UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 2020

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

Commission File Number: 814-00754

SOLAR CAPITAL LTD.
(Exact name of registrant as specified in its charter)

Maryland (State of Incorporation)	**26-1381340** (I.R.S. Employer Identification No.)
500 Park Avenue **New York, N.Y.** (Address of principal executive offices)	**10022** (Zip Code)

(212) 993-1670
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	**SLRC**	**The NASDAQ Global Select Market**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the registrant's Common Stock, $.01 par value, outstanding as of October 30, 2020 was 42,260,826.

SOLAR CAPITAL LTD.
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2020
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PART I. FINANCIAL INFORMATION

In this Quarterly Report, "Solar Capital", "Company", "Fund", "we", "us", and "our" refer to Solar Capital Ltd. unless the context states otherwise.

Item 1. Financial Statements

SOLAR CAPITAL LTD.
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(in thousands, except share amounts)

	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: $869,749 and $989,564, respectively)	$ 853,984	$ 970,821
Companies more than 25% owned (cost: $513,098 and $513,119, respectively)	497,921	524,003
Cash	47,473	16,783
Cash equivalents (cost: $539,959 and $419,571, respectively)	539,959	419,571
Dividends receivable	6,006	10,488
Interest receivable	6,814	5,401
Receivable for investments sold	2,130	2,207
Prepaid expenses and other assets	663	615
Total assets	$ 1,954,950	$ 1,949,889
Liabilities		
Debt ($521,000 and $593,900 face amounts, respectively, reported net of unamortized debt issuance costs of $5,942 and $6,783, respectively. See notes 6 and 7)	$ 514,058	$ 587,117
Payable for investments and cash equivalents purchased	556,108	419,662
Distributions payable	17,327	17,327
Management fee payable (see note 3)	6,176	6,747
Performance-based incentive fee payable (see note 3)	—	4,281
Interest payable (see note 7)	6,310	3,678
Administrative services payable (see note 3)	2,018	2,757
Other liabilities and accrued expenses	1,860	2,440
Total liabilities	$ 1,103,857	$ 1,044,009
Commitments and contingencies (see note 10)		
Net Assets		
Common stock, par value $0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 42,260,826 and 42,260,826 shares issued and outstanding, respectively	$ 423	$ 423
Paid-in capital in excess of par	988,792	988,792
Accumulated distributable net loss	(138,122)	(83,335)
Total net assets	$ 851,093	$ 905,880
Net Asset Value Per Share	$ 20.14	$ 21.44

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except share amounts)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	$ 20,922	$ 27,019	$ 66,329	$ 82,010
Companies more than 25% owned	1,355	1,523	4,050	3,928
Dividends:				
Companies less than 5% owned	14	19	37	32
Companies more than 25% owned	6,094	10,145	18,777	28,844
Other income:				
Companies less than 5% owned	462	1,000	1,175	2,824
Companies more than 25% owned	4	5	12	14
Total investment income	28,851	39,711	90,380	117,652
EXPENSES:				
Management fees (see note 3)	$ 6,176	$ 6,738	$ 18,416	$ 20,027
Performance-based incentive fees (see note 3)	—	4,606	1,480	13,830
Interest and other credit facility expenses (see note 7)	6,510	7,529	20,173	21,958
Administrative services expense (see note 3)	1,572	1,352	3,867	4,013
Other general and administrative expenses	326	1,060	2,123	2,502
Total expenses	14,584	21,285	46,059	62,330
Net investment income	$ 14,267	$ 18,426	$ 44,321	$ 55,322
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND DEBT:				
Net realized gain (loss) on investments and cash equivalents:				
Companies less than 5% owned	$ (278)	$ (52)	$ (25,044)	$ 179
Companies more than 25% owned	—	—	—	(661)
Net realized loss on investments and cash equivalents	(278)	(52)	(25,044)	(482)
Net change in unrealized gain (loss) on investments and cash equivalents and net change in unrealized (gain) loss on debt:				
Companies less than 5% owned	2,903	(2,451)	2,979	(4,768)
Companies more than 25% owned	3,225	(2,206)	(26,062)	8,108
Debt	(1,500)	—	1,000	—
Net change in unrealized gain (loss) on investments, cash equivalents and debt	4,628	(4,657)	(22,083)	3,340
Net realized and unrealized gain (loss) on investments, cash equivalents and debt	4,350	(4,709)	(47,127)	2,858
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 18,617	$ 13,717	$ (2,806)	$ 58,180
EARNINGS (LOSS) PER SHARE (see note 5)	$ 0.44	$ 0.32	$ (0.07)	$ 1.38

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (unaudited)
(in thousands, except share amounts)

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Increase in net assets resulting from operations:				
Net investment income	$ 14,267	$ 18,426	$ 44,321	$ 55,322
Net realized loss	(278)	(52)	(25,044)	(482)
Net change in unrealized gain (loss)	4,628	(4,657)	(22,083)	3,340
Net increase (decrease) in net assets resulting from operations	18,617	13,717	(2,806)	58,180
Distributions to stockholders:				
From net investment income	(17,327)	(17,327)	(51,981)	(51,981)
Capital transactions (see note 12)**:**				
Net increase in net assets resulting from capital transactions	—	—	—	—
Total increase (decrease) in net assets	1,290	(3,610)	(54,787)	6,199
Net assets at beginning of period	849,803	928,980	905,880	919,171
Net assets at end of period	$ 851,093	$ 925,370	$ 851,093	$ 925,370
Capital stock activity (see note 12)**:**				
Net increase from capital stock activity	—	—	—	—

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash Flows from Operating Activities:		
Net increase (decrease) in net assets resulting from operations	$ (2,806)	$ 58,180
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized loss on investments and cash equivalents	25,044	482
Net change in unrealized (gain) loss on investments	23,083	(3,340)
Net change in unrealized loss on debt	(1,000)	—
(Increase) decrease in operating assets:		
Purchase of investments	(183,186)	(306,026)
Proceeds from disposition of investments	286,479	272,748
Net accretion of discount on investments	(5,628)	(7,332)
Capitalization of payment-in-kind interest	(3,039)	(967)
Collections of payment-in-kind interest	166	477
Receivable for investments sold	77	380
Interest receivable	(1,413)	1,461
Dividends receivable	4,482	(1,052)
Other receivables	—	95
Prepaid expenses and other assets	(48)	56
Increase (decrease) in operating liabilities:		
Payable for investments and cash equivalents purchased	136,446	(91,563)
Management fee payable	(571)	234
Performance-based incentive fee payable	(4,281)	(7)
Administrative services expense payable	(739)	(478)
Interest payable	2,632	1,010
Other liabilities and accrued expenses	(580)	(670)
Net Cash Provided by (Used in) Operating Activities	275,118	(76,312)
Cash Flows from Financing Activities:		
Cash distributions paid	(51,981)	(51,981)
Deferred financing costs	841	629
Proceeds from secured borrowings	31,000	791,504
Repayment of secured borrowings	(103,900)	(701,600)
Net Cash Provided by (Used in) Financing Activities	(124,040)	38,552
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	151,078	(37,760)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	436,354	207,216
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 587,432	$ 169,456
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 17,541	$ 20,948

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)
September 30, 2020
(in thousands, except share/unit amounts)

Description	Industry	Spread Above Index(7)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Senior Secured Loans — 87.9%									
First Lien Bank Debt/Senior Secured Loans									
Aegis Toxicology Sciences Corporation	Health Care Providers & Services	L+550	1.00%	6.50%	5/7/2018	5/9/2025	$ 16,913	$ 16,700	$ 16,237
Alteon Health, LLC	Health Care Providers & Services	L+650	1.00%	7.50%	9/14/2018	9/1/2023	14,338	14,272	14,051
American Teleconferencing Services, Ltd. (PGI)	Communications Equipment	L+650	1.00%	7.50%	5/5/2016	6/8/2023	29,997	29,486	27,747
Atria Wealth Solutions, Inc	Diversified Financial Services	L+600	1.00%	7.00%	9/14/2018	11/30/2022	5,855	5,818	5,826
AviatorCap SII, LLC (2)	Aerospace & Defense	L+700	—	7.25%	12/27/2018	10/30/2020	2,810	2,810	2,810
AviatorCap SII, LLC (2)	Aerospace & Defense	L+700	—	7.25%	3/19/2019	1/29/2021	3,549	3,549	3,549
Enhanced Capital Group, LLC	Capital Markets	L+550	1.00%	6.50%	6/28/2019	6/28/2024	20,689	20,440	20,689
iCIMS, Inc.	Software	L+650	1.00%	7.50%	9/7/2018	9/12/2024	15,003	14,784	14,928
Kingsbridge Holdings, LLC	Multi-Sector Holdings	L+700	1.00%	8.00%	12/21/2018	12/21/2024	33,112	32,728	33,112
KORE Wireless Group, Inc.	Wireless Telecommunication Services	L+550	—	5.72%	12/21/2018	12/21/2024	36,571	36,013	36,205
Legility, LLC	Commercial Services & Supplies	L+600	1.00%	7.00%	2/27/2020	12/17/2025	19,750	19,390	19,355
Logix Holding Company, LLC	Communications Equipment	L+575	1.00%	6.75%	9/14/2018	12/22/2024	7,046	6,999	6,905
One Touch Direct, LLC	Commercial Services & Supplies	P+100	—	6.50%	4/3/2020	3/29/2021	6	6	6
Pet Holdings ULC & Pet Supermarket, Inc. (3)	Specialty Retail	L+550	1.00%	6.50%	9/14/2018	7/5/2022	28,820	28,669	27,955
PhyNet Dermatology LLC	Health Care Providers & Services	L+550	1.00%	6.50%	9/5/2018	8/16/2024	17,108	17,011	16,424
Pinnacle Treatment Centers, Inc	Health Care Providers & Services	L+625	1.00%	7.25%	1/22/2020	12/31/2022	12,034	11,938	12,034
PPT Management Holdings, LLC	Health Care Providers & Services	L+850(15)	1.00%	9.50%	9/14/2018	12/16/2022	20,767	20,692	18,690
Sentry Data Systems, Inc	Software	L+675	1.00%	7.75%	9/27/2020	10/6/2025	15,765	15,450	15,450
Soleo Health Holdings, Inc	Health Care Providers & Services	L+575	1.00%	6.75%	3/31/2020	12/29/2021	9,929	9,929	9,929
USR Parent, Inc. (Staples)	Specialty Retail	L+884	1.00%	9.84%	6/3/2020	9/12/2022	4,704	4,704	4,716
Total First Lien Bank Debt/Senior Secured Loans								$311,388	$306,618
Second Lien Asset-Based Senior Secured Loans									
Greystone Select Holdings LLC & Greystone & Co., Inc.	Thrifts & Mortgage Finance	L+800	1.00%	9.00%	3/29/2017	4/17/2024	19,554	$ 19,440	$ 19,554
Varilease Finance, Inc.	Multi-Sector Holdings	L+750	1.00%	8.50%	8/22/2014	11/15/2025	36,438	36,301	36,438
Total Second Lien Asset-Based Senior Secured Loans								$ 55,741	$ 55,992
Second Lien Bank Debt/Senior Secured Loans									
Bishop Lifting Products, Inc. (5)	Trading Companies & Distributors	L+800	1.00%	9.00%	3/24/2014	3/27/2022	24,985	$ 24,932	$ 22,487
PhyMed Management LLC	Health Care Providers & Services	L+875	1.00%	9.75%	12/18/2015	5/18/2021	32,321	32,130	29,897
Rug Doctor LLC (2)	Diversified Consumer Services	L+975(11)	1.50%	11.25%	12/23/2013	5/16/2023	10,261	10,244	10,261
Total Second Lien Bank Debt/Senior Secured Loans								$ 67,306	$ 62,645
First Lien Life Science Senior Secured Loans									
Alimera Sciences, Inc.	Pharmaceuticals	L+765	1.78%	9.43%	12/31/2019	7/1/2024	$ 20,074	$ 20,230	$ 20,174
Apollo Endosurgery, Inc.	Health Care Equipment & Supplies	L+750	1.36%	8.86%	3/15/2019	9/1/2023	20,492	20,746	20,594
Ardelyx, Inc. (3)	Pharmaceuticals	L+745	—	7.61%	5/10/2018	11/1/2022	24,500	25,001	24,990
aTyr Pharma, Inc.	Pharmaceuticals	P+410	—	7.35%	11/18/2016	11/18/2020	667	1,508	1,500

Axcella Health Inc.	Pharmaceuticals	L+850	0.20%	8.70%	1/9/2018	1/1/2023	26,000	26,972	26,845
Cardiva Medical, Inc.	Health Care Equipment & Supplies	L+795	1.76%	9.71%	9/24/2018	12/1/2023	27,667	28,455	28,497
Centrexion Therapeutics, Inc.	Pharmaceuticals	L+725	2.45%	9.70%	6/28/2019	1/1/2024	16,400	16,416	16,523
Cerapedics, Inc.	Health Care Equipment & Supplies	L+695	2.50%	9.45%	3/22/2019	3/1/2024	21,489	21,755	21,757
Delphinus Medical Technologies, Inc.	Health Care Equipment & Supplies	L+850	1.00%	9.50%	8/18/2017	6/1/2022	2,117	2,377	2,373
GenMark Diagnostics, Inc. (3)	Health Care Providers & Services	L+590	2.51%	8.41%	2/1/2019	2/1/2023	49,522	50,644	50,698
Kindred Biosciences, Inc. (16)	Pharmaceuticals	L+675	2.17%	8.92%	9/30/2019	9/30/2024	9,197	9,224	9,219
Neuronetics, Inc.	Health Care Equipment & Supplies	L+765	1.66%	9.31%	3/2/2020	2/28/2025	15,613	15,642	15,613
OmniGuide Holdings, Inc. (13)	Health Care Equipment & Supplies	L+805	1.00%	9.05%	7/30/2018	1/1/2021	10,500	11,319	10,763
PQ Bypass, Inc.	Health Care Equipment & Supplies	L+795	1.00%	8.95%	12/20/2018	12/19/2022	10,000	10,135	10,213
Rubius Therapeutics, Inc. (3)	Pharmaceuticals	L+550	—	5.66%	12/21/2018	12/21/2023	40,291	40,591	40,694
scPharmaceuticals, Inc.	Pharmaceuticals	L+795	2.23%	10.18%	9/17/2019	9/17/2023	4,684	4,714	4,719
SI-BONE, Inc. (3)	Health Care Equipment & Supplies	L+940	0.33%	9.73%	5/29/2020	6/1/2025	17,843	17,831	17,799
Total First Lien Life Science Senior Secured Loans								$323,560	$322,971
Total Senior Secured Loans								**$757,995**	**$748,226**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2020
(in thousands, except share/unit amounts)

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment Financing - 34.9%							
AmeraMex International, Inc. (10)	Commercial Services & Supplies	10.00%	3/29/2019	3/28/2022	$ 5,221	$ 5,174	$ 5,272
Blackhawk Mining, LLC (14)	Oil, Gas & Consumable Fuels	10.97-11.16%	2/16/2018	3/1/2022-11/1/2022	3,972	3,826	3,872
Boart Longyear Company (10)	Metals & Mining	10.44%	5/28/2020	7/1/2024	3,652	3,652	3,652
C&H Paving, Inc. (14)	Construction & Engineering	9.74-11.66%	12/26/2018	1/1/2024-11/1/2024	3,620	3,662	3,544
Capital City Jet Center, Inc. (10)	Airlines	10.00%	4/4/2018	10/4/2023	1,608	1,608	1,533
Central Freight Lines, Inc. (10)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,190	1,190	1,190
Champion Air, LLC (10)	Airlines	10.00%	3/19/2018	1/1/2023	2,388	2,388	2,378
Easton Sales and Rentals, LLC (10)	Commercial Services & Supplies	10.00%	9/18/2018	10/1/2021	1,431	1,426	1,347
Environmental Protection & Improvement Company, LLC (10)	Road & Rail	8.25%	9/30/2020	10/1/2027	6,615	6,665	6,615
Equipment Operating Leases, LLC (2)(12)	Multi-Sector Holdings	7.53-8.37%	4/27/2018	8/1/2022-4/27/2025	27,213	27,213	26,400
EquipmentShare.com, Inc. (14)	Commercial Services & Supplies	6.60%	1/8/2020	1/8/2025	8,430	7,949	8,430
Family First Freight, LLC (10)	Road & Rail	8.00-10.33%	7/31/2017	9/30/2021-1/1/2023	1,141	1,140	1,109
Freightsol LLC (14)	Road & Rail	12.51-12.89%	4/9/2019	11/1/2023	1,999	2,032	1,999
Garda CL Technical Services, Inc. (14)	Commercial Services & Supplies	8.30-8.77%	3/22/2018	6/5/2023-10/5/2023	2,125	2,125	2,121
Georgia Jet, Inc. (10)	Airlines	8.00%	12/4/2017	12/4/2021	998	998	998
Globecomm Systems Inc. (14)	Wireless Telecommunication Services	13.18%	5/10/2018	7/1/2021	580	580	573
GMT Corporation (14)	Machinery	12.52%	10/23/2018	10/23/2023	5,883	5,841	5,883
Haljoe Coaches USA, LLC (14)	Road & Rail	8.03-9.69%	7/31/2017	7/1/2022-7/1/2024	4,849	4,849	4,104
HTI Logistics Corporation (10)	Commercial Services & Supplies	9.69-9.94%	11/15/2018	12/1/2023-9/1/2025	553	553	529
Hypro, Inc. (10)	Machinery	11.53%	9/30/2019	10/1/2023	3,278	3,304	3,192
Interstate NDT, Inc. (14)	Road & Rail	11.32-14.44%	6/11/2018	7/1/2023-10/25/2023	1,780	1,780	1,689
ISR Holdings, LLC (10)	Commercial Services & Supplies	9.25%	8/27/2019	8/27/2022	3,553	3,553	3,553
JP Motorsports, Inc. (14)	Road & Rail	16.06%	8/17/2018	1/25/2022	140	140	136
Kool Pak, LLC (14)	Road & Rail	8.58%	2/5/2018	3/1/2024	517	517	517
Lineal Industries, Inc. (10)	Construction & Engineering	8.00%	12/21/2018	12/21/2021	49	49	49
Loyer Capital LLC (2)(12)	Multi-Sector Holdings	8.73-11.52%	5/16/2019	5/16/24-9/25/24	14,731	14,731	14,456
Meridian Consulting I Corp, Inc. (10)	Hotels, Restaurants & Leisure	11.00%	7/31/2017	6/11/2026	2,960	2,933	2,553
Mountain Air Helicopters, Inc. (10)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022-2/28/2025	1,968	1,963	2,003
NEF Holdings, LLC (2)	Multi-Sector Holdings	8.50%	8/14/2020	8/14/2021	850	850	850
Rane Light Metal Castings Inc. (10)	Machinery	10.00%	6/1/2020	7/1/2024	358	358	358
Rango, Inc. (10)(14)	Commercial Services & Supplies	9.33%-9.79%	9/24/2019	4/1/2023-11/1/2024	5,496	5,573	5,283
Rossco Crane & Rigging, Inc. (14)	Commercial Services & Supplies	11.13-11.53%	8/25/2017	4/1/2021-9/1/2022	396	396	385
Royal Coach Lines, Inc.(14)	Road & Rail	9.56%	11/21/2019	8/1/2025	1,242	1,242	1,109
Royal Express Inc. (14)	Road & Rail	9.53%	1/17/2019	2/1/2024	969	983	969
Sidelines Tree Service LLC (14)	Diversified Consumer Services	10.25-10.66%	7/31/2017	8/1/2022-10/1/2022	215	216	208
South Texas Oilfield Solutions, LLC (14)	Energy Equipment & Services	12.52-13.76%	3/29/2018	9/1/2022-7/1/2023	2,386	2,386	2,294
Southwest Traders, Inc. (14)	Road & Rail	9.13%	11/21/2017	11/1/2020	14	14	14
ST Coaches, LLC (14)	Road & Rail	8.21-8.58%	7/31/2017	10/1/2022-1/25/2025	4,623	4,623	4,140
Stafford Logistics, Inc. (10)	Commercial Services & Supplies	12.63-13.12%	9/11/2019	10/1/2024-10/1/2025	7,148	7,148	6,871
Star Coaches Inc. (14)	Road & Rail	8.42%	3/9/2018	4/1/2025	3,314	3,314	2,842
Sturgeon Services International Inc. (10)	Energy Equipment & Services	18.07%	7/31/2017	2/28/2022	987	987	931

