securities shall provide at least fifteen (15) Business Days notice of the date on which they wish the Company to prepare and file a Registration Statement with the Commission.

3.1.2 Copies. The Company shall, prior to filing a Registration Statement or

Prospectus, or any amendment or supplement thereto, furnish without charge to the holders of Registrable Securities included in such registration, and such holders' legal counsel, copies of such Registration Statement as proposed to be filed, each amendment and supplement to such Registration Statement (in each case including all exhibits thereto and documents incorporated by reference therein), the Prospectus included in such Registration Statement (including each preliminary Prospectus), and such other documents as the holders of Registrable Securities included in such registration or legal counsel for any such holders may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such holders.

3.1.3 Amendments and Supplements. The Company shall prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and in compliance with the provisions of the Securities Act until all Registrable Securities, and all other securities covered by such Registration Statement, have been disposed of in accordance with the intended method(s) of distribution set forth in such Registration Statement (which period shall not exceed the sum of one hundred eighty (180) days plus any period during which any such disposition is interfered with by any stop order or injunction of the Commission or any governmental agency or court) or such securities have been withdrawn.

3.1.4 Notification. After the filing of a Registration Statement, the Company shall promptly, and in no event more than two (2) Business Days after such filing, notify the holders of Registrable Securities included in such Registration Statement of such filing, and shall further notify such holders promptly and confirm such advice in writing in all events within two (2) Business Days of the occurrence of any of the following: (i) when such Registration Statement becomes effective; (ii) when any post-effective amendment to such Registration Statement becomes effective; (iii) the issuance or threatened issuance by the Commission of any stop order (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered); and (iv) any request by the Commission for any amendment or supplement to such Registration Statement or any Prospectus relating thereto or for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of the securities covered by such Registration Statement, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly make available to the holders of Registrable Securities included in such Registration Statement any such supplement or amendment; except that before filing with the Commission a Registration Statement or Prospectus or any amendment or supplement thereto, including documents incorporated by reference, the Company shall furnish to the holders of Registrable Securities included in such Registration Statement and to the legal counsel for any such holders, copies of all such documents proposed to be filed sufficiently in advance of filing to provide such holders and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Company shall not file any Registration Statement or Prospectus or amendment or supplement thereto, including documents incorporated by reference, to which such holders or their legal counsel shall reasonably object.

3.1.5 State Securities Laws Compliance. The Company shall use commercially reasonable efforts to (i) register or qualify the Registrable Securities covered by the Registration Statement under such securities or "blue sky" laws of such jurisdictions in the United States as the holders of Registrable Securities included in such Registration Statement (in light of their intended plan of distribution) may request and (ii) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be registered with or approved by such other State authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be necessary or advisable to enable the holders of Registrable Securities included in such Registration Statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3.1.5 or subject itself to taxation in any such jurisdiction.

3.1.6 Agreements for Disposition. The Company shall enter into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities. The representations, warranties and covenants of the Company in any underwriting agreement which are made to or for

the benefit of any Underwriters, to the extent applicable, shall also be made to and for the benefit of the holders of Registrable Securities included in such registration statement. For the avoidance of doubt, the holders of Registrable Securities may not require the Company to accept terms, conditions or provisions in any such agreement which the Company determines is not reasonably acceptable to the Company, notwithstanding any agreement to the contrary herein. No holder of Registrable Securities included in such registration statement shall be required to make any representations or warranties in the underwriting agreement except as reasonably requested by the Company and, if applicable, with respect to such holder's organization, good standing, authority, title to Registrable Securities, lack of conflict of such sale with such holder's material agreements and organizational documents, and with respect to written information relating to such holder that such holder has furnished in writing expressly for inclusion in such Registration Statement.

3.1.7 Cooperation. The principal executive officer of the Company, the principal financial officer of the Company, the principal accounting officer of the Company and all other officers and members of the management of the Company shall cooperate fully in any offering of Registrable Securities hereunder, which cooperation shall include, without limitation, the preparation of the Registration Statement with respect to such offering and all other offering materials and related documents, and participation in meetings with Underwriters, attorneys, accountants and potential investors. Holders of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the Underwriters except as they may relate to such holders and their intended methods of distribution. Such holders, however, shall agree to such covenants and indemnification and contribution obligations for selling stockholders as are customarily contained in agreements of that type. Further, such holders shall cooperate fully in the preparation of the registration statement and other documents relating to any offering in which they include securities pursuant to this Agreement. Each holder shall also furnish to the Company such information regarding itself, the Registrable Securities held by such holder, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of the Registrable Securities.