Sun-Tech Leasing of Texas, L.P. (14)	Road & Rail	8.68%	7/31/2017	7/25/2021	54	54	54
Superior Transportation, Inc. (14)	Road & Rail	9.40-12.26%	7/31/2017	4/1/2022-8/1/2024	6,063	6,049	5,525
Tailwinds, LLC (10)	Air Freight & Logistics	9.00%	7/26/2019	8/1/2024	1,104	1,104	1,104
The Smedley Company & Smedley Services, Inc. (10)..	Commercial Services & Supplies	10.00-15.07%	7/31/2017	10/29/2023-2/10/2024	4,090	4,094	4,115
Thora Capital, LLC (10)	Airlines	9.00%	7/3/2019	7/1/2025	5,759	5,759	5,737
Tornado Bus Company (14)	Road & Rail	10.79%	7/31/2017	9/1/2021	1,199	1,199	1,160
Trinity Equipment Rentals, Inc. (14)	Commercial Services & Supplies	11.23%	9/13/2018	10/1/2022	598	598	601
Trolleys, Inc. (14)	Road & Rail	9.98%	7/18/2018	8/1/2022	2,032	2,032	1,952
Up Trucking Services, LLC (14)	Road & Rail	11.21-12.10%	3/23/2018	4/1/2022-8/1/2024	1,788	1,810	1,804
Warrior Crane Services, LLC (10)	Commercial Services & Supplies	8.95%	7/11/2019	7/11/2024-8/1/2026	3,211	3,211	3,086
Wind River Environmental, LLC (10)	Diversified Consumer Services	10.01%	7/31/2019	8/1/2024	797	804	794
Womble Company, Inc. (14)	Energy Equipment & Services	9.11%	12/27/2019	1/1/2025	729	729	701
					Shares/ Units		
NEF Holdings, LLC Equity Interests (2)(9)	Multi-Sector Holdings		7/31/2017		200	145,000	134,481
Total Equipment Financing						**$312,374**	**$297,065**
Preferred Equity - 0.9%							
SOAGG LLC (2)(3)(4)	Aerospace & Defense	8.00%	12/14/2010	6/30/2023	1,418	$ 1,418	$ 3,486
SOINT, LLC (2)(3)(4)	Aerospace & Defense	5.00%(11)	6/8/2012	6/30/2023	52,659	5,266	4,238
Total Preferred Equity						**$ 6,684**	**$ 7,724**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2020
(in thousands, except share/unit amounts)

Description	Industry	Acquisition Date	Shares/ Units	Cost	Fair Value
Common Equity/Equity Interests/Warrants - 35.1%					
aTyr Pharma, Inc. Warrants *	Pharmaceuticals	11/18/2016	6,347	$ 106	$ —
B Riley Financial Inc. (3)(8)	Research & Consulting Services	3/16/2007	38,015	2,684	953
CardioFocus, Inc. Warrants *	Health Care Equipment & Supplies	3/31/2017	90	51	—
Centrexion Therapeutics, Inc. Warrants *	Pharmaceuticals	6/28/2019	289,102	136	84
Conventus Orthopaedics, Inc. Warrants *	Health Care Equipment & Supplies	6/15/2016	157,500	65	—
Crystal Financial LLC (2)(3)	Diversified Financial Services	12/28/2012	280,303	280,737	290,948
Delphinus Medical Technologies, Inc. Warrants *	Health Care Equipment & Supplies	8/18/2017	444,388	74	89
Essence Group Holdings Corporation (Lumeris) Warrants *	Health Care Technology	3/22/2017	208,000	63	271
PQ Bypass, Inc. Warrants *	Health Care Equipment & Supplies	12/20/2018	300,000	106	93
RD Holdco Inc. (Rug Doctor) (2)*	Diversified Consumer Services	12/23/2013	231,177	15,683	1,226
RD Holdco Inc. (Rug Doctor) Class B (2)*	Diversified Consumer Services	12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants (2)*	Diversified Consumer Services	12/23/2013	30,370	381	—
Scynexis, Inc. Warrants *	Pharmaceuticals	9/30/2016	12,243	105	—
Senseonics Holdings, Inc. Warrants *	Health Care Equipment & Supplies	7/25/2019	526,901	117	9
Sunesis Pharmaceuticals, Inc. Warrants *	Pharmaceuticals	3/31/2016	10,400	118	—
Venus Concept Ltd. Warrants* (fka Restoration Robotics)	Health Care Equipment & Supplies	5/10/2018	27,352	152	1
Total Common Equity/Equity Interests/Warrants				**$ 305,794**	**$ 298,890**
Total Investments (6) - 158.8%				**$1,382,847**	**$1,351,905**

Description	Industry	Acquisition Date	Maturity Date	Par Amount		
Cash Equivalents - 63.5%	Government					
U.S. Treasury Bill		9/30/2020	11/12/2020	$ 540,000	$ 539,959	$ 539,959
Total Investments & Cash Equivalents - 222.3%					**$1,922,806**	**$ 1,891,864**
Liabilities in Excess of Other Assets - (122.3%)						(1,040,771)
Net Assets - 100.0%						$ 851,093

(1) Floating rate debt investments typically bear interest at a rate determined by reference to the London Interbank Offered Rate ("LIBOR"), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current rate of interest, or in the case of leases the current implied yield, in effect as of September 30, 2020.

(2) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the Investment Company Act of 1940 ("1940 Act"), due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the nine months ended September 30, 2020 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2019	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend /Other Income	Fair Value at September 30, 2020
AviatorCap SII, LLC	$ 2,896	$ —	$ 86	$ —	$ —	$ 169	$ 2,810
AviatorCap SII, LLC	2,713	1,105	269	—	—	198	3,549
Crystal Financial LLC	296,000	—	—	—	(5,052)	18,000	290,948
Equipment Operating Leases, LLC	29,739	—	2,525	—	(814)	1,743	26,400
Loyer Capital LLC	14,731	—	—	—	(275)	1,113	14,456
NEF Holdings, LLC (equity)	145,000	—	—	—	(10,519)	250	134,481
NEF Holdings, LLC (debt)	—	850	—	—	—	10	850
RD Holdco Inc. (Rug Doctor, common equity)	7,706	—	—	—	(6,480)	—	1,226
RD Holdco Inc. (Rug Doctor, class B)..	5,216	—	—	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)..	—	—	—	—	—	—	—
Rug Doctor LLC	9,111	1,150	—	—	(4)	829	10,261
SOAGG LLC	4,952	—	123	—	(1,343)	86	3,486
SOINT, LLC	5,939	254	380	—	(1,575)	441	4,238
	$524,003	**$ 3,359**	**$3,383**	**$ —**	**$(26,062)**	**$22,839**	**$497,921**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2020
(in thousands)

(3) Indicates assets that the Company believes may not represent “qualifying assets” under Section 55(a) of the Investment Company Act of 1940 (“1940 Act”), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of September 30, 2020, on a fair value basis, non-qualifying assets in the portfolio represented 23.6% of the total assets of the Company.
(4) Solar Capital Ltd.’s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
(5) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
(6) Aggregate net unrealized depreciation for U.S. federal income tax purposes is $14,912; aggregate gross unrealized appreciation and depreciation for U.S. federal tax purposes is $31,574 and $46,486, respectively, based on a tax cost of $1,366,817. Unless otherwise noted, all of the Company’s investments are pledged as collateral against the borrowings outstanding on the senior secured credit facility. The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These investments are generally subject to certain limitations on resale, and may be deemed to be “restricted securities” under the Securities Act. All investments are Level 3 unless otherwise indicated.
(7) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are often subject to a LIBOR or PRIME rate floor.
(8) Denotes a Level 1 investment.
(9) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
(10) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
(11) Interest is paid in kind (“PIK”).
(12) Denotes a subsidiary of NEF Holdings, LLC.
(13) OmniGuide Holdings, Inc., Domain Surgical, Inc. and OmniGuide, Inc. are co-borrowers.
(14) Indicates an investment that is held by the Company through its wholly-owned consolidated financing subsidiary NEFPASS SPV, LLC (the “NEFPASS SPV”). Such investments are pledged as collateral under the NEFPASS SPV, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of the Company.
(15) Spread is 6.00% Cash / 2.50% PIK.
(16) Kindred Biosciences, Inc., KindredBio Equine, Inc. and Centaur Biopharmaceutical Services, Inc. are co-borrowers.
* Non-income producing security.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2020
(in thousands)

Industry Classification	Percentage of Total Investments (at fair value) as of September 30, 2020
Diversified Financial Services (includes Crystal Financial LLC)	21.9%
Multi-Sector Holdings (includes NEF Holdings, LLC, Equipment Operating Leases, LLC and Loyer Capital LLC)	18.2%
Health Care Providers & Services	12.4%
Pharmaceuticals	10.7%
Health Care Equipment & Supplies	9.4%
Commercial Services & Supplies	4.7%
Road & Rail	2.7%
Wireless Telecommunication Services	2.7%
Communications Equipment	2.6%
Specialty Retail	2.4%
Software	2.2%
Trading Companies & Distributors	1.7%
Capital Markets	1.5%
Thrifts & Mortgage Finance	1.5%
Diversified Consumer Services	1.3%
Aerospace & Defense	1.0%
Airlines	0.8%
Machinery	0.7%
Energy Equipment & Services	0.3%
Oil, Gas & Consumable Fuels	0.3%
Metals & Mining	0.3%
Construction & Engineering	0.3%
Hotels, Restaurants & Leisure	0.2%
Air Freight & Logistics	0.1%
Research & Consulting Services	0.1%
Health Care Technology	0.0%
Total Investments	100.0%

See notes to consolidated financial statements.

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CONSOLIDATED SCHEDULE OF INVESTMENTS
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Description	Industry	Spread Above Index(7)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Senior Secured Loans — 94.1%									
Bank Debt/Senior Secured Loans									
Aegis Toxicology Sciences Corporation	Health Care Providers & Services	L+550	1.00%	7.40%	5/7/2018	5/9/2025	$ 17,043	$ 16,800	$ 16,191
Alteon Health, LLC	Health Care Providers & Services	L+650	1.00%	8.30%	9/14/2018	9/1/2022	15,094	15,011	15,094
Altern Marketing, LLC	Household & Personal Products	L+600	2.00%	8.00%	10/25/2019	10/7/2024	27,899	27,626	27,620
American Teleconferencing Services, Ltd. (PGI)	Communications Equipment	L+650	1.00%	8.32%	5/5/2016	6/8/2023	30,038	29,386	28,236
Atria Wealth Solutions, Inc	Diversified Financial Services	L+600	1.00%	7.80%	9/14/2018	11/30/2022	4,404	4,371	4,360
AviatorCap SII, LLC (2)	Aerospace & Defense	L+700	—	8.90%	12/27/2018	10/30/2020	2,896	2,896	2,896
AviatorCap SII, LLC (2)	Aerospace & Defense	L+700	—	8.90%	3/19/2019	1/29/2021	2,713	2,713	2,713
Bishop Lifting Products, Inc. (5)	Trading Companies & Distributors	L+800	1.00%	9.80%	3/24/2014	3/27/2022	24,985	24,906	24,985
Enhanced Capital Group, LLC	Capital Markets	L+550	1.00%	7.20%	6/28/2019	6/28/2024	20,311	20,032	20,311
Falmouth Group Holdings Corp. (AMPAC)	Chemicals	L+675	1.00%	8.55%	12/7/2015	12/14/2021	37,195	37,058	37,195
Greystone Select Holdings LLC & Greystone & Co., Inc.	Thrifts & Mortgage Finance	L+800	1.00%	9.93%	3/29/2017	4/17/2024	19,702	19,567	19,702
iCIMS, Inc.	Software	L+650	1.00%	8.29%	9/7/2018	9/12/2024	15,003	14,751	15,003
IHS Intermediate, Inc.**	Health Care Providers & Services	L+825	1.00%	—	6/19/2015	7/20/2022	25,000	24,728	7,500
Kingsbridge Holdings, LLC	Multi-Sector Holdings	L+700	1.00%	9.09%	12/21/2018	12/21/2024	33,112	32,675	33,112
KORE Wireless Group, Inc.	Wireless Telecommunication Services	L+550	—	7.44%	12/21/2018	12/21/2024	36,850	36,208	36,573
Logix Holding Company, LLC	Communications Equipment	L+575	1.00%	7.55%	9/14/2018	12/22/2024	7,103	7,048	7,103
MRI Software LLC	Software	L+575	1.00%	7.55%	7/23/2019	6/30/2023	31,610	31,316	31,610
On Location Events, LLC & PrimeSport Holdings Inc	Media	L+500	1.00%	6.94%	12/7/2017	9/29/2021	27,547	27,409	27,547
Pet Holdings ULC & Pet Supermarket, Inc. (3)	Specialty Retail	L+550	1.00%	7.60%	9/14/2018	7/5/2022	29,045	28,833	28,972
PhyMed Management LLC	Health Care Providers & Services	L+875	1.00%	10.55%	12/18/2015	5/18/2021	32,321	31,919	32,321
PhyNet Dermatology LLC	Health Care Providers & Services	L+550	1.00%	7.29%	9/5/2018	8/16/2024	17,239	17,125	17,239
PPT Management Holdings, LLC	Health Care Providers & Services	L+675(15)	1.00%	8.44%	9/14/2018	12/16/2022	20,656	20,557	19,003
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+425	1.00%	6.19%	9/14/2018	11/25/2021	1,771	1,765	1,771
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+768	1.00%	9.63%	10/24/2017	11/25/2021	27,929	27,690	27,929
RS Energy Group U.S., Inc	Software	L+475	—	6.69%	10/26/2018	10/6/2023	15,096	14,855	15,096
Rug Doctor LLC (2)	Diversified Consumer Services	L+975	1.50%	11.54%	12/23/2013	5/16/2023	9,111	9,089	9,111
Solara Medical Supplies, Inc	Health Care Providers & Services	L+600	1.00%	7.94%	5/31/2018	2/27/2024	7,507	7,385	7,507
The Octave Music Group, Inc. (fka TouchTunes)	Media	L+825	1.00%	9.95%	5/28/2015	5/27/2022	12,194	12,116	12,194
Varilease Finance, Inc.	Multi-Sector Holdings	L+750	1.00%	9.59%	8/22/2014	11/15/2025	36,438	36,286	36,438
Total Bank Debt/Senior Secured Loans								$ 582,121	$ 565,332
Life Science Senior Secured Loans									
Alimera Sciences, Inc.	Pharmaceuticals	L+765	1.78%	9.43%	12/31/2019	7/1/2024	$ 18,959	$ 18,959	$ 18,959
Apollo Endosurgery, Inc.	Health Care Equipment & Supplies	L+750	—	9.19%	3/15/2019	9/1/2023	20,492	20,539	20,492
Ardelyx, Inc. (3)	Pharmaceuticals	L+745	—	9.14%	5/10/2018	11/1/2022	24,500	24,741	24,745

aTyr Pharma, Inc.	Pharmaceuticals	P+410	—	8.85%	11/18/2016	11/18/2020	3,667	4,302	4,327
Axcella Health Inc.	Pharmaceuticals	L+850	—	10.20%	1/9/2018	1/1/2023	26,000	26,514	26,546
Cardiva Medical, Inc.	Health Care Equipment & Supplies	L+795	1.76%	9.71%	9/24/2018	12/1/2023	24,000	24,383	24,480
Centrexion Therapeutics, Inc.	Pharmaceuticals	L+725	2.45%	9.70%	6/28/2019	1/1/2024	12,615	12,533	12,504
Cerapedics, Inc.	Health Care Equipment & Supplies	L+695	2.50%	9.45%	3/22/2019	3/1/2024	18,803	18,893	18,897
Delphinus Medical Technologies, Inc.	Health Care Equipment & Supplies	L+850	—	10.19%	8/18/2017	9/1/2021	3,810	3,919	3,906
GenMark Diagnostics, Inc. (3)	Health Care Providers & Services	L+590	2.51%	8.41%	2/1/2019	2/1/2023	49,522	49,823	50,017
Kindred Biosciences, Inc. (3) (16)	Pharmaceuticals	L+675	2.17%	8.92%	9/30/2019	9/30/2024	9,197	9,169	9,173
OmniGuide Holdings, Inc. (13)	Health Care Equipment & Supplies	L+805	—	9.74%	7/30/2018	7/29/2023	10,500	10,639	10,552
PQ Bypass, Inc.	Health Care Equipment & Supplies	L+795	1.00%	9.65%	12/20/2018	12/19/2022	10,000	9,974	10,140
Rubius Therapeutics, Inc. (3)	Pharmaceuticals	L+550	—	7.19%	12/21/2018	12/21/2023	26,861	26,974	26,995
scPharmaceuticals, Inc.	Pharmaceuticals	L+795	2.23%	10.18%	9/17/2019	9/17/2023	4,684	4,692	4,693
Senseonics Holdings, Inc	Health Care Equipment & Supplies	L+650	2.48%	8.98%	7/25/2019	7/1/2024	21,076	20,989	21,076
Total Life Science Senior Secured Loans								$ 287,043	$ 287,502
Total Senior Secured Loans								**$ 869,164**	**$ 852,834**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2019
(in thousands, except share/unit amounts)

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment Financing — 35.4%							
Althoff Crane Service, Inc. (14)	Commercial Services & Supplies	10.55%	7/31/2017	6/8/2022	$ 1,180	$ 1,180	$ 1,200
AmeraMex International, Inc. (10)	Commercial Services & Supplies	10.00%	3/29/2019	3/28/2022	6,314	6,206	6,400
Blackhawk Mining, LLC (14)	Oil, Gas & Consumable Fuels	10.99-11.17%	2/16/2018	3/1/2022-11/1/2022	4,701	4,474	4,764
C&H Paving, Inc. (14)	Construction & Engineering	9.94-11.66%	12/26/2018	1/1/2024-11/1/2024	4,136	4,187	4,158
Capital City Jet Center, Inc. (10)	Airlines	10.00%	4/4/2018	10/4/2023	1,806	1,806	1,808
Central Freight Lines, Inc. (10)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,421	1,421	1,421
Champion Air, LLC (10)	Airlines	10.00%	3/19/2018	1/1/2023	2,770	2,770	2,748
Easton Sales and Rentals, LLC (10)	Commercial Services & Supplies	10.00%	9/18/2018	10/1/2021	1,882	1,866	1,845
Equipment Operating Leases, LLC (2)(12)	Multi-Sector Holdings	7.53-8.37%	4/27/2018	8/1/2022-4/27/2025	29,739	29,739	29,739
Family First Freight, LLC (10)	Road & Rail	9.43-10.10%	7/31/2017	7/1/2020-1/22/2022	557	556	554
Freightsol LLC (14)	Road & Rail	12.62-12.99%	4/9/2019	11/1/2023	2,225	2,266	2,225
Garda CL Technical Services, Inc. (14)	Commercial Services & Supplies	8.31-8.77%	3/22/2018	7/13/2023-10/5/2023	2,317	2,317	2,280
Georgia Jet, Inc. (10)	Airlines	8.00%	12/4/2017	12/4/2021	1,833	1,833	1,805
Globecomm Systems Inc. (14)	Wireless Telecommunication Services	13.18%	5/10/2018	7/1/2021	1,051	1,051	1,072
GMT Corporation (14)	Machinery	12.46%	10/23/2018	10/23/2023	6,363	6,309	6,363
Haljoe Coaches USA, LLC (14)	Road & Rail	8.15-9.90%	7/31/2017	7/1/2022-7/1/2024	5,626	5,626	5,527
Hawkeye Contracting Company, LLC (10)(11)	Oil, Gas & Consumable Fuels	10.00%	11/15/2017	11/15/2020	1,823	1,823	1,827
HTI Logistics Corporation (10)	Commercial Services & Supplies	9.69-9.80%	11/15/2018	12/1/2023-4/1/2024	289	289	286
Hypro, Inc. (10)	Machinery	11.53%	9/30/2019	10/1/2023	3,460	3,493	3,460
Interstate NDT, Inc. (14)	Road & Rail	11.32-13.94%	6/11/2018	7/1/2023-10/25/2023	2,019	2,019	2,055
ISR Holdings, LLC (10)	Commercial Services & Supplies	9.25%	8/27/2019	8/27/2022	4,781	4,781	4,781
JP Motorsports, Inc. (14)	Road & Rail	16.35%	8/17/2018	1/25/2022	192	191	194
Kool Pak, LLC (14)	Road & Rail	8.58%	2/5/2018	3/1/2024	612	612	612
Lineal Industries, Inc. (10)	Construction & Engineering	8.00%	12/21/2018	12/21/2021	76	76	76
Loyer Capital LLC (2)(12)	Multi-Sector Holdings	8.73-11.52%	5/16/2019	5/16/24-9/25/24	14,731	14,731	14,731
Meridian Consulting I Corp, Inc. (10)	Hotels, Restaurants & Leisure	10.72%	7/31/2017	12/4/2021	1,926	1,926	1,972
Mountain Air Helicopters, Inc. (10)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022	1,509	1,509	1,528
Rango, Inc. (10)(14)	Commercial Services & Supplies	9.42%-9.92%	9/24/2019	4/1/2023-11/1/2024	6,055	6,150	6,055
Rossco Crane & Rigging, Inc. (14)	Commercial Services & Supplies	11.13-11.53%	8/25/2017	4/1/2021-9/1/2022	577	577	584
Royal Coach Lines, Inc	Road & Rail	9.56%	11/21/2019	8/1/2025	1,240	1,240	1,240
Royal Express Inc. (14)	Road & Rail	9.64%	1/17/2019	2/1/2024	1,056	1,075	1,042
Sidelines Tree Service LLC (14)	Diversified Consumer Services	10.31-10.52%	7/31/2017	8/1/2022-10/1/2022	329	329	331
South Texas Oilfield Solutions, LLC (14)	Energy Equipment & Services	12.52-13.76%	3/29/2018	9/1/2022-7/1/2023	2,753	2,753	2,754
Southern Nevada Oral & Maxillofacial Surgery, LLC (10)	Health Care Providers & Services	12.00%	7/31/2017	3/1/2024	1,273	1,273	1,286
Southwest Traders, Inc. (14)	Road & Rail	9.13%	11/21/2017	11/1/2020	70	70	69
Spartan Education, LLC (10)	Diversified Consumer Services	10.26-12.00%	3/28/2019	7/31/2020-12/27/2023	6,758	6,867	6,766
ST Coaches, LLC (14)	Road & Rail	8.21-8.59%	7/31/2017	10/1/2022-1/25/2025	4,585	4,585	4,501
Stafford Logistics, Inc. (10)	Commercial Services & Supplies	12.63-13.12%	9/11/2019	10/1/2024-10/1/2025	7,930	7,930	7,930
Star Coaches Inc. (14)	Road & Rail	8.42%	3/9/2018	4/1/2025	3,305	3,305	3,288
Sturgeon Services International Inc. (10)	Energy Equipment & Services	19.10%	7/31/2017	2/28/2022	1,271	1,271	1,249
Sun-Tech Leasing of Texas, L.P. (14)	Road & Rail	8.68-16.95%	7/31/2017	6/25/2020-7/25/2021	238	238	236
Superior Transportation, Inc. (14)	Road & Rail	9.38-12.26%	7/31/2017	4/1/2022-8/1/2024	6,492	6,471	6,471

Tailwinds, LLC (10)	Air Freight & Logistics	9.00%	7/26/2019	8/1/2024	1,153	1,153	1,153
The Smedley Company & Smedley Services, Inc. (10)..	Commercial Services & Supplies	9.92-14.75%	7/31/2017	10/29/2023-2/10/2024	5,011	5,030	5,070
Thora Capital, LLC (10)	Airlines	9.00%	7/3/2019	7/1/2025	6,209	6,209	6,209
Tornado Bus Company (14)	Road & Rail	10.78%	7/31/2017	9/1/2021	1,509	1,509	1,518
Trinity Equipment Rentals, Inc. (14)	Commercial Services & Supplies	11.24%	9/13/2018	10/1/2022	719	719	726
Trolleys, Inc. (14)	Road & Rail	9.81%	7/18/2018	8/1/2022	2,295	2,295	2,292
Up Trucking Services, LLC (14)	Road & Rail	11.21-12.10%	3/23/2018	4/1/2022-8/1/2024	2,512	2,549	2,540
Warrior Crane Services, LLC (10)	Commercial Services & Supplies	8.95%	7/11/2019	7/11/2024-8/1/2026	3,316	3,316	3,316
Wind River Environmental, LLC (10)	Diversified Consumer Services	10.00%	7/31/2019	8/1/2024	918	926	918
Womble Company, Inc. (10)	Energy Equipment & Services	9.11%	12/27/2019	1/1/2025	814	814	814
W.P.M., Inc., WPM-Southern, LLC, WPM Construction Services, Inc. (10)	Construction & Engineering	7.50%	7/31/2017	10/1/2022	1,841	1,841	1,841
					Shares/ Units		
NEF Holdings, LLC Equity Interests (2)(9)	Multi-Sector Holdings		7/31/2017		200	145,000	145,000
Total Equipment Financing					**$**	**320,552**	**$ 320,630**
Preferred Equity – 1.2%							
SOAGG LLC (2)(3)(4)	Aerospace & Defense	8.00%	12/14/2010	6/30/2023	1,541	$ 1,541	$ 4,952
SOINT, LLC (2)(3)(4)	Aerospace & Defense	15.00%	6/8/2012	6/30/2023	53,932	5,393	5,939
Total Preferred Equity					**$**	**6,934**	**$ 10,891**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2019
(in thousands, except share/unit amounts)

Description	Industry	Acquisition Date	Shares/ Units	Cost	Fair Value
Common Equity/Equity Interests/Warrants—34.3%					
aTyr Pharma, Inc. Warrants *	Pharmaceuticals	11/18/2016	6,347	$ 106	$ —
B Riley Financial Inc. (3)(8)	Research & Consulting Services	3/16/2007	38,015	2,684	957
CardioFocus, Inc. Warrants *	Health Care Equipment & Supplies	3/31/2017	440,816	51	34
Centrexion Therapeutics, Inc. Warrants *	Pharmaceuticals	6/28/2019	210,256	106	77
Conventus Orthopaedics, Inc. Warrants *	Health Care Equipment & Supplies	6/15/2016	157,500	65	10
Crystal Financial LLC (2)(3)	Diversified Financial Services	12/28/2012	280,303	280,737	296,000
Delphinus Medical Technologies, Inc. Warrants *	Health Care Equipment & Supplies	8/18/2017	380,904	74	50
Essence Group Holdings Corporation (Lumeris) Warrants *	Health Care Technology	3/22/2017	208,000	63	267
PQ Bypass, Inc. Warrants *	Health Care Equipment & Supplies	12/20/2018	300,000	106	75
RD Holdco Inc. (Rug Doctor) (2)*	Diversified Consumer Services	12/23/2013	231,177	15,683	7,706
RD Holdco Inc. (Rug Doctor) Class B (2)*	Diversified Consumer Services	12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants (2)*	Diversified Consumer Services	12/23/2013	30,370	381	—
Scynexis, Inc. Warrants *	Pharmaceuticals	9/30/2016	122,435	105	—
Senseonics Holdings, Inc. Warrants *	Health Care Equipment & Supplies	7/25/2019	526,901	117	70
Sunesis Pharmaceuticals, Inc. Warrants *	Pharmaceuticals	3/31/2016	104,001	118	—
Tetraphase Pharmaceuticals, Inc. Warrants (3)*	Pharmaceuticals	10/30/2018	14,227	269	—
Venus Concept Ltd. Warrants* (fka Restoration Robotics)	Health Care Equipment & Supplies	5/10/2018	27,352	152	7
Total Common Equity/Equity Interests/Warrants				**$ 306,033**	**$ 310,469**
Total Investments (6) — 165.0%				**$1,502,683**	**$1,494,824**

Description	Industry	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Cash Equivalents — 46.3%	Government					
U.S. Treasury Bill		12/31/2019	1/28/2020	$ 420,000	$ 419,571	$ 419,571
Total Investments & Cash Equivalents —211.3%					**$ 1,922,254**	**$ 1,914,395**
Liabilities in Excess of Other Assets — (111.3%)						(1,008,515)
Net Assets — 100.0%						**$ 905,880**

(1) Floating rate debt investments typically bear interest at a rate determined by reference to the London Interbank Offered Rate ("LIBOR"), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current rate of interest, or in the case of leases the current implied yield, in effect as of December 31, 2019.

(2) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the Investment Company Act of 1940 ("1940 Act"), due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the year ended December 31, 2019 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2018	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend /Other Income	Fair Value at December 31, 2019
Ark Real Estate Partners LP	$ 39	$ —	$ —	$ (526)	$ 487	$ —	$ —

Ark Real Estate Partners II LP	1	—	—	(135)	11	—	—
AviatorCap SII, LLC	2,975	—	79	—	—	274	2,896
AviatorCap SII, LLC	—	2,975	262	—	—	208	2,713
Crystal Financial LLC	293,000	—	—	—	3,000	30,000	296,000
Equipment Operating Leases, LLC	32,882	—	3,143	—	—	2,550	29,739
Loyer Capital LLC	—	21,634	6,903	—	—	1,085	14,731
NEF Holdings, LLC	145,000	—	—	—	—	3,300	145,000
RD Holdco Inc. (Rug Doctor, common equity)...	7,732	—	—	—	(26)	—	7,706
RD Holdco Inc. (Rug Doctor, class B)..	5,216	—	—	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)..	—	—	—	—	—	—	—
Rug Doctor LLC	9,111	—	—	—	(39)	1,182	9,111
SOAGG LLC	9,113	—	951	—	(3,210)	5,256	4,952
SOINT, LLC	—	2,144	2,188	—	—	148	—
SOINT, LLC (preferred equity)	6,414	—	444	—	(31)	826	5,939
	$511,483	**$26,753**	**$13,970**	**$ (661)**	**$ 192**	**$44,829**	**$524,003**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2019
(in thousands)

(3) Indicates assets that the Company believes may not represent “qualifying assets” under Section 55(a) of the Investment Company Act of 1940 (“1940 Act”), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of December 31, 2019, on a fair value basis, non-qualifying assets in the portfolio represented 22.9% of the total assets of the Company.
(4) Solar Capital Ltd.’s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
(5) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
(6) Aggregate net unrealized appreciation for U.S. federal income tax purposes is $8,172; aggregate gross unrealized appreciation and depreciation for U.S. federal tax purposes is $45,038 and $36,866, respectively, based on a tax cost of $1,486,652. Unless otherwise noted, all of the Company’s investments are pledged as collateral against the borrowings outstanding on the senior secured credit facility. The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These investments are generally subject to certain limitations on resale, and may be deemed to be “restricted securities” under the Securities Act. All investments are Level 3 unless otherwise indicated.
(7) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are often subject to a LIBOR or PRIME rate floor.
(8) Denotes a Level 1 investment.
(9) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
(10) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
(11) Hawkeye Contracting Company, LLC, Eagle Creek Mining, LLC & Falcon Ridge Leasing, LLC are co-borrowers.
(12) Denotes a subsidiary of NEF Holdings, LLC.
(13) OmniGuide Holdings, Inc., Domain Surgical, Inc. and OmniGuide, Inc. are co-borrowers.
(14) Indicates an investment that is held by the Company through its wholly-owned consolidated financing subsidiary NEFPASS SPV, LLC (the “NEFPASS SPV”). Such investments are pledged as collateral under the NEFPASS SPV, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of the Company.
(15) Spread is 6.00% Cash / 0.75% PIK.
(16) Kindred Biosciences, Inc., KindredBio Equine, Inc. and Centaur Biopharmaceutical Services, Inc. are co-borrowers.

* Non-income producing security.
** Investment is on non-accrual status.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2019
(in thousands)

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2019
Diversified Financial Services (includes Crystal Financial LLC)	20.1%
Multi-Sector Holdings (includes NEF Holdings, LLC, Equipment Operating Leases, LLC and Loyer Capital LLC)	17.3%
Health Care Providers & Services	13.1%
Pharmaceuticals	8.6%
Health Care Equipment & Supplies	7.3%
Software	4.1%
Commercial Services & Supplies	2.8%
Media	2.7%
Wireless Telecommunication Services	2.5%
Chemicals	2.5%
Road & Rail	2.4%
Communications Equipment	2.4%
Diversified Consumer Services	2.0%
Specialty Retail	1.9%
Household & Personal Products	1.9%
Trading Companies & Distributors	1.7%
Capital Markets	1.4%
Thrifts & Mortgage Finance	1.3%
Aerospace & Defense	1.1%
Airlines	0.8%
Machinery	0.7%
Oil, Gas & Consumable Fuels	0.4%
Construction & Engineering	0.4%
Energy Equipment & Services	0.3%
Hotels, Restaurants & Leisure	0.1%
Air Freight & Logistics	0.1%
Research & Consulting Services	0.1%
Health Care Technology	0.0%
Total Investments	**100.0%**

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
September 30, 2020
(in thousands, except share amounts)

Note 1. Organization

Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and commenced operations on March 13, 2007 with initial capital of $1,200,000 of which 47.04% was funded by affiliated parties.