3.1.8 Records. The Company shall make available for inspection by the holders of Registrable Securities included in such Registration Statement, any Underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any holder of Registrable Securities included in such Registration Statement or any Underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any of them in connection with such Registration Statement.

3.1.9 Opinions and Comfort Letters. The Company shall furnish to each holder of Registrable Securities included in any Registration Statement a signed counterpart, addressed to such holder, of (i) any opinion of counsel to the Company delivered to any Underwriter and (ii) any comfort letter from the Company's independent public accountants delivered to any Underwriter. In the event no legal opinion is delivered to any Underwriter, the Company shall furnish to each holder of Registrable Securities included in such Registration Statement, at any time that such holder elects to use a Prospectus, an opinion of counsel to the Company to the effect that the Registration Statement containing such Prospectus has been declared effective and that no stop order is in effect.

3.1.10 Earnings Statement. The Company shall comply with all applicable rules and regulations of the Commission and the Securities Act, and make available to its security holders, as soon as practicable, an earnings statement covering a period of twelve (12) months, beginning within six (6) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

3.1.11 Listing. The Company shall use commercially reasonable efforts to cause all Registrable Securities included in any registration to be listed on such exchanges or otherwise designated for trading in the same manner as similar securities issued by the Company are then listed or designated or, if no such similar securities are then listed or designated, in a manner satisfactory to the holders of a majority of the Registrable Securities that are included in such registration.

3.2 Obligation to Suspend Distribution. Upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.1.4(iv), or, in the case of a resale registration on the Resale Shelf Form N-2 pursuant to Section 2.3 hereof, the occurrence or existence of any pending corporate development or any other material event that, in the reasonable judgment of the Company, makes it appropriate to suspend the availability of the Resale Shelf Form N-2, each holder of Registrable Securities included in any registration shall immediately discontinue disposition of such Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such holder receives the supplemented or amended Prospectus contemplated by Section 3.1.4(iv) or until it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus.

3.3 Registration Expenses. The Company shall bear all customary costs and expenses incurred in connection with any Demand Registration pursuant to Section 2.1, any Piggy-Back Registration pursuant to Section 2.2, and any registration on the Resale Shelf Form N-2 effected pursuant to Section 2.3, and all reasonable expenses incurred in performing or complying with its other obligations under this Agreement, whether or not the Registration Statement becomes effective, including, without limitation: (i) all registration and filing fees; (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities, subject to the limit set forth in paragraph (ix) below); (iii) printing expenses; (iv) the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees); (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, as required by Section 3.1.11; (vi) National Association of Securities Dealers, Inc. fees; (vii) fees and disbursements of counsel for the Company and fees and expenses for independent certified public accountants retained by the Company (including the expenses or costs associated with the delivery of any opinions or comfort letters requested pursuant to Section 3.1.9); (viii) the fees and expenses of any special experts retained by the Company in connection with such registration and (ix) the fees and expenses of one legal counsel selected by the holders of a majority-in-interest of the Registrable Securities that are included in such registration (not to exceed, including the fees and disbursements to counsel in paragraph (ii) above, $20,000). The Company shall have no obligation to pay any underwriting discounts or selling commissions attributable to the Registrable Securities being sold by the holders thereof, which underwriting discounts or selling commissions shall be borne solely by such holders. Additionally, in an underwritten offering, all selling security holders and the Company shall bear the expenses of the underwriter *pro rata* in proportion to the respective amount of securities each is selling in such offering.

3.4 Information. The holders of Registrable Securities shall provide such information as may reasonably be requested by the Company, or the managing Underwriter, if any, in connection with the preparation of any Registration Statement, including amendments and supplements thereto, in order to effect the registration of any Registrable Securities under the Securities Act pursuant to Section 2 and in connection with the Company's obligation to comply with federal and applicable state securities laws.

3.5 Holder Obligations. No holder of Registrable Securities may participate in any underwritten offering pursuant to this Agreement unless such holder (i) agrees to sell only such holder's Registrable Securities on the basis reasonably provided in any underwriting agreement, and (ii) completes, executes and delivers any and all questionnaires, powers of attorney, custody agreements, indemnities, underwriting agreements and other documents reasonably required by or under the terms of any underwriting agreement or as reasonably requested by the Company.