Immediately prior to our initial public offering, through a series of transactions, Solar Capital Ltd. merged with Solar Capital LLC, leaving Solar Capital Ltd. as the surviving entity (the “Merger”). Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125,000 in senior unsecured notes to the existing Solar Capital LLC unit holders in connection with the Merger. Solar Capital Ltd. had no assets or operations prior to completion of the Merger and as a result, the historical books and records of Solar Capital LLC have become the books and records of the surviving entity. The number of shares used to calculate weighted average shares for use in computations on a per share basis have been decreased retroactively by a factor of approximately 0.4022 for all periods prior to February 9, 2010. This factor represents the effective impact of the reduction in shares resulting from the Merger.

Solar Capital Ltd. (“Solar Capital”, the “Company”, “we”, “us” or “our”), a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). Furthermore, as the Company is an investment company, it continues to apply the guidance in FASB Accounting Standards Codification (“ASC”) Topic 946. In addition, for U.S. federal income tax purposes, the Company has elected to be treated, and intend to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

On February 9, 2010, Solar Capital priced its initial public offering, selling 5.68 million shares of common stock, including the underwriters’ over-allotment, at a price of $18.50 per share. Concurrent with this offering, the Company’s senior management purchased an additional 600,000 shares through a private placement, also at $18.50 per share.

The Company’s investment objective is to maximize both current income and capital appreciation through debt and equity investments. The Company directly and indirectly invests primarily in leveraged middle market companies in the form of senior secured loans, stretch-senior loans, financing leases and to a lesser extent, unsecured loans and equity securities. From time to time, we may also invest in public companies that are thinly traded.

Note 2. Significant Accounting Policies

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”), and include the accounts of the Company and certain wholly-owned subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition for the periods presented. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts may have been reclassified to conform to the current period presentation.

Interim consolidated financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X, as appropriate. Accordingly, they may not include all of the information and notes required by GAAP for annual consolidated financial statements. 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 periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially. The current period’s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending on December 31, 2020.

In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements, have been included.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)(continued)
September 30, 2020
(in thousands, except share amounts)

The significant accounting policies consistently followed by the Company are:

(a) Investment transactions are accounted for on the trade date;

(b) Under procedures established by our board of directors (the "Board"), we value investments, including certain senior secured debt, subordinated debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we may utilize independent third-party valuation firms to assist us in determining the fair value of material assets. Accordingly, such investments go through our multi-step valuation process as described below. In each such case, independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations. Debt investments with maturities of 60 days or less shall each be valued at cost plus accreted discount, or minus amortized premium, which is expected to approximate fair value, unless such valuation, in the judgment of Solar Capital Partners, LLC (the "Investment Adviser"), does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our Board. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board. Such determination of fair values involves subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board has approved a multi-step valuation process each quarter, as described below:

(1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of the Investment Adviser responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and discussed with senior management of the Investment Adviser;

(3) independent valuation firms engaged by our Board conduct independent appraisals and review the Investment Adviser's preliminary valuations and make their own independent assessment for all material assets;

(4) the audit committee of the Board reviews the preliminary valuation of the Investment Adviser and that of the independent valuation firm and responds to the valuation recommendation of the independent valuation firm, if any, to reflect any comments; and

(5) the Board discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm, if any, and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the nine months ended September 30, 2020, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)(continued)
September 30, 2020
(in thousands, except share amounts)

ASC Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The exercise of judgment is based in part on our knowledge of the asset class and our prior experience.

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

(d) The Company records dividend income and interest, adjusted for amortization of premium and accretion of discount, on an accrual basis. Loan origination fees, original issue discount, and market discounts are capitalized and we amortize such amounts into income using the effective interest method. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record call premiums received on loans repaid as interest income when we receive such amounts. Capital structuring fees, amendment fees, consent fees, and any other non-recurring fee income as well as management fee and other fee income for services rendered, if any, are recorded as other income when earned.

(e) The Company intends to comply with the applicable provisions of the Code pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it of substantially all U.S. federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. The Company will accrue excise tax on such estimated excess taxable income as appropriate.

(f) Book and tax basis differences relating to stockholder distributions and other permanent book and tax differences are typically reclassified among the Company's capital accounts annually. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP.

(g) Distributions to common stockholders are recorded as of the record date. The amount to be paid out as a distribution is determined by the Board. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.

(h) In accordance with Regulation S-X and ASC Topic 810—*Consolidation*, the Company consolidates its interest in controlled investment company subsidiaries, financing subsidiaries and certain wholly-owned holding companies that serve to facilitate investment in portfolio companies. In addition, the Company may also consolidate any controlled operating companies substantially all of whose business consists of providing services to the Company.

(i) The accounting records of the Company are maintained in U.S. dollars. Any 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 will not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations would be included with the net unrealized gain or loss from investments. The Company's investments in foreign securities, if any, may involve certain risks, including without limitation: 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 in terms of U.S. dollars and therefore the earnings of the Company.

(j) The Company has made elections to apply the fair value option of accounting to the unsecured senior notes due 2022 (the "2022 Unsecured Notes") (see notes 6 and 7), in accordance with ASC 825-10.

(k) In accordance with ASC 835-30, the Company reports origination and other expenses related to certain debt issuances as a direct deduction from the carrying amount of the debt liability. Applicable expenses are deferred and amortized using either the effective interest method or the straight-line method over the stated life. The straight-line method may be used on revolving facilities and/or when it approximates the effective yield method.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)(continued)
September 30, 2020
(in thousands, except share amounts)

(l) The Company may enter into forward exchange contracts in order to 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.

(m) The Company records expenses related to shelf registration statements and applicable equity offering costs as prepaid assets. These expenses are typically charged as a reduction of capital upon utilization or expensed, in accordance with ASC 946-20-25.

(n) Investments that are expected to pay regularly scheduled interest in cash are generally placed on non-accrual status when principal or interest cash payments are past due 30 days or more (90 days or more for equipment financing) and/or when it is no longer probable that principal or interest cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining principal and interest obligations. Cash interest payments received on such investments may be recognized as income or applied to principal depending on management's judgment.

(o) The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less would qualify, with limited exceptions. The Company believes that certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities would qualify as cash equivalents.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU 2018-13 modify and eliminate certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company has adopted ASU 2018-13 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact of adopting ASU 2020-04 on its consolidated financial statements and disclosures.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)(continued)
September 30, 2020
(in thousands, except share amounts)

Note 3. Agreements

Solar Capital has an Advisory Agreement with 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 a performance-based 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 1.75% on gross assets up to 200% of the Company's total net assets as of the immediately preceding quarter end and 1.00% on gross assets that exceed 200% of the Company's total net assets as of the immediately preceding quarter end. For purposes of computing the base management fee, gross assets exclude temporary assets acquired at the end of each fiscal quarter for purposes of preserving investment flexibility in the next fiscal quarter. Temporary assets include, but are not limited to, U.S. treasury bills, other short-term U.S. government or government agency securities, repurchase agreements or cash borrowings.

The performance-based incentive fee has two parts, as follows: one part 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 we receive 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 distributions paid on any issued and outstanding preferred stock, but excluding the performance-based incentive fee). Pre-incentive fee net investment income does not include any realized capital gains or 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 pays the Investment Adviser a performance-based incentive fee with respect to Solar Capital's pre-incentive fee net investment income in each calendar quarter as follows: (1) no performance-based 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.

The second part of the performance-based incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement, as of the termination date), 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 net capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For financial statement purposes, the second part of the performance-based incentive fee is accrued based upon 20% of cumulative net realized gains and net unrealized capital appreciation. No accrual was required for the three and nine months ended September 30, 2020 and 2019.

For the three and nine months ended September 30, 2020, the Company recognized $6,176 and $18,416, respectively, in base management fees and $0 and $1,480, respectively, in performance-based incentive fees. For the three and nine months ended September 30, 2019, the Company recognized $6,738 and $20,027, respectively, in base management fees and $4,606 and $13,830, respectively, in performance-based incentive fees.

Solar Capital has also entered into an Administration Agreement with Solar Capital Management, LLC (the "Administrator") under which the Administrator provides administrative services to 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. The Company typically reimburses the Administrator on a quarterly basis.

For the three and nine months ended September 30, 2020, the Company recognized expenses under the Administration Agreement of $1,572 and $3,867, respectively. For the three and nine months ended September 30, 2019, the Company recognized expenses under the Administration Agreement of $1,352 and $4,013, respectively. No managerial assistance fees were accrued or collected for the three and nine months ended September 30, 2020 and 2019.

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Note 4. Net Asset Value Per Share

At September 30, 2020, the Company's total net assets and net asset value per share were $851,093 and $20.14, respectively. This compares to total net assets and net asset value per share at December 31, 2019 of $905,880 and $21.44, respectively.

Note 5. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets per share resulting from operations, pursuant to ASC 260-10, for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Earnings (loss) per share (basic & diluted)				
Numerator - net increase (decrease) in net assets resulting from operations:	$ 18,617	$ 13,717	$ (2,806)	$ 58,180
Denominator - weighted average shares:	42,260,826	42,260,826	42,260,826	42,260,826
Earnings (loss) per share:	$ 0.44	$ 0.32	($ 0.07)	$ 1.38

Note 6. Fair Value

Fair value is defined as 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. GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuations used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2. Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets;

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's and, if applicable, an independent third-party valuation firm's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3).

Gains and losses for assets and liabilities categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Such reclassifications involving Level 3 assets and liabilities are reported as transfers in/out of Level 3 as of the end of the quarter in which the reclassifications occur. Within the fair value hierarchy tables below, cash and cash equivalents are excluded but could be classified as Level 1.

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The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, as of September 30, 2020 and December 31, 2019:

Fair Value Measurements
As of September 30, 2020

	Level 1	Level 2	Level 3	Total
Assets:				
Senior Secured Loans	$ —	$ —	$ 748,226	$ 748,226
Equipment Financing	—	—	297,065	297,065
Preferred Equity	—	—	7,724	7,724
Common Equity/Equity Interests/Warrants	953	—	297,937	298,890
Total Investments$	$ 953	$ —	$ 1,350,952	$ 1,351,905
Liabilities:				
2022 Unsecured Notes	$ —	$ —	$ 149,000	$ 149,000

Fair Value Measurements
As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets:				
Senior Secured Loans	$ —	$ —	$ 852,834	$ 852,834
Equipment Financing	—	—	320,630	320,630
Preferred Equity	—	—	10,891	10,891
Common Equity/Equity Interests/Warrants	957	—	309,512	310,469
Total Investments$	$ 957	$ —	$ 1,493,867	$ 1,494,824
Liabilities:				
2022 Unsecured Notes	$ —	$ —	$ 150,000	$ 150,000

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The following tables provide a summary of the changes in fair value of Level 3 assets and liabilities for the three and nine months ended September 30, 2020, as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at September 30, 2020:

Fair Value Measurements Using Level 3 Inputs

	Senior Secured Loans	Equipment Financing	Preferred Equity	Common Equity/ Equity Interests/ Warrants	Total
Fair value, June 30, 2020	$ 752,474	$ 302,000	$ 8,103	$ 296,603	$1,359,180
Total gains or losses included in earnings:					
Net realized gain (loss)	158	(133)	—	(269)	(244)
Net change in unrealized gain (loss)	1,646	3,416	(633)	1,573	6,002
Purchase of investment securities	37,464	8,398	254	30	46,146
Proceeds from dispositions of investment securities.	(43,516)	(16,616)	—	—	(60,132)
Transfers in/out of Level 3	—	—	—	—	—
Fair value, September 30, 2020	$ 748,226	$ 297,065	$ 7,724	$ 297,937	$1,350,952
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:					
Net change in unrealized gain (loss)	$ 1,966	$ 3,416	$ (633)	$ 1,573	$ 6,322

	Senior Secured Loans	Equipment Financing	Preferred Equity	Common Equity/ Equity Interests/ Warrants	Total
Fair value, December 31, 2019	$ 852,834	$ 320,630	$ 10,891	$ 309,512	$1,493,867
Total gains or losses included in earnings:					
Net realized loss	(24,570)	(150)	—	(269)	(24,989)
Net change in unrealized gain (loss)	6,562	(15,387)	(2,917)	(11,336)	(23,078)
Purchase of investment securities	158,607	32,962	254	30	191,853
Proceeds from dispositions of investment securities.	(245,207)	(40,990)	(504)	—	(286,701)
Transfers in/out of Level 3	—	—	—	—	—
Fair value, September 30, 2020	$ 748,226	$ 297,065	$ 7,724	$ 297,937	$1,350,952
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:					
Net change in unrealized loss	$ (9,331)	$ (15,387)	$ (2,917)	$ (11,605)	$ (39,240)

The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2020:

2022 Unsecured Notes	For the three months ended September 30, 2020
Beginning fair value	$ 147,500
Net realized (gain) loss	—
Net change in unrealized (gain) loss	1,500
Borrowings	—
Repayments	—
Transfers in/out of Level 3	—
Ending fair value	$ 149,000

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2022 Unsecured Notes	For the nine months ended September 30, 2020
Beginning fair value	$ 150,000
Net realized (gain) loss	—
Net change in unrealized (gain) loss	(1,000)
Borrowings	—
Repayments	—
Transfers in/out of Level 3	—
Ending fair value	$ 149,000

The Company made an election to apply the fair value option of accounting to the 2022 Unsecured Notes, in accordance with ASC 825-10. On September 30, 2020, there were borrowings of $150,000 on the 2022 Unsecured Notes.

The following table provides a summary of the changes in fair value of Level 3 assets and liabilities for the year ended December 31, 2019, as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at December 31, 2019:

Fair Value Measurements Using Level 3 Inputs

	Senior Secured Loans	Equipment Financing	Preferred Equity	Common Equity/ Equity Interests/ Warrants	Total
Fair value, December 31, 2018	$ 818,861	$314,226	$ 15,527	$ 306,926	$1,455,540
Total gains or losses included in earnings:					
Net realized gain (loss)	391	162	—	(108)	445
Net change in unrealized gain (loss)	(14,296)	(576)	(3,242)	3,028	(15,086)
Purchase of investment securities	322,882	90,330	—	426	413,638
Proceeds from dispositions of investment securities.	(275,004)	(83,512)	(1,394)	(760)	(360,670)
Transfers in/out of Level 3	—	—	—	—	—
Fair value, December 31, 2019	$ 852,834	$320,630	$ 10,891	$ 309,512	$1,493,867
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:					
Net change in unrealized gain (loss)	$ (14,064)	$ (576)	$ (3,242)	$ 2,519	$ (15,363)

The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3) for the year ended December 31, 2019:

Credit Facility, 2022 Unsecured Notes and SSLP Facility	For the year ended December 31, 2019
Beginning fair value	$ 350,185
Net realized (gain) loss	—
Net change in unrealized (gain) loss	—
Borrowings	529,600
Repayments	(626,600)
Transfers into Level 3	—
Transfers out of Level 3	(103,185)
Ending fair value	$ 150,000

The Company made elections to apply the fair value option of accounting to the 2022 Unsecured Notes, in accordance with ASC 825-10. On December 31, 2019, there were borrowings of $150,000 on the 2022 Unsecured Notes.

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The Company did not elect to apply the fair value option of accounting to the SSLP Facility, which was refinanced by way of amendment on May 31, 2019. As this refinancing was deemed to be a significant modification of debt, per ASC 825-10-25, a new election was triggered. As such the SSLP Facility is shown as a transfer out of Level 3.

Quantitative Information about Level 3 Fair Value Measurements

The Company typically determines the fair value of its performing debt investments utilizing a yield analysis. In a yield analysis, a price is ascribed for each investment based upon an assessment of current and expected market yields for similar investments and risk profiles. Additional consideration is given to current contractual interest rates, relative maturities and other key terms and risks associated with an investment. Among other factors, a significant determinant of risk is the amount of leverage used by the portfolio company relative to the total enterprise value of the company, and the rights and remedies of our investment within each portfolio company.

Significant unobservable quantitative inputs typically used in the fair value measurement of the Company's Level 3 assets and liabilities primarily reflect current market yields, including indices, and readily available quotes from brokers, dealers, and pricing services as indicated by comparable assets and liabilities, as well as enterprise values, returns on equity and earnings before income taxes, depreciation and amortization ("EBITDA") multiples of similar companies, and comparable market transactions for equity securities.

Quantitative information about the Company's Level 3 asset and liability fair value measurements as of September 30, 2020 is summarized in the table below:

	Asset or Liability	Fair Value at September 30, 2020	Principal Valuation Technique/ Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured Loans	Asset	$ 748,226	Income Approach	Market Yield	5.9% – 12.1% (9.0%)
Equipment Financing	Asset	$ 162,584 $ 134,481	Income Approach Market Approach	Market Yield Return on Equity	6.6% – 19.9% (10.5%) 8.9%-8.9% (8.9%)
Preferred Equity	Asset	$ 7,724	Income Approach	Market Yield	8.0% – 14.0% (11.3%)
Common Equity/Equity Interests/Warrants	Asset	$ 6,989 $ 290,948	Market Approach Market Approach	EBITDA Multiple Return on Equity	5.8x – 6.3x (6.3x) (4.1%) – 15.0% (1.7%)
2022 Unsecured Notes	Liability	$ 149,000	Income Approach	Market Yield	1.5% – 5.0% (5.0%)

Quantitative information about the Company's Level 3 asset and liability fair value measurements as of December 31, 2019 is summarized in the table below:

	Asset or Liability	Fair Value at December 31, 2019	Principal Valuation Technique/ Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured Loans	Asset	$ 845,334 $ 7,500	Income Approach Market Approach	Market Yield EBITDA Multiple	6.2% – 11.9% (9.3%) 7.8x-8.0x (7.9x)
Equipment Financing	Asset	$ 175,630 $ 145,000	Income Approach Market Approach	Market Yield Return on Equity	7.2% – 19.7% (10.0%) 7.8%-7.8% (7.8%)
Preferred Equity	Asset	$ 10,891	Income Approach	Market Yield	8.0% – 12.9% (10.7%)
Common Equity/Equity Interests/Warrants	Asset	$ 13,512 $ 296,000	Market Approach Market Approach	EBITDA Multiple Return on Equity	5.8x – 6.3x (6.0x) 3.9% – 17.0% (17.0%)
2022 Unsecured Notes	Liability	$ 150,000	Income Approach	Market Yield	3.8% – 6.0% (4.5%)

Significant increases or decreases in any of the above unobservable inputs in isolation, including unobservable inputs used in deriving bid-ask spreads, if applicable, could result in significantly lower or higher fair value measurements for such assets and liabilities. Generally, an increase in market yields or decrease in EBITDA multiples may result in a decrease in the fair value of certain of the Company's investments.

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Note 7. Debt

Our debt obligations consisted of the following as of September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
Facility	Face Amount	Carrying Value	Face Amount	Carrying Value
Credit Facility	$ 75,000	$ 72,612(1)	$ 117,900	$ 115,217(1)
NEFPASS Facility	–	(680)(2)	30,000	29,149(2)
2022 Unsecured Notes	150,000	149,000	150,000	150,000
2022 Tranche C Notes	21,000	20,928(3)	21,000	20,905(3)
2023 Unsecured Notes	75,000	74,137(4)	75,000	73,876(4)
2024 Unsecured Notes	125,000	123,812(5)	125,000	123,732(5)
2026 Unsecured Notes	75,000	74,249(6)	75,000	74,238(6)
	$521,000	**$514,058**	**$593,900**	**$587,117**

(1) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $2,388 and $2,683, respectively, as of September 30, 2020 and December 31, 2019.

(2) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $680 and $851, respectively, as of September 30, 2020 and December 31, 2019.

(3) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $72 and $95, respectively, as of September 30, 2020 and December 31, 2019.

(4) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $863 and $1,124, respectively, as of September 30, 2020 and December 31, 2019.

(5) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $1,188 and $1,268, respectively, as of September 30, 2020 and December 31, 2019.

(6) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $751 and $762, respectively as of September 30, 2020 and December 31, 2019.

Unsecured Notes

On December 18, 2019, the Company closed a private offering of $125,000 of the 2024 Unsecured Notes with a fixed interest rate of 4.20% and a maturity date of December 15, 2024. Interest on the 2024 Unsecured Notes is due semi-annually on June 15 and December 15. The 2024 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On December 18, 2019, the Company closed a private offering of $75,000 of the 2026 Unsecured Notes with a fixed interest rate of 4.375% and a maturity date of December 15, 2026. Interest on the 2026 Unsecured Notes is due semi-annually on June 15 and December 15. The 2026 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On December 28, 2017, the Company closed a private offering of $21,000 of the 2022 Tranche C Notes with a fixed interest rate of 4.50% and a maturity date of December 28, 2022. Interest on the 2022 Tranche C Notes is due semi-annually on June 28 and December 28. The 2022 Tranche C Notes were issued in a private placement only to qualified institutional buyers.

On November 22, 2017, we issued $75,000 in aggregate principal amount of publicly registered 2023 Unsecured Notes for net proceeds of $73,846. Interest on the 2023 Unsecured Notes is paid semi-annually on January 20 and July 20, at a fixed rate of 4.50% per year, commencing on January 20, 2018. The 2023 Unsecured Notes mature on January 20, 2023.

On February 15, 2017, the Company closed a private offering of $100,000 of the 2022 Unsecured Notes with a fixed interest rate of 4.60% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On November 8, 2016, the Company closed a private offering of $50,000 of the 2022 Unsecured Notes with a fixed interest rate of 4.40% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

Revolving and Term Loan Facilities

On August 28, 2019, the Company repaid its existing senior secured credit agreement due September 2021 and entered into the new senior secured credit agreement (the “Credit Facility”). The Credit Facility was originally composed of $470,000 of revolving credit and $75,000 of term loans. On February 12, 2020, a new lender to the Company executed a commitment increase to our Credit Facility providing for an additional $75,000 of revolving credit, bringing our Credit Facility’s total revolving credit capacity to $545,000. Borrowings generally bear interest at a rate per annum equal to the base rate plus a range of 2.00-2.25% or the alternate base rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in August 2024 and includes ratable amortization in the final year. The Credit Facility may be increased up to $800,000 with additional new lenders or an increase in commitments from current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Credit Facility contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder’s equity and a minimum asset coverage ratio. At September 30, 2020, outstanding USD equivalent borrowings under the Credit Facility totaled $75,000, composed of $0 of revolving credit and $75,000 of term loans.

On September 26, 2018, NEFPASS SPV LLC, a newly formed wholly-owned subsidiary of NEFPASS LLC, as borrower entered into a $50,000 senior secured revolving credit facility (the “NEFPASS Facility”) with Keybank acting as administrative agent. The Company acts as servicer under the NEFPASS Facility. The NEFPASS Facility is scheduled to mature on September 26, 2023. The NEFPASS Facility generally bears interest at a rate of LIBOR plus 2.15%. NEFPASS and NEFPASS SPV LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The NEFPASS Facility also includes usual and customary events of default for credit facilities of this nature. There were no borrowings outstanding as of September 30, 2020.

Certain covenants on our issued debt may 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.

The Company has made an election to apply the fair value option of accounting to the 2022 Unsecured Notes, in accordance with ASC 825-10. We believe accounting for this facility at fair value better aligns the measurement methodologies of assets and liabilities, which may mitigate certain earnings volatility. ASC 825-10 requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statement of Assets and Liabilities and changes in fair value of the above facility are reported in the Consolidated Statement of Operations.

The average annualized interest cost for all borrowings for the nine months ended September 30, 2020 and the year ended December 31, 2019 was 4.23% and 4.52%, respectively. These costs are exclusive of other credit facility expenses such as unused fees, agency fees and other prepaid expenses related to establishing and/or amending the Credit Facility, the 2022 Unsecured Notes, the 2022 Tranche C Notes, the NEFPASS Facility, the 2023 Unsecured Notes, the 2024 Unsecured Notes, and the 2026 Unsecured Notes (collectively the “Credit Facilities”), if any. The maximum amounts borrowed on the Credit Facilities during the nine months ended September 30, 2020 and the year ended December 31, 2019 were $601,000 and $616,186, respectively.

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Note 8. Financial Highlights

The following is a schedule of financial highlights for the nine months ended September 30, 2020 and 2019:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Per Share Data: (a)		
Net asset value, beginning of year	$ 21.44	$ 21.75
Net investment income	1.05	1.31
Net realized and unrealized gain (loss)	(1.12)	0.07
Net increase (decrease) in net assets resulting from operations	(0.07)	1.38
Distributions to stockholders:		
From net investment income	(1.23)	(1.23)
Net asset value, end of period	$ 20.14	$ 21.90
Per share market value, end of period	$ 15.85	$ 20.65
Total Return (b)	(16.53%)	14.06%
Net assets, end of period	$ 851,093	$ 925,370
Shares outstanding, end of period	42,260,826	42,260,826
Ratios to average net assets (c):		
Net investment income	5.18%	5.98%
Operating expenses	3.02%	4.37%
Interest and other credit facility expenses	2.36%	2.37%
Total expenses	5.38%	6.74%
Average debt outstanding	$ 533,773	$ 556,651
Portfolio turnover ratio	13.4%	18.3%

(a) Calculated using the average shares outstanding method.
(b) Total return is based on the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with the dividend reinvestment plan. The market price per share as of December 31, 2019 and December 31, 2018 was $20.62 and $19.19, respectively. Total return does not include a sales load.
(c) Not annualized for periods less than one year.

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Note 9. Crystal Financial LLC

On December 28, 2012, we completed the acquisition of Crystal Capital Financial Holdings LLC ("Crystal Financial"), a commercial finance company focused on providing asset-based and other secured financing solutions (the "Crystal Acquisition"). We invested $275,000 in cash to effect the Crystal Acquisition. Crystal Financial owned approximately 98% of the outstanding ownership interest in Crystal Financial LLC. The remaining financial interest was held by various employees of Crystal Financial LLC, through their investment in Crystal Management LP. Crystal Financial LLC had a diversified portfolio of 23 loans having a total par value of approximately $400,000 at November 30, 2012 and a $275,000 committed revolving credit facility. On July 28, 2016, the Company purchased Crystal Management LP's approximately 2% equity interest in Crystal Financial LLC for approximately $5,737. Upon the closing of this transaction, the Company holds 100% of the equity interest in Crystal Financial LLC. On September 30, 2016, Crystal Capital Financial Holdings LLC was dissolved. On December 20, 2018, the revolving credit facility was expanded to $330,000.

As of September 30, 2020 Crystal Financial LLC had 28 funded commitments to 23 different issuers with a total par value of approximately $380,874 on total assets of $417,726. As of December 31, 2019 Crystal Financial LLC had 35 funded commitments to 28 different issuers with total funded loans of approximately $496,833 on total assets of $518,024. As of September 30, 2020 and December 31, 2019, the largest loan outstanding totaled $45,000 and $45,000, respectively. For the same periods, the average exposure per issuer was $16,560 and $17,744, respectively. Crystal Financial LLC's credit facility, which is non-recourse to Solar Capital, had approximately $167,422 and $275,954 of borrowings outstanding at September 30, 2020 and December 31, 2019, respectively. For the three months ended September 30, 2020 and 2019, Crystal Financial LLC had net income of $6,041 and $4,518, respectively, on gross income of $9,301 and $13,346, respectively. For the nine months ended September 30, 2020 and 2019, Crystal Financial LLC had net income of $16,291 and $20,163, respectively, on gross income of $32,944 and $48,336, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions.

Note 10. Commitments and Contingencies

The Company had unfunded debt and equity commitments to various revolving and delayed draw loans as well as to Crystal Financial LLC. The total amount of these unfunded commitments as of September 30, 2020 and December 31, 2019 is $109,559 and $124,529, respectively, comprised of the following:

	September 30, 2020	December 31, 2019
Crystal Financial LLC*	$ 44,263	$ 44,263
Kindred Biosciences, Inc	13,795	13,795
One Touch Direct, LLC	7,494	—
Cardiva Medical, Inc	7,333	11,000
Neuronetics, Inc	6,691	—
Soleo Health Holdings, Inc.	5,071	—
PQ Bypass, Inc	5,000	5,000
NEF Holdings, Inc.	4,150	—
Centrexion Therapeutics, Inc	3,785	7,569
Atria Wealth Solutions, Inc	3,529	387
Cerapedics, Inc	2,686	5,372
Sentry Data Systems, Inc	1,577	—
Pinnacle Treatment Centers, Inc.	1,386	—
Delphinus Medical Technologies, Inc.	1,250	—
iCIMS, Inc	792	792
Enhanced Capital Group, LLC	757	2,523
Rubius Therapeutics, Inc	—	13,430
Phynet Dermatology LLC	—	4,668
Altern Marketing, LLC	—	4,227
Varilease Finance, Inc	—	3,438
MRI Software LLC	—	3,331
Solara Medical Supplies, Inc	—	1,934
RS Energy Group U.S., Inc	—	1,685
Alimera Sciences, Inc	—	1,115
Total Commitments	$ 109,559	$ 124,529

* The Company controls the funding of the Crystal Financial LLC commitment and may cancel it at its discretion.

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The credit agreements of the above loan commitments contain customary lending provisions and/or are subject to the portfolio company's achievement of certain milestones that allow relief to the Company from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the company. Since these commitments may expire without being drawn upon, unfunded commitments do not necessarily represent future cash requirements or future earning assets for the Company. As of September 30, 2020 and December 31, 2019, the Company had sufficient cash available and/or liquid securities available to fund its commitments.

Note 11. NEF Holdings, LLC

On July 31, 2017, we completed the acquisition of NEF Holdings, LLC ("NEF"), which conducts its business through its wholly-owned subsidiary Nations Equipment Finance, LLC. NEF is an independent equipment finance company that provides senior secured loans and leases primarily to U.S. based companies. We invested $209,866 in cash to effect the transaction, of which $145,000 was invested in the equity of NEF through our wholly-owned consolidated taxable subsidiary NEFCORP LLC and our wholly-owned consolidated subsidiary NEFPASS LLC and $64,866 was used to purchase certain leases and loans held by NEF through NEFPASS LLC. Concurrent with the transaction, NEF refinanced its existing senior secured credit facility into a $150,000 non-recourse facility with an accordion feature to expand up to $250,000. In September 2019, NEF amended the facility, increasing commitments to $213,957 with an accordion feature to expand up to $313,957 and extended the maturity date of the facility to July 31, 2023. At July 31, 2017, NEF also had two securitizations outstanding, with an issued note balance of $94,587, which were later redeemed in 2018.

As of September 30, 2020, NEF had 141 funded equipment-backed leases and loans to 62 different customers with a total net investment in leases and loans of approximately $192,316 on total assets of $279,063. As of December 31, 2019, NEF had 168 funded equipment-backed leases and loans to 78 different customers with a total net investment in leases and loans of approximately $244,996 on total assets of $304,203. As of September 30, 2020 and December 31, 2019, the largest position outstanding totaled $25,600 and $26,948, respectively. For the same periods, the average exposure per customer was $3,102 and $3,141, respectively. NEF's credit facility, which is non-recourse to Solar Capital, had approximately $106,927 and $128,150 of borrowings outstanding at September 30, 2020 and December 31, 2019, respectively. For the three months ended September 30, 2020 and September 30, 2019, NEF had net income (loss) of $1,532 and ($707), respectively, on gross income of $6,462 and $8,728, respectively. For the nine months ended September 30, 2020 and September 30, 2019, NEF had net loss of $395 and $206, respectively, on gross income of $17,795 and $24,284, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions.

Note 12. Capital Share Transactions

As of September 30, 2020 and September 30, 2019, 200,000,000 shares of $0.01 par value capital stock were authorized.

There were no transactions in capital stock during the three and nine months ended September 30, 2020 and September 30, 2019.

Note 13. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the consolidated financial statements were issued.

On November 3, 2020, the Company completed the acquisition of Kingsbridge Holdings, LLC ("Kingsbridge"). Kingsbridge is an independent equipment finance company that provides senior secured financings to U.S. based companies.

On November 5, 2020, our Board declared a quarterly distribution of $0.41 per share payable on January 5, 2021 to holders of record as of December 17, 2020.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)(continued)
September 30, 2020
(in thousands, except share amounts)

The global outbreak of the COVID-19 pandemic, and the related effect on the U.S. and global economies, has continued to have adverse consequences for the business operations of some of the Company's portfolio companies and, as a result, has had adverse effects on the Company's operations. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual issuers, remain uncertain. The operational and financial performance of the issuers of securities in which the Company invests depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn adversely affect the value and liquidity of the Company's investments and negatively impact the Company's performance.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Solar Capital Ltd.:

Results of Review of Interim Financial Information

We have reviewed the consolidated statement of assets and liabilities of Solar Capital Ltd. (and subsidiaries) (the Company), including the consolidated schedule of investments, as of September 30, 2020, the related consolidated statements of operations and changes in net assets, for the three-month and nine-month periods ended September 30, 2020 and 2019, the related consolidated statements of cash flows for the nine-month periods ended September 30, 2020 and 2019, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of assets and liabilities, including the consolidated schedule of investments, of the Company as of December 31, 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities, including the consolidated schedule of investments, from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

New York, New York
November 5, 2020

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

The information contained in this section should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

Some of the statements in this report constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained herein involve risks and uncertainties, including statements as to:

- our future operating results, including our ability to achieve objectives as a result of the current COVID-19 pandemic;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest and the impact of the COVID-19 pandemic thereon;
- the impact of any protracted decline in the liquidity of credit markets on our business and the impact of the COVID-19 pandemic thereon;
- the ability of our portfolio companies to achieve their objectives, including as a result of the current COVID-19 pandemic;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market, and the impact of the COVID-19 pandemic thereon;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital, and the impact of the COVID-19 pandemic thereon;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies and the impact of the COVID-19 pandemic thereon; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments and the impacts of the COVID-19 pandemic thereon.

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, including as a result of the current COVID-19 pandemic, 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, including as a result of the current COVID-19 pandemic, could impair our lending and investment activities;
- interest rate volatility could adversely affect our results, particularly because we 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 Item 1A. — Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2019, elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

We generally use words such as "anticipates," "believes," "expects," "intends" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including any factors set forth in "Risk Factors" and elsewhere in this report.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and commenced operations on March 13, 2007 with initial capital of $1.2 billion of which 47.04% was funded by affiliated parties.

Solar Capital Ltd. ("Solar Capital", the "Company", "we" or "our"), a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). Furthermore, as the Company is an investment company, it continues to apply the guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. In addition, for U.S federal income tax purposes, the Company has elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code").

On February 9, 2010, we priced our initial public offering, selling 5.68 million shares of our common stock. Concurrent with our initial public offering, Michael S. Gross, our Chairman, Co-Chief Executive Officer and President, and Bruce Spohler, our Co-Chief Executive Officer and Chief Operating Officer, collectively purchased an additional 0.6 million shares of our common stock through a private placement transaction exempt from registration under the Securities Act.

We invest primarily in privately held U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle-market companies in the form of senior secured loans, stretch-senior loans, financing leases and to a lesser extent, unsecured loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $5 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base and/or with strategic initiatives. Our investment activities are managed by Solar Capital Partners, LLC (the "Investment Adviser") and supervised by our board of directors, a majority of whom are non-interested, as such term is defined in the 1940 Act. Solar Capital Management, LLC (the "Administrator") provides the administrative services necessary for us to operate.

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.

As of September 30, 2020, the Investment Adviser has directly invested approximately $9.5 billion in more than 400 different portfolio companies since 2006. Over the same period, the Investment Adviser completed transactions with approximately 200 different financial sponsors.

Recent Developments

On November 3, 2020, the Company completed the acquisition of Kingsbridge Holdings, LLC ("Kingsbridge"). Kingsbridge is an independent equipment finance company that provides senior secured financings to U.S. based companies.