4. INDEMNIFICATION AND CONTRIBUTION.

4.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless each holder of Registrable Securities, and each of their respective officers, employees, affiliates, directors, partners, members, attorneys and agents, and each person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) a holder of Registrable Securities, from and against any expenses,

losses, judgments, claims, damages or liabilities, whether joint or several, arising out of or based upon any untrue statement (or allegedly untrue statement) of a material fact contained in any Registration Statement under which the sale of such Registrable Securities was registered under the Securities Act, any preliminary Prospectus or final Prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arising out of or based upon any omission (or alleged omission) to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such expense, loss, claim, damage or liability arises out of or is based upon any untrue statement or allegedly untrue statement or omission or alleged omission made in such Registration Statement, preliminary Prospectus or final Prospectus or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by such selling holder expressly for use therein.

4.2 Indemnification by Holders of Registrable Securities. Each selling holder of Registrable Securities will, with respect to any Registration Statement where Registrable Securities were registered under the Securities Act, indemnify and hold harmless the Company, each of its directors and officers, and each other person, if any, who controls the Company (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), against any losses, claims, judgments, damages or liabilities, whether joint or several, insofar as such losses, claims, judgments, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or allegedly untrue statement of a material fact contained in any Registration Statement under which the sale of such Registrable Securities was registered under the Securities Act, any preliminary Prospectus or final Prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or the alleged omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading, if the statement or omission was made in reliance upon and in conformity with information furnished in writing to the Company by such selling holder expressly for use therein, and shall reimburse the Company, its directors and officers, and each such controlling person for any legal or other expenses reasonably incurred by any of them in connection with investigation or defending any such loss, claim, damage, liability or action. Each selling holder's indemnification obligations hereunder shall be several and not joint and shall be limited to the amount of any net proceeds actually received by such selling holder from the sale of Registrable Securities which gave rise to such indemnification obligation.

4.3 Conduct of Indemnification Proceedings. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to Section 4.1 or 4.2, such person (the ***"Indemnified Party"***) shall, if a claim in respect thereof is to be made against any other person for indemnification hereunder, promptly notify such other person (the ***"Indemnifying Party"***) in writing of the loss, claim, judgment, damage, liability or action. If the Indemnified Party is seeking indemnification with respect to any claim or action brought against the Indemnified Party, then the Indemnifying Party shall be entitled to participate in such claim or action, and, to the extent that it elects, retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party, and any others the Indemnifying Party may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnified Party and the Indemnifying Party shall have mutually agreed to the retention of such counsel, or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated in this Section 4.3, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than thirty (30) days after receipt by such Indemnifying Party of the aforesaid request, and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement (other than reimbursement for fees and expenses the Indemnifying Party is contesting in good faith). No Indemnifying Party shall, without the prior written consent of the Indemnified Party, consent to entry of judgment or effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement

includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding.

4.4 Contribution.

4.4.1 If the indemnification provided for in the foregoing Sections 4.1, 4.2 and 4.3 is unavailable to any Indemnified Party in respect of any loss, claim, damage, liability or action referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative benefits received by the Indemnified Parties on the one hand and the Indemnifying Parties on the other from the offering. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the Indemnified Party failed to give the notice required under Section 4.3 above, then each Indemnifying Party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Indemnified Parties on the one hand and the Indemnifying Parties on the other in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified Party and any Indemnifying Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

4.4.2 The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined by *pro rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding Section 4.4.1. The amount paid or payable by an Indemnified Party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4.4, no holder of Registrable Securities shall be required to contribute any amount in excess of the dollar amount of the net proceeds (after payment of any underwriting fees, discounts, commissions or taxes) actually received by such holder from the sale of Registrable Securities which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5. MISCELLANEOUS.

5.1 Assignment; No Third Party Beneficiaries. This Agreement and the rights, duties and obligations of the Company hereunder may not be assigned or delegated by the Company in whole or in part. This Agreement and the rights, duties and obligations of the holders of Registrable Securities hereunder may be freely assigned or delegated by such holder of Registrable Securities in conjunction with and to the extent of any permitted transfer of Registrable Securities by any such holder in accordance with applicable law. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the parties and their respective successors and the permitted assigns of a holder of Registrable Securities or of any assignee of a holder of Registrable Securities. This Agreement is not intended to confer any rights or benefits on any persons that are not a party hereto other than as expressly set forth in Section 4 and this Section 5.1.