On November 5, 2020, our Board declared a quarterly distribution of $0.41 per share payable on January 5, 2021 to holders of record as of December 17, 2020.

The global outbreak of the COVID-19 pandemic, and the related effect on the U.S. and global economies, has continued to have adverse consequences for the business operations of some of the Company's portfolio companies and, as a result, has had adverse effects on the Company's operations. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual issuers, remain uncertain. The operational and financial performance of the issuers of securities in which the Company invests depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn adversely affect the value and liquidity of the Company's investments and negatively impact the Company's performance.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. As a BDC, we must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." The definition of "eligible portfolio company" includes certain public companies that do not have any securities listed on a national securities exchange and companies whose securities are listed on a national securities exchange but whose market capitalization is less than $250 million.

Revenue

We generate revenue primarily in the form of interest and dividend income from the securities we hold and capital gains, if any, on investment securities that we may sell. Our debt investments generally have a stated term of three to seven years and typically bear interest at a floating rate usually determined on the basis of a benchmark London interbank offered rate ("LIBOR"), commercial paper rate, or the prime rate. Interest on our debt investments is generally payable monthly or quarterly but may be bi-monthly or semi-annually. In addition, our investments may provide payment-in-kind ("PIK") interest. Such amounts of accrued PIK interest are added to the cost of the investment on the respective capitalization dates and generally become due at maturity of the investment or upon the investment being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

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 our organization and public offerings;
- 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 shares and other securities;
- interest payable on debt, if any, to finance our investments;
- 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 and expenses of administration, including 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 compliance officer and our chief financial officer and their respective staffs.

We expect our general and administrative operating expenses related to our ongoing operations to increase moderately in dollar terms. During periods of asset growth, we generally expect our general and administrative operating expenses to decline as a percentage of our total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities, among others, may also increase or reduce overall operating expenses based on portfolio performance, interest rate benchmarks, and offerings of our securities relative to comparative periods, among other factors.

Portfolio and Investment Activity

During the three months ended September 30, 2020, we invested approximately $42.4 million across 12 portfolio companies. This compares to investing approximately $116.2 million in 24 portfolio companies for the three months ended September 30, 2019. Investments sold, prepaid or repaid during the three months ended September 30, 2020 totaled approximately $60.3 million versus approximately $111.4 million for the three months ended September 30, 2019.

At September 30, 2020, our portfolio consisted of 105 portfolio companies and was invested 22.3% in cash flow senior secured loans, 31.8% in asset-based senior secured loans / Crystal, 22.0% in equipment senior secured financings / NEF, and 23.9% in life science senior secured loans, in each case, measured at fair value, versus 110 portfolio companies invested 29.2% in cash flow senior secured loans, 29.7% in asset-based senior secured loans / Crystal, 21.8% in equipment senior secure financings / NEF, and 19.3% in life science senior secured loans, in each case, measured at fair value, at September 30, 2019.

At September 30, 2020, 77.3% or $1.04 billion of our income producing investment portfolio* is floating rate and 22.7% or $305.1 million is fixed rate, measured at fair value. At September 30, 2019, 76.8% or $1.13 billion of our income producing investment portfolio* is floating rate and 23.2% or $340.4 million is fixed rate, measured at fair value. As of September 30, 2020 and 2019, we had zero issuers and one issuer on non-accrual status, respectively.

Since inception through September 30, 2020, Solar Capital and its predecessor companies have invested approximately $6.5 billion in more than 290 portfolio companies. Over the same period, Solar Capital has completed transactions with more than 150 different financial sponsors.

* We have included Crystal Financial LLC and NEF Holdings LLC within our income producing investment portfolio.

Crystal Financial LLC

On December 28, 2012, we completed the acquisition of Crystal Capital Financial Holdings LLC ("Crystal Financial"), a commercial finance company focused on providing asset-based and other secured financing solutions (the "Crystal Acquisition"). We invested $275 million in cash to effect the Crystal Acquisition. Crystal Financial owned approximately 98% of the outstanding ownership interest in Crystal Financial LLC. The remaining financial interest was held by various employees of Crystal Financial LLC, through their investment in Crystal Management LP. Crystal Financial LLC had a diversified portfolio of 23 loans having a total par value of approximately $400 million at November 30, 2012 and a $275 million committed revolving credit facility. On July 28, 2016, the Company purchased Crystal Management LP's approximately 2% equity interest in Crystal Financial LLC for approximately $5.7 million. Upon the closing of this transaction, the Company holds 100% of the equity interest in Crystal Financial LLC. On September 30, 2016, Crystal Capital Financial Holdings LLC was dissolved. On December 20, 2018, the revolving credit facility was expanded to $330 million.

As of September 30, 2020, Crystal Financial LLC had 28 funded commitments to 23 different issuers with a total par value of approximately $380.9 million on total assets of $417.7 million. As of December 31, 2019, Crystal Financial LLC had 35 funded commitments to 28 different issuers with total funded loans of approximately $496.8 million on total assets of $518.0 million. As of September 30, 2020 and December 31, 2019, the largest loan outstanding totaled $45.0 million and $45.0 million, respectively. For the same periods, the average exposure per issuer was $16.6 million and $17.7 million, respectively. Crystal Financial LLC's credit facility, which is non-recourse to Solar Capital, had approximately $167.4 million and $276.0 million of borrowings outstanding at September 30, 2020 and December 31, 2019, respectively. For the three months ended September 30, 2020 and September 30, 2019, Crystal Financial LLC had net income of $6.0 million and $4.5 million, respectively, on gross income of $9.3 million and $13.3 million, respectively. For the nine months ended September 30, 2020 and September 30, 2019, Crystal Financial LLC had net income of $16.3 million and $20.2 million, respectively, on gross income of $32.9 million and $48.3 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in Crystal Financial LLC's funded commitments, the timing of originations, and the repayments of financings, the Company cannot guarantee that Crystal Financial LLC will be able to maintain consistent dividend payments to us.

NEF Holdings, LLC

On July 31, 2017, we completed the acquisition of NEF Holdings, LLC ("NEF"), which conducts its business through its wholly-owned subsidiary Nations Equipment Finance, LLC. NEF is an independent equipment finance company that provides senior secured loans and leases primarily to U.S. based companies. We invested $209.9 million in cash to effect the transaction, of which $145.0 million was invested in the equity of NEF through our wholly-owned consolidated taxable subsidiary NEFCORP LLC and our wholly-owned consolidated subsidiary NEFPASS LLC and $64.9 million was used to purchase certain leases and loans held by NEF through NEFPASS LLC. Concurrent with the transaction, NEF refinanced its existing senior secured credit facility into a $150.0 million non-recourse facility with an accordion feature to expand up to $250.0 million. In September 2019, NEF amended the facility, increasing commitments to $214.0 million with an accordion feature to expand up to $314.0 million and extended the maturity date of the facility to July 31, 2023. At July 31, 2017, NEF also had two securitizations outstanding, with an issued note balance of $94.6 million, which were later redeemed in 2018.

As of September 30, 2020, NEF had 141 funded equipment-backed leases and loans to 62 different customers with a total net investment in leases and loans of approximately $192.3 million on total assets of $279.1 million. As of December 31, 2019, NEF had 168 funded equipment-backed leases and loans to 78 different customers with a total net investment in leases and loans of approximately $245.0 million on total assets of $304.2 million. As of September 30, 2020 and December 31, 2019, the largest position outstanding totaled $25.6 million and $26.9 million, respectively. For the same periods, the average exposure per customer was $3.1 million and $3.1 million, respectively. NEF's credit facility, which is non-recourse to Solar Capital, had approximately $106.9 million and $128.2 million of borrowings outstanding at September 30, 2020 and December 31, 2019, respectively. For the three months ended September 30, 2020 and September 30, 2019, NEF had net income (loss) of $1.5 million and ($0.7) million, respectively, on gross income of $6.5 million and $8.7 million, respectively. For the nine months ended September 30, 2020 and September 30, 2019, NEF had net loss of $0.4 million and $0.2 million, respectively, on gross income of $17.8 million and $24.3 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in NEF's funded commitments, the timing of originations, and the repayments of financings, the Company cannot guarantee that NEF will be able to maintain consistent dividend payments to us.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with GAAP 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 consolidated 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. Within the context of these critical accounting policies and disclosed subsequent events herein, we are not currently aware of any other reasonably likely events or circumstances that would result in materially different amounts being reported.

Valuation of Portfolio Investments

We conduct the valuation of our assets, pursuant to which our net asset value is determined, at all times consistent with GAAP, and the 1940 Act. Our valuation procedures are set forth in more detail below:

Under procedures established by our board of directors (the "Board"), we value investments, including certain senior secured debt, subordinated debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we may utilize independent third-party valuation firms to assist us in determining the fair value of material assets. Accordingly, such investments go through our multi-step valuation process as described below. In each case, independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations. Debt investments with maturities of 60 days or less shall each be valued at cost plus accreted discount, or minus amortized premium, which is expected to approximate fair value, unless such valuation, in the judgment of the Investment Adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our Board. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board. Such determination of fair values involves subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board has approved a multi-step valuation process each quarter, as described below:

(1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of the Investment Adviser responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and discussed with senior management of the Investment Adviser;

(3) independent valuation firms engaged by our Board conduct independent appraisals and review the Investment Adviser's preliminary valuations and make their own independent assessment for all material assets;

(4) the audit committee of the Board reviews the preliminary valuation of the Investment Adviser and that of the independent valuation firm, if any, and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and

(5) the Board discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm, if any, and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the nine months ended September 30, 2020, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

Accounting Standards Codification ("ASC") Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The exercise of judgment is based in part on our knowledge of the asset class and our prior experience.

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

Valuation of 2022 Unsecured Notes

The Company has made an election to apply the fair value option of accounting to the 2022 Unsecured Notes, in accordance with ASC 825-10. We believe accounting for the 2022 Unsecured Notes at fair value better aligns the measurement methodologies of assets and liabilities, which may mitigate certain earnings volatility.

Revenue Recognition

The Company records dividend income and interest, adjusted for amortization of premium and accretion of discount, on an accrual basis. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more (90 days or more for equipment financing) and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on investments may be recognized as income or applied to principal depending upon management's judgment. Some of our investments may have contractual PIK interest or dividends. PIK interest and dividends computed at the contractual rate are accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at the maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends is reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company again believes that PIK is expected to be realized. Loan origination fees, original issue discount, and market discounts are capitalized and amortized into income using the effective interest method. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Capital structuring fees are recorded as other income when earned.

The typically higher yields and interest rates on PIK securities, to the extent we invested, reflects the payment deferral and increased credit risk associated with such instruments and that such investments may represent a significantly higher credit risk than coupon loans. PIK securities may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK interest has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK interest also increases the loan-to-value ratio at a compounding rate. PIK securities create the risk that incentive fees will be paid to the Investment Adviser based on non-cash accruals that ultimately may not be realized, but the Investment Adviser will be under no obligation to reimburse the Company for these fees. For the three and nine months ended September 30, 2020, capitalized PIK income totaled $1.6 million and $3.0 million, respectively. For the three and nine months ended September 30, 2019, capitalized PIK income totaled $0.3 million and $1.0 million, respectively.

Net Realized Gain or Loss and Net Change in Unrealized Gain or Loss

We generally measure realized gain or loss by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized origination or commitment fees and prepayment penalties. The net change in unrealized gain or loss reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized gain or loss, when gains or losses are realized. Gains or losses on investments are calculated by using the specific identification method.

Income Taxes

Solar Capital, a U.S. corporation, has elected to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code. In order to qualify for U.S. federal income taxation as a RIC, the Company is required, among other things, to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. Depending on the level of taxable income earned in a given tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year distributions, the Company accrues an estimated excise tax, if any, on estimated excess taxable income.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU 2018-13 modify and eliminate certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company has adopted ASU 2018-13 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact of adopting ASU 2020-04 on its consolidated financial statements and disclosures.

RESULTS OF OPERATIONS

Results comparisons are for the three and nine months ended September 30, 2020 and 2019:

Investment Income

For the three and nine months ended September 30, 2020, gross investment income totaled $28.9 million and $90.4 million, respectively. For the three and nine months ended September 30, 2019, gross investment income totaled $39.7 million and $117.7 million, respectively. The decrease in gross investment income for the year over year three and nine month periods was primarily due to a reduction in portfolio yield, mainly as a result of the approximately 175 basis point decrease in average LIBOR year over year, on a smaller income producing investment portfolio on average.

Expenses

Expenses totaled $14.6 million and $46.1 million, respectively, for the three and nine months ended September 30, 2020, of which $6.2 million and $19.9 million, respectively, were base management fees and performance-based incentive fees and $6.5 million and $20.2 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled $1.9 million and $6.0 million, respectively, for the three and nine months ended September 30, 2020. Expenses totaled $21.3 million and $62.3 million, respectively, for the three and nine months ended September 30, 2019, of which $11.3 million and $33.9 million, respectively, were base management fees and performance-based incentive fees and $7.5 million and $22.0 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled $2.4 million and $6.5 million, respectively, for the three and nine months ended September 30, 2019. Expenses generally consist of management and performance-based incentive fees, interest and other credit facility expenses, administrative services fees, insurance expenses, legal fees, directors' fees, transfer agency fees, printing and proxy expenses, audit and tax services expenses, and other general and administrative expenses. Interest and other credit facility expenses generally consist of interest, unused fees, agency fees and loan origination fees, if any, among others. The decrease in expenses for the three and nine months ended September 30, 2020 versus the three and nine months ended September 30, 2019 was primarily due to lower management and incentive fees resulting from a reduction in portfolio yield on a smaller income producing investment portfolio on average as well as lower interest expense due to reductions in LIBOR.

Net Investment Income

The Company's net investment income totaled $14.3 million and $44.3 million, or $0.34 and $1.05, per average share, respectively, for the three and nine months ended September 30, 2020. The Company's net investment income totaled $18.4 million and $55.3 million, or $0.44 and $1.31, per average share, respectively, for the three and nine months ended September 30, 2019.

Net Realized Gain (Loss)

The Company had investment sales and prepayments totaling approximately $60 million and $289 million, respectively, for the three and nine months ended September 30, 2020. Net realized losses over the same periods were $0.3 million and $25.0 million, respectively. The Company had investment sales and prepayments totaling approximately $111 million and $276 million, respectively, for the three and nine months ended September 30, 2019. Net realized losses over the same periods were ($0.1) million and ($0.5) million, respectively. Net realized losses for the three month period ended September 30, 2020 was primarily related to the termination of warrants. Net realized losses for the nine month period ended September 30, 2020 were primarily related to the exit of our investment in IHS Intermediate, Inc. Net realized losses for the three months ended September 30, 2019 were primarily related to the termination of warrants. Net realized losses for the nine months ended September 30, 2019 were primarily related to the exit of our investments in ARK Real Estate Partners.

Net Change in Unrealized Gain (Loss)

For the three and nine months ended September 30, 2020, net change in unrealized gain (loss) on the Company's assets and liabilities totaled $4.6 million and ($22.1) million, respectively. For the three and nine months ended September 30, 2019, net change in unrealized gain (loss) on the Company's assets and liabilities totaled ($4.7) million and $3.3 million, respectively. Net unrealized gain for the three months ended September 30, 2020 is primarily due to appreciation in the value of our investments in NEF Holdings LLC, Crystal Financial LLC and PhyMed Management LLC, among others, partially offset by appreciation on our 2022 Unsecured Notes. Net unrealized loss for the nine months ended September 30, 2020 is primarily due to depreciation in the value of our investments in NEF Holdings LLC, Rug Doctor, Crystal Financial LLC, PhyMed Management LLC and Bishop Lifting Products, Inc., among others, partially offset by the reversal of previously recognized unrealized depreciation in the value of our investment in IHS Intermediate, Inc. as well as depreciation on our 2022 Unsecured Notes. Net unrealized loss for the three months ended September 30, 2019 is primarily due to depreciation in the value of our investments in IHS Intermediate, Inc., SOAGG LLC and NEF Holdings LLC, among others, partially offset by appreciation on our investments in PPT Management Holdings, LLC and iCIMS, Inc., among others. Net unrealized gain for the nine months ended September 30, 2019 is primarily due to appreciation in the value of our investments in Crystal Financial LLC, Rug Doctor and PPT Management Holdings, LLC, among others, partially offset by depreciation on our investments in IHS Intermediate, Inc., American Teleconferencing Services, Ltd. and Aegis Toxicology Sciences Corporation, among others. The year over year net change in unrealized loss for the nine month period ended September 30, 2020 is impacted by uncertainty due to the COVID-19 pandemic and its effect on market yields and fundamental portfolio company performance.

Net Increase (Decrease) in Net Assets From Operations

For the three and nine months ended September 30, 2020, the Company had a net increase (decrease) in net assets resulting from operations of $18.6 million and ($2.8) million, respectively. For the same periods, earnings (loss) per average share were $0.44 and ($0.07), respectively. For the three and nine months ended September 30, 2019, the Company had a net increase in net assets resulting from operations of $13.7 million and $58.2 million, respectively. For the same periods, earnings per average share were $0.32 and $1.38, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generated and generally available through its Credit Facility, the 2022 Unsecured Notes, the 2022 Tranche C Notes, the NEFPASS Facility, the 2023 Unsecured Notes, the 2024 Unsecured Notes and the 2026 Unsecured Notes (collectively the "Credit Facilities"), through cash flows from operations, investment sales, prepayments of senior and subordinated loans, income earned on investments and cash equivalents, and periodic follow-on equity and/or debt offerings. As of September 30, 2020, we had a total of $595.0 million of unused borrowing capacity under the Credit Facilities, subject to borrowing base limits.

We may from time to time issue equity and/or debt securities in either public or private offerings. The issuance of such securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful. The primary uses of existing funds and any funds raised in the future is expected to be for investments in portfolio companies, repayment of indebtedness, cash distributions to our stockholders, or for other general corporate purposes.

On February 12, 2020, a new lender to the Company executed a commitment increase to our Credit Facility providing for an additional $75.0 million of revolving credit, bringing our Credit Facility's total revolving credit capacity to $545.0 million.

On December 18, 2019, the Company closed a private offering of $125 million of the 2024 Unsecured Notes with a fixed interest rate of 4.20% and a maturity date of December 15, 2024. Interest on the 2024 Unsecured Notes is due semi-annually on June 15 and December 15. The 2024 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On December 18, 2019, the Company closed a private offering of $75 million of the 2026 Unsecured Notes with a fixed interest rate of 4.375% and a maturity date of December 15, 2026. Interest on the 2026 Unsecured Notes is due semi-annually on June 15 and December 15. The 2026 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On August 28, 2019, the Company repaid its existing senior secured credit agreement due September 2021 and entered into the new senior secured credit agreement (the "Credit Facility"). The Credit Facility was originally composed of $470 million of revolving credit and $75 million of term loans, but was expanded to $545 million of revolving credit and $75 million of term loans in February 2020. Borrowings generally bear interest at a rate per annum equal to the base rate plus a range of 2.00-2.25% or the alternate base rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in August 2024 and includes ratable amortization in the final year.

On December 28, 2017, the Company closed a private offering of $21 million of the 2022 Tranche C Notes with a fixed interest rate of 4.50% and a maturity date of December 28, 2022. Interest on the 2022 Tranche C Notes is due semi-annually on June 28 and December 28. The 2022 Tranche C Notes were issued in a private placement only to qualified institutional buyers.

On November 22, 2017, we issued $75 million in aggregate principal amount of publicly registered 2023 Unsecured Notes for net proceeds of $73.8 million. Interest on the 2023 Unsecured Notes is paid semi-annually on January 20 and July 20, at a fixed rate of 4.50% per year, commencing on January 20, 2018. The 2023 Unsecured Notes mature on January 20, 2023.

On February 15, 2017, the Company closed a private offering of $100 million of the 2022 Unsecured Notes with a fixed interest rate of 4.60% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On November 8, 2016, the Company closed a private offering of $50 million of the 2022 Unsecured Notes with a fixed interest rate of 4.40% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On January 11, 2013, the Company closed its most recent follow-on public equity offering of 6.3 million shares of common stock raising approximately $146.9 million in net proceeds. The primary uses of the funds raised were for investments in portfolio companies, reductions in revolving debt outstanding and for other general corporate purposes.

Cash Equivalents

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. The Company makes purchases that are consistent with its purpose of making investments in securities described in paragraphs 1 through 3 of Section 55(a) of the 1940 Act. From time to time, including at or near the end of each fiscal quarter, we consider using various temporary investment strategies for our business. One strategy includes taking proactive steps by utilizing cash equivalents as temporary assets with the objective of enhancing our investment flexibility pursuant to Section 55 of the 1940 Act. More specifically, from time-to-time we may purchase U.S. Treasury bills or other high-quality, short-term debt securities at or near the end of the quarter and typically close out the position on a net cash basis subsequent to quarter end. We may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our credit facilities, as deemed appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. We held approximately $540 million in cash equivalents as of September 30, 2020.

Debt

Unsecured Notes

On December 18, 2019, the Company closed a private offering of $125 million of the 2024 Unsecured Notes with a fixed interest rate of 4.20% and a maturity date of December 15, 2024. Interest on the 2024 Unsecured Notes is due semi-annually on June 15 and December 15. The 2024 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On December 18, 2019, the Company closed a private offering of $75 million of the 2026 Unsecured Notes with a fixed interest rate of 4.375% and a maturity date of December 15, 2026. Interest on the 2026 Unsecured Notes is due semi-annually on June 15 and December 15. The 2026 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

On December 28, 2017, the Company closed a private offering of $21 million of the 2022 Tranche C Notes with a fixed interest rate of 4.50% and a maturity date of December 28, 2022. Interest on the 2022 Tranche C Notes is due semi-annually on June 28 and December 28. The 2022 Tranche C Notes were issued in a private placement only to qualified institutional buyers.

On November 22, 2017, we issued $75 million in aggregate principal amount of publicly registered 2023 Unsecured Notes for net proceeds of $73.8 million. Interest on the 2023 Unsecured Notes is paid semi-annually on January 20 and July 20, at a fixed rate of 4.50% per year, commencing on January 20, 2018. The 2023 Unsecured Notes mature on January 20, 2023.

On February 15, 2017, the Company closed a private offering of $100 million of the 2022 Unsecured Notes with a fixed interest rate of 4.60% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers.

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Revolving & Term Loan Facilities

On August 28, 2019, the Company repaid its existing senior secured credit agreement due September 2021 and entered into the new Credit Facility. The Credit Facility was originally composed of $470 million of revolving credit and $75 million of term loans. On February 12, 2020, a new lender to the Company executed a commitment increase to our Credit Facility providing for an additional $75.0 million of revolving credit, bringing our Credit Facility's total revolving credit capacity to $545.0 million. Borrowings generally bear interest at a rate per annum equal to the base rate plus a range of 2.00-2.25% or the alternate base rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in August 2024 and includes ratable amortization in the final year. The Credit Facility may be increased up to $800 million with additional new lenders or an increase in commitments from current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Credit Facility contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder's equity and a minimum asset coverage ratio. At September 30, 2020, outstanding USD equivalent borrowings under the Credit Facility totaled $75.0 million, composed of $0 of revolving credit and $75.0 million of term loans.

On September 26, 2018, NEFPASS SPV LLC, a newly formed wholly-owned subsidiary of NEFPASS LLC, as borrower entered into the NEFPASS Facility with Keybank acting as administrative agent. The Company acts as servicer under the NEFPASS Facility. The NEFPASS Facility is scheduled to mature on September 26, 2023. The NEFPASS Facility generally bears interest at a rate of LIBOR plus 2.15%. NEFPASS and NEFPASS SPV LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The NEFPASS Facility also includes usual and customary events of default for credit facilities of this nature. There were no borrowings outstanding as of September 30, 2020.

Certain covenants on our issued debt may 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. At September 30, 2020, the Company was in compliance with all financial and operational covenants required by our Credit Facilities.

Contractual Obligations

A summary of our significant contractual payment obligations is as follows as of September 30, 2020:

Payments Due by Period (in millions)

	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Revolving credit facilities(1)	$ —	$ —	$ —	$ —	$ —
Unsecured senior notes	446.0	—	246.0	125.0	75.0
Term Loans	75.0	—	—	75.0	—

(1) As of September 30, 2020, we had a total of $595.0 million of unused borrowing capacity under our revolving credit facilities, subject to borrowing base limits.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 150% 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 the asset coverage 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.

Senior Securities

Information about our senior securities is shown in the following table (in thousands) as of the quarter ended September 30, 2020 and each year ended December 31 for the past ten years, unless otherwise noted. The "—" indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2020 (through September 30, 2020)	$ —	$ —	—	N/A
Fiscal 2019	42,900	182	—	N/A
Fiscal 2018	96,400	593	—	N/A
Fiscal 2017	245,600	1,225	—	N/A
Fiscal 2016	115,200	990	—	N/A
Fiscal 2015	207,900	1,459	—	N/A
Fiscal 2014	—	—	—	N/A
Fiscal 2013	—	—	—	N/A
Fiscal 2012	264,452	1,510	—	N/A
Fiscal 2011	201,355	3,757	—	N/A
Fiscal 2010	400,000	2,668	—	N/A
2022 Unsecured Notes				
Fiscal 2020 (through September 30, 2020)	150,000	759	—	N/A
Fiscal 2019	150,000	638	—	N/A
Fiscal 2018	150,000	923	—	N/A
Fiscal 2017	150,000	748	—	N/A
Fiscal 2016	50,000	430	—	N/A
2022 Tranche C Notes				
Fiscal 2020 (through September 30, 2020)	21,000	106	—	N/A
Fiscal 2019	21,000	89	—	N/A
Fiscal 2018	21,000	129	—	N/A
Fiscal 2017	21,000	105	—	N/A
2023 Unsecured Notes				
Fiscal 2020 (through September 30, 2020)	75,000	379	—	N/A
Fiscal 2019	75,000	319	—	N/A
Fiscal 2018	75,000	461	—	N/A
Fiscal 2017	75,000	374	—	N/A
2024 Unsecured Notes				
Fiscal 2020 (through September 30, 2020)	125,000	632	—	N/A
Fiscal 2019	125,000	531	—	N/A
2026 Unsecured Notes				
Fiscal 2020 (through September 30, 2020)	75,000	379	—	N/A
Fiscal 2019	75,000	319	—	N/A
2042 Unsecured Notes				
Fiscal 2017	—	—	—	N/A
Fiscal 2016	100,000	859	—	$ 1,002
Fiscal 2015	100,000	702	—	982
Fiscal 2014	100,000	2,294	—	943
Fiscal 2013	100,000	2,411	—	934
Fiscal 2012	100,000	571	—	923
Senior Secured Notes				
Fiscal 2017	—	—	—	N/A
Fiscal 2016	75,000	645	—	N/A
Fiscal 2015	75,000	527	—	N/A
Fiscal 2014	75,000	1,721	—	N/A
Fiscal 2013	75,000	1,808	—	N/A
Fiscal 2012	75,000	428	—	N/A

Term Loans				
Fiscal 2020 (through September 30, 2020)	75,000	379	—	N/A
Fiscal 2019	75,000	319	—	N/A
Fiscal 2018	50,000	308	—	N/A
Fiscal 2017	50,000	250	—	N/A
Fiscal 2016	50,000	430	—	N/A
Fiscal 2015	50,000	351	—	N/A
Fiscal 2014	50,000	1,147	—	N/A
Fiscal 2013	50,000	1,206	—	N/A
Fiscal 2012	50,000	285	—	N/A
Fiscal 2011	35,000	653	—	N/A
Fiscal 2010	35,000	233	—	N/A
NEFPASS Facility				
Fiscal 2020 (through September 30, 2020)	—	—	—	N/A
Fiscal 2019	30,000	128	—	N/A
Fiscal 2018	30,000	185	—	N/A
SSLP Facility				
Fiscal 2019	—	—	—	N/A
Fiscal 2018	53,785	331	—	N/A
Total Senior Securities				
Fiscal 2020 (through September 30, 2020)	$521,000	$2,634	—	N/A
Fiscal 2019	593,900	2,525	—	N/A
Fiscal 2018	476,185	2,930	—	N/A
Fiscal 2017	541,600	2,702	—	N/A
Fiscal 2016	390,200	3,354	—	N/A
Fiscal 2015	432,900	3,039	—	N/A
Fiscal 2014	225,000	5,162	—	N/A
Fiscal 2013	225,000	5,425	—	N/A
Fiscal 2012	489,452	2,794	—	N/A
Fiscal 2011	236,355	4,410	—	N/A
Fiscal 2010	435,000	2,901	—	N/A

(1) Total amount of each class of senior securities outstanding (in thousands) at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by all senior securities representing indebtedness. This asset coverage ratio is multiplied by one thousand to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit is allocated based on the amount outstanding in each class of debt at the end of the period. As of September 30, 2020, asset coverage was 263.4%.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable except for the 2042 Unsecured Notes which were publicly traded. The Average Market Value Per Unit is calculated by taking the daily average closing price during the period and dividing it by twenty-five dollars per share and multiplying the result by one thousand to determine a unit price per thousand consistent with Asset Coverage Per Unit. The average market value for the fiscal 2016, 2015, 2014, 2013 and 2012 periods was $100,175, $98,196, $94,301, $93,392, and $92,302, respectively.

We have also entered into two contracts under which we have future commitments: the Advisory Agreement, pursuant to which Solar Capital Partners, LLC has agreed to serve as our investment adviser, and the Administration Agreement, pursuant to which the Administrator has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the Advisory Agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the Advisory Agreement and administration agreement without penalty upon 60 days' written notice to the other. See note 3 to our Consolidated Financial Statements.

On July 31, 2017, the Company, NEFPASS LLC and NEFCORP LLC entered into a servicing agreement. NEFCORP LLC was engaged to provide NEFPASS LLC with administrative services related to the loans and capital leases held by NEFPASS LLC. NEFPASS LLC may terminate this agreement upon 30 days' written notice to NEFCORP LLC.

Off-Balance Sheet Arrangements

From time-to-time and in the normal course of business, the Company may make unfunded capital commitments to current or prospective portfolio companies. Typically, the Company may agree to provide delayed-draw term loans or, to a lesser extent, revolving loan or equity commitments. These unfunded capital commitments always take into account the Company's liquidity and cash available for investment, portfolio and issuer diversification, and other considerations. Accordingly, the Company had the following unfunded capital commitments at September 30, 2020 and December 31, 2019, respectively:

(in millions)	September 30, 2020	December 31, 2019
Crystal Financial LLC*	$ 44.3	$ 44.3
Kindred Biosciences, Inc	13.8	13.8
One Touch Direct, LLC	7.5	—
Cardiva Medical, Inc	7.3	11.0
Neuronetics, Inc	6.7	—
Soleo Health Holdings, Inc	5.1	—
PQ Bypass, Inc	5.0	5.0
NEF Holdings, Inc	4.1	—
Centrexion Therapeutics, Inc	3.8	7.6
Atria Wealth Solutions, Inc	3.5	0.4
Cerapedics, Inc	2.7	5.4
Sentry Data Systems, Inc	1.6	—
Pinnacle Treatment Centers, Inc	1.4	—
Delphinus Medical Technologies, Inc	1.2	—
iCIMS, Inc	0.8	0.8
Enhanced Capital Group, LLC	0.8	2.5
Rubius Therapeutics, Inc	—	13.4
Phynet Dermatology LLC	—	4.7
Altern Marketing, LLC	—	4.2
Varilease Finance, Inc	—	3.4
MRI Software LLC	—	3.3
Solara Medical Supplies, Inc	—	1.9
RS Energy Group U.S., Inc	—	1.7
Alimera Sciences, Inc	—	1.1
Total Commitments	$ 109.6	$ 124.5

* The Company controls the funding of the Crystal Financial LLC commitment and may cancel it at its discretion.

The credit agreements of the above loan commitments contain customary lending provisions and/or are subject to the portfolio company's achievement of certain milestones that allow relief to the Company from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the company. Since these commitments may expire without being drawn upon, unfunded commitments do not necessarily represent future cash requirements or future earning assets for the Company. As of September 30, 2020 and December 31, 2019, the Company had sufficient cash available and/or liquid securities available to fund its commitments.

In the normal course of its business, we invest or trade in various financial instruments and may enter into various investment activities with off-balance sheet risk, which may include forward foreign currency contracts. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at future dates. These financial instruments contain varying degrees of off-balance sheet risk whereby changes in the market value or our satisfaction of the obligations may exceed the amount recognized in our Consolidated Statements of Assets and Liabilities.

Distributions

The following table reflects the cash distributions per share on our common stock for the two most recent fiscal years and the current fiscal year to date:

Date Declared	Record Date	Payment Date	Amount
Fiscal 2020			
November 5, 2020	December 17, 2020	January 5, 2021	$ 0.41
August 4, 2020	September 17, 2020	October 2, 2020	0.41
May 7, 2020	June 18, 2020	July 2, 2020	0.41

February 20, 2020	March 19, 2020	April 3, 2020	0.41
Total 2020			$1.64
Fiscal 2019			
November 4, 2019	December 19, 2019	January 3, 2020	$0.41
August 5, 2019	September 19, 2019	October 2, 2019	0.41
May 6, 2019	June 20, 2019	July 2, 2019	0.41
February 21, 2019	March 21, 2019	April 3, 2019	0.41
Total 2019			$1.64
Fiscal 2018			
November 5, 2018	December 20, 2018	January 4, 2019	$0.41
August 2, 2018	September 20, 2018	October 2, 2018	0.41
May 7, 2018	June 21, 2018	July 3, 2018	0.41
February 22, 2018	March 22, 2018	April 3, 2018	0.41
Total 2018			$1.64

Tax characteristics of all distributions will be reported to stockholders on Form 1099 after the end of the calendar year. Future quarterly distributions, if any, will be determined by our Board. We expect that our distributions to stockholders will generally be from accumulated net investment income, from net realized capital gains or non-taxable return of capital, if any, as applicable.

We have elected to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC tax treatment, we must 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, out of the assets legally available for distribution. 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, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash distributions.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a business development company, we may in the future be limited in our ability to make distributions. Also, our revolving credit facility may limit our ability to declare distributions if we default under certain provisions. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of the tax benefits available to us as a regulated investment company. In addition, in accordance with GAAP and tax regulations, we include in income certain amounts that we have not yet received in cash, such as contractual payment-in-kind interest, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a regulated investment company.

With respect to the distributions to stockholders, income from origination, structuring, closing and certain other upfront fees associated with investments in portfolio companies are treated as taxable income and accordingly, distributed to stockholders.

Related Parties

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

- We have entered into the Advisory Agreement with Solar Capital Partners. Mr. Gross, our Chairman, Co-Chief Executive Officer and President and Mr. Spohler, our Co-Chief Executive Officer, Chief Operating Officer and board member, are managing members and senior investment professionals of, and have financial and controlling interests in, the Investment Adviser. In addition, Mr. Peteka, our Chief Financial Officer, Treasurer and Secretary serves as the Chief Financial Officer for Solar Capital Partners.
- The Administrator provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement. We reimburse the Administrator 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 compliance officer, our chief financial officer and their respective staffs.
- We have entered into a license agreement with the Investment Adviser, pursuant to which the Investment Adviser has granted us a non-exclusive, royalty-free license to use the name "Solar Capital."