5.2 Notices. All notices, demands, requests, consents, approvals or other communications (collectively, ***"Notices"***) required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally served, delivered by reputable air courier service with charges prepaid, or transmitted by hand delivery, telegram, telex or facsimile, addressed as set forth below, or to such other address as such party shall have specified most recently by written notice provided in accordance with this Section 5.2. Notice shall be deemed given on the date of service or transmission if personally served or transmitted by telegram, telex or facsimile; provided, that if such service or transmission is not on a Business Day or is after normal business hours, then such notice shall be deemed given on the next Business Day. Notice otherwise sent as provided

herein shall be deemed given on the next Business Day following timely delivery of such notice to a reputable air courier service with an order for next-day delivery.

To the Company:

Solar Capital LLC
500 Park Avenue, Fifth Floor
New York, NY 10022
Fax No.: (212) 993-1699
Attention: Chief Executive Officer

with a copy to:

Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004
Fax No.: (202) 637-3593
Attention: Steven B. Boehm, Esq.

To an Investor, to the address set forth below such Investor's name on the signature pages hereof.

5.3 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

5.4 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

5.5 Entire Agreement. This Agreement (including all agreements entered into pursuant hereto and all certificates and instruments delivered pursuant hereto and thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior and contemporaneous agreements, representations, understandings, negotiations and discussions between the parties, whether oral or written.

5.6 Modifications and Amendments. No amendment, modification or termination of this Agreement shall be binding upon any party unless executed in writing by such party.

5.7 Titles and Headings. Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.

5.8 Waivers and Extensions. Any party to this Agreement may waive any right, breach or default which such party has the right to waive, provided, that such waiver will not be effective against the waiving party unless it is in writing, is signed by such party, and specifically refers to this Agreement. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts.

5.9 Remedies Cumulative. In the event that the Company fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, any holder of Registrable Securities may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right, or to take any one or more of

such actions, without being required to post a bond. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy, whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

5.10 Governing Law. This Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of New York applicable to contracts formed and to be performed entirely within the State of New York, without regard to the conflicts of law provisions thereof to the extent such principles or rules would require or permit the application of the laws of another jurisdiction. The Company and the holders of the Registrable Securities irrevocably and unconditionally submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York or, if such court does not have jurisdiction, the New York State Supreme Court in the Borough of Manhattan, in any action arising out of or relating to this Agreement, agree that all claims in respect of the action may be heard and determined in any such court and agree not to bring any action arising out of or relating to this Agreement in any other court. In any action, the Company and the holders of the Registrable Securities irrevocably and unconditionally waive and agree not to assert by way of motion, as a defense or otherwise any claims that it is not subject to the jurisdiction of the above court, that such action is brought in an inconvenient forum or that the venue of such action is improper. Without limiting the foregoing, the Company and the holders of the Registrable Securities agree that service of process at each parties respective addresses as provided for in Section 5.2 above shall be deemed effective service of process on such party.

5.11 Waiver of Trial by Jury. Each party hereby irrevocably and unconditionally waives the right to a trial by jury in any action, suit, counterclaim or other proceeding (whether based on contract, tort or otherwise) arising out of, connected with or relating to this Agreement, the transactions contemplated hereby, or the actions of any party in the negotiation, administration, performance or enforcement hereof.

**[*REMAINDER OF PAGE INTENTIONALLY LEFT BLANK*]**

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.

**SOLAR CAPITAL LLC**

By: /s/ MICHAEL S. GROSS
**Name: Michael S. Gross**
**Title: Managing Member**

**INVESTORS:**

**MAGNETAR CAPITAL FUND, LP**
By: Magnetar Financial LLC, its General Partner

By: /s/ PAUL A. SMITH
**Name: Paul A. Smith**
**Title: General Counsel**

Address:

Magnetar Capital Fund, LP
1603 Orrington Avenue
Evanston, Illinois 60201

**SOLAR OFFSHORE LIMITED**

By: /s/ MICHAEL S. GROSS
**Name: Michael S. Gross**
**Title: Sole Director**

Address:

Solar Offshore Limited
c/o Solar Capital LLC
500 Park Avenue, Fifth Floor
New York, NY 10022

**Exhibit n.2**

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Solar Capital Ltd.:

We consent to the use of our report, dated January 11, 2008, incorporated by reference herein for Solar Capital LLC and to the references to our firm under the headings "Independent Registered Public Accounting Firm" and "Selected Financial and Other Data" in the prospectus.

/s/ KPMG LLP
New York, New York
January 17, 2008