The Investment Adviser may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with ours. For example, the Investment Adviser presently serves as investment adviser to Solar Senior Capital Ltd., a publicly traded BDC, which focuses on investing in senior secured loans, including first lien and second lien debt instruments, as well as SCP Private Credit Income BDC LLC, an unlisted BDC that focuses on investing primarily in senior secured loans, including non-traditional asset-based loans and first lien loans. In addition, Michael S. Gross, our Chairman, Co-Chief Executive Officer and President, Bruce Spohler, our Co-Chief Executive Officer and Chief Operating Officer, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC. The Investment Adviser and certain investment advisory 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, the Investment Adviser 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 the Investment Adviser's allocation procedures. On June 13, 2017, the Adviser received an exemptive order that permits the Company to participate in negotiated co-investment transactions with certain affiliates, in a manner consistent with the Company's investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to various conditions (the "Order"). If the Company is unable to rely on the Order for a particular opportunity, such opportunity will be allocated first to the entity whose investment strategy is the most consistent with the opportunity being allocated, and second, if the terms of the opportunity are consistent with more than one entity's investment strategy, on an alternating basis. Although the Adviser's investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, the Company and its stockholders could be adversely affected to the extent investment opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, our executive officers, directors and members of the Adviser.

Related party transactions may occur among Solar Capital Ltd., Crystal Financial LLC, Equipment Operating Leases LLC, Loyer Capital LLC and NEF Holdings LLC. These transactions may occur in the normal course of business. No administrative fees are paid to Solar Capital Partners by Crystal Financial LLC, Equipment Operating Leases LLC, Loyer Capital LLC or NEF Holdings LLC.

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 duties imposed by both the 1940 Act and the Maryland General Corporation Law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the global COVID-19 pandemic, which has resulted in an increase in the level of volatility across such markets and a general decline in value of the securities that we hold. Because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. In a prolonged low interest rate environment, including a reduction of LIBOR to zero, the difference between the total interest income earned on interest earning assets and the total interest expense incurred on interest bearing liabilities may be compressed, reducing our net interest income and potentially adversely affecting our operating results. During the nine months ended September 30, 2020, certain of the investments in our comprehensive investment portfolio had floating interest rates. These floating rate investments were primarily based on floating LIBOR and typically have durations of one to three months after which they reset to current market interest rates. Additionally, some of these investments have LIBOR floors. The Company also has revolving credit facilities that are generally based on floating LIBOR. Assuming no changes to our balance sheet as of September 30, 2020 and no new defaults by portfolio companies, a hypothetical one percent decrease in LIBOR on our comprehensive floating rate assets and liabilities would increase our net investment income by one cent per average share over the next twelve months. Assuming no changes to our balance sheet as of September 30, 2020 and no new defaults by portfolio companies, a hypothetical one percent increase in LIBOR on our comprehensive floating rate assets and liabilities would decrease our net investment income by approximately two cents per average share over the next twelve months. However, we may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options, swaps and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in any benefits of certain changes in interest rates with respect to our portfolio of investments. At September 30, 2020, we have no interest rate hedging instruments outstanding on our balance sheet.

Increase (Decrease) in LIBOR	(1.00%)	1.00%
Increase in Net Investment Income Per Share Per Year	0.01	$(0.02)

We may also have exposure to foreign currencies through various investments. These investments are converted into U.S. dollars at the balance sheet date, exposing us to movements in foreign exchange rates. In order to reduce our exposure to fluctuations in foreign exchange rates, we may borrow from time-to-time in such currencies under our multi-currency revolving credit facility or enter into forward currency or similar contracts.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2020 (the end of the period covered by this report), we, including our Co-Chief Executive Officers and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Co-Chief Executive Officers and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the third quarter of 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We, Solar Capital Management, LLC and Solar Capital Partners, LLC are not currently subject to any material pending legal proceedings threatened against us. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including 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 business, financial condition or results of operations beyond what has been disclosed within these financial statements.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in "Risk Factors" in the February 20, 2020 filing of our Annual Report on Form 10-K, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. Aside from the below updated risk factors, there have been no material changes during the period ended September 30, 2020 to the risk factors discussed in "Risk Factors" in the February 20, 2020 filing of our Annual Report on Form 10-K.

Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations.

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. For example, in December 2019, a novel strain of coronavirus (also known as "COVID-19") surfaced in China and has since spread and continues to spread to other countries, including the United States This outbreak has led and for an unknown period of time will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby, including a recession and a steep increase in unemployment in the United States.

With respect to the U.S. credit markets (in particular for middle market loans), this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) government imposition of various forms of shelter-in-place orders and the closing of "non-essential" businesses, resulting in significant disruption to the businesses of many middle-market loan borrowers including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and disruption of these markets including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle market businesses.

While several countries, as well as certain states in the United States, have begun to lift public health restrictions with the view to reopening their economies, recurring COVID-19 outbreaks have led to the re-introduction of such restrictions in certain states in the United States and globally and could continue to lead to the re-introduction of such restrictions elsewhere. Health advisors warn that recurring COVID-19 outbreaks will continue if reopening is pursued too soon or in the wrong manner, which may lead to the re-introduction or continuation of certain public health restrictions (such as instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues). Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration, severity or potential worsening of the COVID-19 pandemic and the actions taken by authorities and other entities to contain the COVID-19 pandemic or treat its impact, all of which are beyond our control.

This outbreak is having, and any future outbreaks could have, an adverse impact on the markets and the economy in general, which could have a material adverse impact on, among other things, the ability of lenders to originate loans, the volume and type of loans originated, and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by us and returns to us, among other things. As of the date of this 10-Q, it is impossible to determine the scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties may last, the effect any governmental actions will have or the full potential impact on us and our portfolio companies. Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our and our portfolio companies' operating results.

If the economy is unable to substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, loan non-accruals, problem assets, and bankruptcies may increase. In addition, collateral for our loans may decline in value, which could cause loan losses to increase and the net worth and liquidity of loan guarantors could decline, impairing their ability to honor commitments to us. An increase in loan delinquencies and non-accruals or a decrease in loan collateral and guarantor net worth could result in increased costs and reduced income which would have a material adverse effect on our business, financial condition or results of operations.

We will also be negatively affected if our operations and effectiveness or the operations and effectiveness of a portfolio company (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

Any public health emergency, including the COVID-19 pandemic or any outbreak of other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our investments. Our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that may not show the complete impact of the COVID-19 pandemic and the resulting measures taken in response thereto. These potential impacts, while uncertain, could adversely affect our and our portfolio companies' operating results.

We are currently operating in a period of capital markets disruption and economic uncertainty.

The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn.

Disruptions in the capital markets caused by the COVID-19 pandemic have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to 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 have limited and could continue to limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments.

Additionally, the recent disruption in economic activity caused by the COVID-19 pandemic has had, and may continue to have, a negative effect on the potential for liquidity events involving our investments. The illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital, and any required sale of all or a portion of our investments as a result, could have a material adverse effect on our business, financial condition or results of operations.

Adverse developments in the credit markets may impair our ability to secure debt financing.

In past economic downturns, such as the financial crisis in the United States that began in mid-2007 and during other times of extreme market volatility, many commercial banks and other financial institutions stopped lending or significantly curtailed their lending activity. In addition, in an effort to stem losses and reduce their exposure to segments of the economy deemed to be high risk, some financial institutions limited routine refinancing and loan modification transactions and even reviewed the terms of existing facilities to identify bases for accelerating the maturity of existing lending facilities. If these conditions recur, for example as a result of the COVID-19 pandemic, it may be difficult for us to obtain desired financing to finance the growth of our investments on acceptable economic terms, or at all.

So far, the COVID-19 pandemic has resulted in, and until fully resolved is likely to continue to result in, among other things, increased draws by borrowers on revolving lines of credit and increased requests by borrowers for amendments, modifications and waivers of their credit agreements to avoid default or change payment terms, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans. In addition, the duration and effectiveness of responsive measures implemented by governments and central banks cannot be predicted. The commencement, continuation, or cessation of government and central bank policies and economic stimulus programs, including changes in monetary policy involving interest rate adjustments or governmental policies, may contribute to the development of or result in an increase in market volatility, illiquidity and other adverse effects that could negatively impact the credit markets and the Company.

If we are unable to consummate credit facilities on commercially reasonable terms, our liquidity may be reduced significantly. If we are unable to repay amounts outstanding under any facility we may enter into and are declared in default or are unable to renew or refinance any such facility, it would limit our ability to initiate significant originations or to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility of the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

There is uncertainty surrounding potential legal, regulatory and policy changes by new presidential administrations in the United States that may directly affect financial institutions and the global economy.

2020 is a U.S. presidential election year. Changes in federal policy, including tax policies, and at regulatory agencies occur over time through policy and personnel changes following elections, which lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by corporate entities. The nature, timing and economic and political effects of potential changes to the current legal and regulatory framework affecting financial institutions remain highly uncertain pending the results of the presidential election. Uncertainty surrounding future changes may adversely affect our operating environment and therefore our business, financial condition, results of operations and growth prospects.

Changes relating to the LIBOR calculation process may adversely affect the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

LIBOR, the London Interbank Offered Rate, is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in floating-rate loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR. The terms of our debt investments generally include minimum interest rate floors which are calculated based on LIBOR. In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivative positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the ICE Benchmark Administration, regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. Potential changes, or uncertainty related to such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities, loans, and other financial obligations or extensions of credit held by or due to us.

On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. In addition, on March 25, 2020, the FCA stated that although the central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed, the outbreak of COVID-19 has impacted the timing of many firms' transition planning, and the FCA will continue to assess the impact of the COVID-19 pandemic on transition timelines and update the marketplace as soon as possible. It is unclear if after 2021 LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. We have exposure to LIBOR, including in financial instruments that mature after 2021. Our exposure arises from the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

In the United States, the Federal Reserve Board and the Federal Reserve Bank of New York, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities called the Secured Overnight Financing Rate ("SOFR"). The Federal Reserve Bank of New York began publishing SOFR in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain, including whether the COVID-19 pandemic will have further effect on LIBOR transition plans.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-indexed, floating-rate debt securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. In the event that the LIBOR Rate is no longer available or published on a current basis or no longer made available or used for determining the interest rate of loans, our administrative agent that manages our loans will generally select a comparable successor rate; provided that (i) to the extent a comparable or successor rate is approved by the administrative agent, the approved rate shall be applied in a manner consistent with market practice; and (ii) to the extent such market practice is not administratively feasible for the administrative agent, such approved rate shall be applied as otherwise reasonably determined by the administrative agent.

If the current period of capital market disruption and instability continues for an extended period of time, there is a risk that investors in our equity securities may not receive distributions consistent with historical levels or at all or that our distributions may not grow over time and a portion of our distributions may be a return of capital.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this quarterly report or incorporated herein by reference, including the COVID-19 pandemic described above. For example, if the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories in the jurisdictions, including the United States, affected by the COVID-19 pandemic were to continue for an extended period of time, it could result in reduced cash flows to us from our existing portfolio companies, which could reduce cash available for distribution to our stockholders. If we violate certain covenants under our existing or future credit facilities or other leverage, we may be limited in our ability to make distributions. If we declare a distribution and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash distribution payments. To the extent we make distributions to stockholders that include a return of capital, such portion of the distribution essentially constitutes a return of the stockholder's investment. Although such return of capital may not be taxable, such distributions would generally decrease a stockholder's basis in our common stock and may therefore increase such stockholder's tax liability for capital gains upon the future sale of such stock. A return of capital distribution may cause a stockholder to recognize a capital gain from the sale of our common stock even if the stockholder sells its shares for less than the original purchase price.

Due to the recent COVID-19 pandemic, shares of BDCs have traded below their respective NAVs. If our shares of common stock trade at a discount from NAV, it could limit our ability to raise equity capital.

As a result of the COVID-19 pandemic, the stocks of BDCs as an industry, including shares of our common stock, have traded below NAV, at or near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. If our common stock trades below its NAV, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. At our 2020 Annual Stockholders Meeting, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price or prices below the then current net asset value per share, in each case subject to the approval of our board of directors and compliance with the conditions set forth in the proxy statement pertaining thereto, during a period beginning on October 6, 2020 and expiring on the earlier of the one-year anniversary of the date of the 2020 Annual Stockholders Meeting and the date of our 2021 Annual Stockholders Meeting. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock in an offering that resulted in proceeds to us of less than our then current net asset value per share. Any offering of our common stock that requires stockholder approval must occur, if at all, within one year after receiving such stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted.

Due to the COVID-19 pandemic or other disruptions in the economy, we may not be able to increase our dividends and may reduce or defer our dividends and choose to incur U.S. federal excise tax in order preserve cash and maintain flexibility.

As a BDC, we are not required to make any distributions to shareholders other than in connection with our election to be taxed as a RIC under subchapter M of the Code. In order to maintain our tax treatment as a RIC, we must distribute to shareholders for each taxable year at least 90% of our investment company taxable income (i.e., net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses). If we qualify for taxation as a RIC, we generally will not be subject to corporate-level US federal income tax on our investment company taxable income and net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) that we timely distribute to shareholders. We will be subject to a 4% U.S. federal excise tax on undistributed earnings of a RIC unless we distribute each calendar year at least the sum of (i) 98.0% of our ordinary income for the calendar year, (ii) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (iii) 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.

Under the Code, we may satisfy certain of our RIC distributions with dividends paid after the end of the current year. In particular, if we pay a distribution in January of the following year that was declared in October, November, or December of the current year and is payable to shareholders of record in the current year, the dividend will be treated for all US federal income tax purposes as if it were paid on December 31 of the current year. In addition, under the Code, we may pay dividends, referred to as "spillover dividends," that are paid during the following taxable year that will allow us to maintain our qualification for taxation as a RIC and eliminate our liability for corporate-level U.S. federal income tax. Under these spillover dividend procedures, we may defer distribution of income earned during the current year until December of the following year. For example, we may defer distributions of income earned during 2020 until as late as December 31, 2021. If we choose to pay a spillover dividend, we will incur the 4% U.S. federal excise tax on some or all of the distribution.

Due to the COVID-19 pandemic or other disruptions in the economy, we may take certain actions with respect to the timing and amounts of our distributions in order to preserve cash and maintain flexibility. For example, we may not be able to increase our dividends. In addition, we may reduce our dividends and/or defer our dividends to the following taxable year. If we defer our dividends, we may choose to utilize the spillover dividend rules discussed above and incur the 4% U.S. federal excise tax on such amounts. To further preserve cash, we may combine these reductions or deferrals of dividends with one or more distributions that are payable partially in our stock as discussed below under "***We may choose to pay distributions in our own stock, in which case our stockholders may be required to pay U.S. federal income taxes in excess of the cash distributions they receive.***"

We may choose to pay distributions in our own common stock, in which case our stockholders may be required to pay U.S. federal income taxes in excess of the cash distributions they receive.

We may distribute taxable distributions that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the published guidance, distributions payable of a publicly offered RIC that are in cash or in shares of stock at the election of stockholders may be treated as taxable distributions. The Internal Revenue Service has issued a revenue procedure indicating that this rule will apply if the total amount of cash to be distributed is not less than 20% (which has been temporarily reduced to 10% for distributions declared on or after April 1, 2020, and on or before December 31, 2020) of the total distribution. Under this revenue procedure, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of distributions paid in stock). If we decide to make any distributions consistent with this revenue procedure that are payable in part in our stock, taxable stockholders receiving such distributions will be required to include the full amount of the distribution (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain distribution) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. If a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on distributions, it may put downward pressure on the trading price of our stock.

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

We did not engage in unregistered sales of securities during the quarter ended September 30, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit Number	Description
3.1	Articles of Amendment and Restatement(1)
3.2	Amended and Restated Bylaws(1)
4.1	Form of Common Stock Certificate(2)
4.2	Indenture, dated as of November 16, 2012, between the Registrant and U.S. Bank National Association as trustee(3)
4.3	Second Supplemental Indenture, dated November 22, 2017, relating to the 4.50% Notes due 2023, between the Registrant and U.S. Bank National Association as trustee, including the Form of 4.50% Notes due 2023(4)
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Co-Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
32.2	Certification of Co-Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
32.3	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*

(1) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Pre-Effective Amendment No. 7 (File No. 333-148734) filed on January 7, 2010.
(2) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 (File No 333-148734) filed on February 9, 2010.
(3) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 6 (File No. 333-172968) filed on November 16, 2012.
(4) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 5 (File No. 333-194870) filed on November 22, 2017.
* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 5, 2020.

SOLAR CAPITAL LTD.

By: /S/ MICHAEL S. GROSS
Michael S. Gross
Co-Chief Executive Officer
(Principal Executive Officer)

By: /S/ BRUCE J. SPOHLER
Bruce J. Spohler
Co-Chief Executive Officer
(Principal Executive Officer)

By: /S/ RICHARD L. PETEKA
Richard L. Peteka
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael S. Gross, Co-Chief Executive Officer of Solar Capital Ltd., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Solar Capital Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 5th day of November, 2020

/S/ MICHAEL S. GROSS

Michael S. Gross

EXHIBIT 31.2

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce J. Spohler, Co-Chief Executive Officer of Solar Capital Ltd., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Solar Capital Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 5th day of November, 2020

/S/ BRUCE J. SPOHLER

Bruce J. Spohler

EXHIBIT 31.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard L. Peteka, Chief Financial Officer of Solar Capital Ltd., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Solar Capital Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 5th day of November, 2020

/S/ RICHARD L. PETEKA

Richard L. Peteka

EXHIBIT 32.1

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2020 (the “Report”) of Solar Capital Ltd. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, MICHAEL S. GROSS, the Co-Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ MICHAEL S. GROSS

Name: **Michael S. Gross**
Date: **November 5, 2020**

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2020 (the “Report”) of Solar Capital Ltd. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, BRUCE J. SPOHLER, the Co-Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ BRUCE J. SPOHLER

Name: **Bruce J. Spohler**
Date: **November 5, 2020**

EXHIBIT 32.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2020 (the “Report”) of Solar Capital Ltd. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, RICHARD L. PETEKA, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ RICHARD L. PETEKA

Name: **Richard L. Peteka**
Date: **November 5, 2020**